

Appendix 75 -- US Taiwan Policy Review II (1994)

Source: American Institute in Taiwan (AIT). Available at:
<http://www.ait.org.tw/en/19940927-taiwan-policy-review-by-winston-lord.html>

SEPTEMBER 27, 1994, TUESDAY

CAPITOL HILL HEARING WITH DEFENSE DEPARTMENT PERSONNEL

HEARING OF THE EAST ASIAN AND PACIFIC AFFAIRS SUBCOMMITTEE OF THE
SENATE FOREIGN RELATIONS COMMITTEE

SUBJECT: U.S. POLICY TOWARD TAIWAN CHAIRED BY: SENATOR CHUCK ROBB
(D-VA) WITNESS:

WINSTON LORD, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND
PACIFIC AFFAIRS

419 DIRKSEN SENATE OFFICE BUILDING

SEN. ROBB: The committee will come to order. I would invite Secretary Lord to come and have a seat at the witness table, if you would please, Mr. Secretary. And, to all concerned, I think that you are aware -- I sent word over and asked that an announcement be made -- I understand that it circulated informally in lieu of an announcement. We had four stacked votes in a row, and rather than starting and having just a few sentences and then racing back and forth for votes, we decided to go ahead and complete those, and we'll go ahead and begin.

We're very pleased to have Secretary Lord with us again this afternoon. I can't even guess at the number of times Secretary Lord has appeared before this committee, but we are very pleased to have him in this case to discuss U.S.-Taiwan relations, and in particular the just completed Taiwan policy review. Our policy statement toward Taiwan has been the subject of considerable debate within the last year, and the hearing today provides committee members an opportunity to better understand the administration's outlook for the future.

To begin, let me say that I appreciate the difficulty that exists in overseeing our China policy. Secretary Lord has to implement rational diplomacy in the face of sometimes irrational demands from Beijing, Taipei, and indeed even those of us here in Congress. It is a juggling act where the balls can be dropped easily. Thank-yous are normally in pretty short supply, and criticism can be plentiful. But the stakes in promoting continued peace and stability among the international parties are real, and they are important. The Washington-Beijing-Taipei axis is delicately balanced, and a policy shift from one often elicits an even greater reaction from the other. We sell F-16s to Taipei, and the Mainland delivers a warning by stepping up military training exercises and moving troops around. President Lee is given short shrift in Hawaii. The Congress is still expressing its dismay months afterwards. China's deputy foreign minister told me in Beijing last year that Hong Kong's reversion serves as a useful model for the cross-strait talks. That idea is readily dismissed by Taipei and Washington. So finding common ground is admittedly challenging.

The difficulty for now seems to be in defining Taiwan's diplomatic, economic, political, and

international status. To sort through these questions, the administration rightly began a comprehensive inter-agency review of our policy toward Taiwan a year ago. I understand that administration officials, including Secretary Lord, engaged in a painstaking and rigorous process, and I applaud them for their efforts.

The Taiwan of today is markedly different from the one we broke diplomatic relations with 15 years ago. And my sense is the policy review recognizes this, at least to some degree. The country is admirably more democratic, has grown to be one of our most valued trading partners, and stands with us shoulder to shoulder on an array of international issues. Taiwan is a good friend, a trusted ally that can be counted on for support.

Given that background, I believe it serves us well to strengthen ties with Taipei, pressing the edge of the diplomatic envelope, if necessary, on a point that where our differences probably lie with the administration in defining new partnerships for the relationship. It is worth reiterating that I believe that our relations with the Mainland are paramount. We made the right decision in 1979, and it is important that we recognize that a vital U.S. national security interest lies in maintaining a viable and healthy relationship with Mainland China.

That said, I believe we come up woefully short in recognizing and appreciating our friends in Taipei. On a number of critical issues, Taiwan is outside the tent when it should be inside. To be more explicit, I do not advocate putting Sino-U.S. ties on a sacrificial altar for the sake of increasing contacts with Taiwan. We should continue to engage Beijing on all fronts, but that should not prevent us from making forward progress in our relationships with Taipei.

Continuing to keep Taiwan at arm's lengths makes little sense to me. The strengthening, I believe, could take a number of forms. Taiwan deserves greater recognition in various international fora, including the U.N. and GATT, and the rationale for not allowing Taiwanese officials into some U.S. federal government buildings and not others, apart from normal security concerns, is simply not apparent to me.

The new name of the Taiwan office in Washington, the Taipei Economic and Cultural Representative Office, as dictated by the policy review, suggests a much more limited role as it relates to precisely what our friends from Taipei do in the nation's capital, then is actually the case. Their work is not limited to merely economic and cultural affairs, and I believe it is unseemly as well as unfortunate the administration must go to this extraordinary length to cover up what is apparent to all: that we engage in discussions with Taiwanese officials on a whole range of diplomatic, political, strategic and military matters, and can't bring ourselves to truthfully describe their duties here, lest Beijing take offense. Given the Taiwan relations act, managing our relations with Taiwan is a shared responsibility between the Congress and the executive branch. It is a unique set of circumstances where Congress is by law more actively involved in the conduct of relations with Taiwan than other countries in the world.

So today we look forward to reviewing the review, and reaching a better understanding of the administration's work on this particular issue. With that, I will turn to the ranking member of the committee, Senator Murkowski.

SEN. FRANK MURKOWSKI (R-AK): Thank you very much, Mr. Chairman. I think you and I both agree that there is frustration associated with our policy towards Taiwan. I want to

thank you for holding this hearing as soon after the release of the Taiwan review; or I think it's probably more appropriate to say adjusted policy toward Taiwan.

I also want to thank Ambassador Lord for following through on your commitment to testify before this committee to discuss the results of the long awaited policy review. And I want to say that I certainly recognize that your views aren't necessarily a situation where they may come as your own individual analysis, but there is a number of resources that you receive input from -- of course the National Security Council, the White House, the administration, the Secretary of State, others -- they all sign your paycheck, so I want to assure you we're not here to do harm to the messenger, so to speak, for whatever degree of message maybe that you carry.

If you'll recall, Senator Robb, you and I discussed some time ago the need for a hearing -- I think it was back in July of 1993. At that time the administration indicated that it was involved in an inter-agency review of U.S. policy towards Taiwan. I would hope that the ambassador can enlighten us why it necessarily took so long, although I could guess. We were told a number of times that the announcement was imminent -- within weeks -- but then something would come up to delay its release. I don't know whether it would be appropriate to suggest there might be some pressure from the PRC, but there might be. We saw the MFN debate, the North Korean negotiations, finally Secretary Brown's trip to Beijing. Then, on September 7, when we were on recess, the policy was rather quietly announced. It is often said that you crawl before you walk, before you run, and I think the administration has taken that adage to heart to a degree when it looked at its U.S. policy towards Taiwan. In my opinion, it did not make the real changes to policy, but really it made adjustments.

So I want to make it clear I welcome the mere fact adjustments were made, but I think a review of U.S.-Taiwan relations was long overdue. At least the changes that were made are tentative steps toward making our policy more rational. But, with all due respect to you, Mr. Ambassador, I had hoped for bolder and more substantive steps.

Speaking of boldness, I am somewhat amused -- we had a recent visit to Alaska by the foreign minister from the PRC. He met with our governor. During the conversation the minister urged me to cease fostering advancements of Taiwan's causes in the Congress. So it even reaches through the area of Alaska, which I found really interesting.

Now, what has really been accomplished? You changed the name, the name of the Coordinating Council of North American Affairs, which really didn't identify with anything, to the Taipei Economic and Cultural Representative Office. Well, I guess we at least have a geographical reference now. But I wonder why it didn't even mention Taiwan.

Two, we have higher level U.S. government officials from economic and technical agencies will be allowed to visit Taiwan under the renewed policy. Of course, Carla Hills, USTR during the Bush administration, visited Taiwan; so this adjustment really isn't breaking new ground. Of course what we are really looking for is implementation here, and we're looking forward to an announcement from this administration of a high-level visit to Taiwan.

Three, ROC officials meeting with some of the high-ranking U.S. officials will now be able to meet in official settings, rather than hotels and restaurants. But the policy really leaves the caveat that this excludes meetings at the State Department, the Old Executive Office Building, the White House -- even though AIT, American Institute on Taiwan officials are now allowed to go to the foreign ministry in Taipei, the equivalent of our State Department. So we can go to theirs, as I understand it, but they can't visit ours. I wonder if this really is equitable and makes sense. Last week we in the Senate hosted Ambassador and Mrs. Deng (sp) to a reception in the Mansfield Room in the U.S. Capitol, and there were a number of friends, senators, attending that function. So, again, I think it points out an inconsistency.

Now in those areas where adjustments were made the administration I think acknowledged some inconsistencies. I'm most concerned about those areas where the administration chose to keep the status quo in tact, and I'll address those briefly. What did not change? The arms sales policy is still the inconsistency of the bucket -- you're either in the bucket or you're out of the bucket. The Taiwan Relations Act says it will provide for Taiwan's self defensive needs. But then we told the PRC we would limit the quality and quantity of our sales. In practice the bucket is an anachronism because we broke it with the F- 16, in the opinion at least of some, because it wasn't in the bucket, it was outside the bucket because it was old technology.

Well anyway, by pretending to still adhere to arbitrary limits our defense exporters really lose a tremendous amount of sales because there's still no ground rules for when a system will or will not be approved. And I've tried to get an understanding of the uniform policy when approached by some who have been somewhat frustrated in their efforts to penetrate policy from the State Department, and I must admit it seems to be an individual interpretation with regard to sale.

I refer the committee members to the testimony that was submitted by the American League for Exporters and Security Assistance which estimates that past and present defense sales lost to Taiwan defense sales policy could reach as high as \$20 billion in revenue for the United States and over 400,000 U.S. jobs could be affected.

Another item that hasn't changed, it is my understanding U.S. military Air Force planes cannot stay over night in Taiwan. I know when I went over to the funeral of the late Chiang Ching Kwo (ph) the Air Force plane landed and then had to fly to Guam, and that was several years ago, and evidently we still have that policy. We don't allow our airplanes to stay overnight. I wonder what purpose does this serve except to waste taxpayers dollars. We still mandate a visa stamp with Hong Kong. When you go into these American institutes in Taiwan and ask for a visa as a Taiwanese resident and it bears a Hong Kong visa stamp. What are you going to do in 1997. Official visits to the U.S. by President Lee and other high level Taiwanese officials is still prohibited, yet Arafat comes to the United States, Dali Lama and so forth. Government officials are still prohibited from visiting State Department, White House, the Old Executive Office Building. Some low levels officials, I guess, have been allowed to go to the Pentagon. Will this continue?

Taiwan membership in the U.N. is not supported. I know that the U.N. Ambassador will likely defend the lack of change as a signal that the policy has been working in the past and I guess if

it's broke, why fix it. But, Mr.

Chairman, I basically disagree with this. This new policy might suit -- well I guess it was diplomacy 101 it says here, but it does not suit fairness in the sense a class in 101. This is just not a policy for the 21 million people in Taiwan who lack representation in the multi-lateral institutions. But they want Taiwan's money, they want Taiwan's compliance, they want Taiwan's expertise, but they don't want their input in the process. It's really not just a policy for the ROC government officials who act with great dignity and respect, but they are really not treated with the same dignity and respect in that sense.

I don't think this is -- (inaudible) -- not just a policy for a country like the United States. You know we really claim and stand for democracy and human rights throughout the world and we're recognized as such. This is not just a policy for President Clinton, I think, who made democracy a cornerstone of his foreign policy. This is the President who said, and I quote, "we need new leadership, leadership that will stand the forces of democratic change, a President who will utilize our economic, political and cultural resources to assist the new forces of freedom emerging around the world." Why does this apply to Haiti but not Taiwan?

Our policy towards Taiwan probably has still more loose ends than a ten dollar hairpiece when you think of all the extremes and exceptions and so forth. So, Mr. Chairman, I find it ironic and sad that this administration is willing to risk the lives of American soldiers through restoring Aristide to power in Haiti under the guise of democracy, but it is not willing to ruffle the PRC's feathers by rewarding democracy and human rights in Taiwan.

And further, Mr. Chairman, in my opinion the United States continues to turn a cold shoulder towards Taiwan even as the world itself is warming up. Our Taiwan policy is the relic of the Cold War. I have a chart over here which shows a time frame on the policy. It's a little difficult to see, but as we look at major events that have occurred over a time frame, we see an inconsistency here with the advancements associated with Taiwan and major events that have reduced tensions in the world. And as a consequence, Mr. Chairman, it's a little befuddling to recognize that everything has changed except we still continue to maintain almost a Cold War policy towards Taiwan. And one wonders why it's necessary to continue that in view of the tremendous changes that are being made throughout the world.

Now Mr. Chairman, back in 1978 when we broke off diplomatic relations with the Republic of China and recognized the PRC we did live in a different world at that time. We had a wall that divided the two Germanys, the Soviet Union -- that was called by some the Evil Empire, at least some on our side. And the people of Taiwan at that time lived under Marshall law. This was the state of the world when the United States passed the Taiwan Relations Act. Although the world has changed dramatically since that time, really our policy towards Taiwan has changed little.

Taiwan has emerged as a model democracy. Marshall law was lifted, press curbs were lifted, oppositional parties were made legal, popular presidential elections are scheduled for 1996. So Taiwan has emerged, it's an economic power house, the world's 13th largest trading economy, the largest foreign reserve, our fifth largest trading partner. Despite trips by our Secretary and others, Taiwan still buys twice as much with the U.S. as the PRC, so they're one of our very

best customers. I think it's ironic that Taiwan and the PRC have allowed economic and social contact but not the political maturity that ordinarily comes with that kind of relationship. And in 1993 the ROC became the second largest investor in the PRC, 1.5 million residents of Taiwan traveled to the mainland's last year.

So as we look at our relationships with Taiwan, rather than reward Taiwan for the enormous positive changes it has undertaken, we seem to have chosen to treat it like an international -- well some kind of an international ne'er do well. The reason for that I think is legitimate in questioning the policy of the administration. We are all familiar with the unfortunate incident that recently occurred with President Lee's request for an overnight stay in Hawaii in his route to Costa Rica. It was denied after protest from the PRC embassy.

There are many of us here in Congress who feel very strongly not only should President Lee be permitted to stay overnight in the U.S., he should be welcomed as a guest. After all, this administration has seen the benefit of having Yassar Arafat, head of the PLO, and not a recognized government leader, visit the White House. Similarly, Gerry Adams, head of the Sinn Fein the political wing of the Irish Republican Army, visited the United States. In each of these cases they were subject to objections. In fact I'm told the United States has recently granted Gerry Adams a two week visa to visit several cities, over the objection of the United Kingdom. Similarly, Tibet's exiled leader, the Dali Lama, called on Vice President Gore at the White House. The PRC strongly objected to this visit, but the administration rightly went ahead with the visit.

Now the administration's new policy explicitly states that it will not support, not support Taiwan's bid to enter the United Nations, presumably because the PRC would object. Well I would disagree with that kind of a rationale. With the organizations like GATT, the United States should look for ways where both Taiwan and GATT could join. Taiwan agreed to call itself a customs territory, and the GATT members under U.S. leadership have worked out arrangements where the two would likely enter the GATT together. Certainly the United States should be a leader for creative diplomacy in the U.N. arena as well. I think other countries would follow our lead. If the United States doesn't take the moral bold high ground, other countries will not warrant to be so bold.

The recent example of this, we've seen when the Japanese, under intense pressure obviously from Beijing, asked President Lee not to attend the Asian games, even after an invitation was extended. If the United States were to allow President Lee to visit the United States for an event such as accepting an honorary degree from Cornell, however Japan may find the back bone to allow President Lee to attend an international sporting event, if we set a responsible example.

But the United States must be willing to take a risk, risk of a little PRC bellowing. As we've seen before, the PRC has grown in my opinion a bit arrogant because every time they yell, and they yell loud, we seem to back down or at least get in a stall. This appeasement only compels them to seek greater concession, and I think this must stop.

We all look forward to the day when the PRC is important because it is governed freely and

that it uses its long tradition and culture, not just its immense size, to earn our respect. Clearly the United States has important interest in maintaining relations with the mainland, but that does not mean that our foreign policy can be held hostage in effect by the PRC. The United States stands on its expressed commitment to democracy and freedom. I don't think we can turn our backs on the people of Taiwan. Even if the administration does not turn U.S.-Taiwan relations loosely, then I think the U.S. Congress must. Thank you, Mr. Chairman.

SEN. ROBB: Thank you, Senator Murkowski. I might add that the Foreign Minister of the PRC is going to be here next week and we are tentatively scheduling a coffee for him so you may continue that dialogue if you would like to at that particular time.

SEN. MURKOWSKI: And we can invite the folks who are here today.

SEN. ROBB: That's right. I might also add that I know that Secretary Lord has very much looked forward to coming before this panel on this occasion, perhaps with the same joy that you approach a root canal, given the opportunity to hear a number of characterizations which I suspect that you will want to address in your opening statement and then certainly through questions, but we're going to postpone that agony just a bit longer and call on our friend, the distinguished senator from Illinois, for any opening comment he might have.

SEN. SIMON: I thank you, Mr. Chairman, and I agree with the general thrust of the comments by both Senator Robb and Senator Murkowski. I think Senator Murkowski's comparison of the situation with Haiti is significant. I happen to have opposed an invasion, but I think what we are doing now is responsible. We are in fact putting ourselves at risk for democracy in Haiti. In Asia, however, where we have two nations, PRC and Taiwan, one of whom has a dictatorship, no free press, the kind of things that we say we stand for, and the other nation has a freely elected government, multi-party system, a free press and we are in the words of Senator Murkowski, turning a cold shoulder to the country with a freely elected government and a free press and the kinds of things that we say that we stand for. I don't think it makes sense. And I think we have to recognize that it doesn't make sense.

You can give the economic arguments also, we sell more to Taiwan than we do to China. But that's really not the basis for our policy, just pure dollars and cents. We have some ideals that we ought to be standing up for.

It's very interesting that in Germany we recognize that in fact there were two Germanys. Neither side liked the fact that we recognized the other government, West Germany or East Germany, it did not prevent the two from coming together eventually. But I think it was a rational policy. I think in Asia today we have an irrational policy, and I think it clearly should change.

I would add one other point to my friends in Taiwan. I think if they would be more explicit about their sovereignty and their jurisdiction that they have sovereignty over the island of Taiwan but no pretense to governing the mainland, I think that would ease the situation diplomatically. I recognize that's a (sic) awkward step for them to take for at least some of the people on the island, but I think would make sense. I think that makes sense for them. I think for us to say to our friends in the PRC we want to continue diplomatic relations with you. We

want to continue trade with you, trade that benefits them overwhelmingly more than it does us right now.

But we also recognize that Taiwan has an independent government, and we're going to officially recognize that government. I think that the administration is inching in the right direction, but it is inches when we should be moving in much more substantial measures.

Thank you, Mr. Chairman.

SEN. ROBB: Thank you, Senator Simon. Senator Pressler, do you have an opening statement?

SEN. LARRY PRESSLER (R-SD): Yes, I do. I've been very concerned about the military buildup in China and how that would affect Taiwan and I -- we've had some exchanges on this before in this committee, but I am aware that there are Chinese military exercises that have just been held at Yangjiang near Hong Kong, and I've got a map up -- Frank, we'll put your map back up right away. At that whole coastline right now, that there are military exercises right by Taiwan. There are naval exercises now in progress near Shanghai on the map over there. The Chinese 15th Airborne Army's paratroop exercises last July were right near Taiwan, and the CIA is telling American academics that Chinese military exercises have increased markedly over last year.

And, as I have said many times, there's no conceivable military threat to China, but their huge military buildup is very threatening to Taiwan, but also to other countries in the region -- for example, India's nuclear program responds to China's nuclear program, and Japan will not sit still forever with these increasing military activities by China.

But these military exercises all up and down the coast there that we see, could these conceivably be a prelude to an invasion or blockade of Taiwan, and it's just amazing the amount of military activity right along that coast, so I hope you will address that. But also, the bigger picture of what China is up to, because there's no conceivable threat to China. Nobody is trying to invade them. They are a very militaristic society, in my judgment. On a broader scale, they are building more and more nuclear weapons and proliferating those weapons today, as they have done to Pakistan and North Korea and Iran and conceivably to Syria and Iraq and -- I'm sorry -- Libya. And I think this is a great concern, and when you were here previously, I think you did not acknowledge the military activities of China. This is a position of the State Department to say that this is just a normal percentage increase, but these particular exercises that I have cited, I would appreciate your comments on as well as what do they mean? What's really going on here?

Thank you, Mr. Chairman.

SEN.ROBB: Thank you, Senator Pressler.

We've been joined by the chairman of the full committee, Senator Pell. Senator Pell, would you like to make an opening statement?

SEN. CLAIBORNE PELL (D-RI): Thank you very much, Mr. Chairman, and I congratulate you on the chair's vision in which you (forward things in nature ?). I share with you an interest

in the (development of ?) Taiwan, have for many years.

I welcome the review of the policy vis-a-vis Taiwan. It's long overdue and I'm very glad that the administration is doing so and I would ask that the balance of my statement be (entered into ?) the record (as if read ?).

SEN. ROBB: Without objection, the chairman's entire statement will be included in the record as if read.

At this point, Mr. Secretary, we're going to give you an opportunity at least to begin to defend yourself from all of the onslaught that you have received. I don't think, again, that you assumed that this was going to be a pro forma hearing, and I suspect that you are ready for us, but we will now be very pleased to hear from you.

MR. LORD: Thank you, Mr. Chairman. Let me assure you at the outset I do not see this as being a root canal operation. Indeed, I look forward to sinking my teeth into these issues. (Laughter) And, indeed, I'd like to fill in some of the cavities of the positions of our critics. (Laughter)

Seriously, I am pleased to be here, because some of the comments we've heard today I've seen in the press and I've seen other comments that I really -- I honestly believe represent a misunderstanding of what our policy is and what we're trying to achieve. I do not pretend that we agree on all the specific measures that should be taken, and I've had exchanges I think with everyone on this panel on a private bilateral basis as well as in front of a group, but in terms of the direction of our policy, the friendliness of our relationship, the fact that one has to distinguish between symbolism and substance, the fact that we're moving forward rather than giving cold shoulders -- there's a lot to be discussed here.

I have an opening statement quite brief, so I will read it. I would like to pick up on some of the individual comments that have already been made, but I see you've been joined by other senators. You may wish to give them a chance before I begin on my statement.

SEN. ROBB: Thank you, Secretary Lord. May I inquire to the ranking member of the full committee, Senator Helms, if you would like to make an opening statement?

SEN. JESSE HELMS (R-NC): (Let me ?) defer to the chairman.

SEN. ROBB: To the chairman? Everyone else has made an opening statement, and if you would like to make one, Senator Helms, now would be an appropriate time.

SEN. HELMS: Well, I think Shakespeare said in "Hamlet" one time that brevity is the soul of wit. I shall apologize for the necessity of having been late for this hearing.

I think I am fairly well recognized, Mr. Chairman, as the oftentimes supporter of Taiwan. Given the choice of Chinas, I would take Taiwan every time, but I am very proud of the relationship that the United States has had with Taiwan. I hope it continues. But I am particularly concerned, Mr. Lord, about the affront to the relationship that after two years the president released over the Labor Day holiday what I regard as a common ploy when the entire city of Washington -- official city -- knows that Congress is not going to approve of something.

Making matters worse, the Communist Chinese were briefed on the contents of the review

before members of the Senate were, once again an indication that the last people that the State Department appears to work for are the American people. So I would say to our friends from Taipei, Taiwan, that they -- the majority of the American people, and I believe, obviously, the majority of the members of Congress, House and Senate, are proud of the relationship with and the friendship of the people and the government of Taiwan.

With that, that's brief enough, I shall suspend, but I welcome you here today. SEN. ROBB: Shakespeare's admonitions have not been violated.

Now -- thank you, Senator Helms -- Secretary Lord, we would now be very pleased to hear your opening statement.

MR. LORD: Let me make one particular comment before getting to the text of my statement. What is not at issue here today is whether we have friendly sentiments toward Taiwan. I yield to no one in that. The administration does not yield to the Congress in terms of friendly sentiments toward Taiwan.

Where we have honest differences is how far we can carry that out in symbolism as well as substance -- and substance is extremely solid, as I will demonstrate -- without endangering other American interests, and I respect those who say, "We don't care about our relations with Beijing. We don't care about nuclear proliferation or trade or career or whatever. We're willing to risk a lot of that because we only care about Taiwan." I understand that. Taiwan viscerally is more attractive. They're moving toward democracy, they're moving toward human rights. One cannot help but have sympathy for them, especially in contrast with repressive political regimes elsewhere.

So that's a legitimate position. One cannot, however, say, "Let's do everything we want for Taiwan and our instinct tells us and our friendship tells us." Let's have a relationship that is sound and advances our security, political, economic, global interests with 1.2 billion people, whether it's the environment or drugs or all the other issues that I've mentioned.

So what six administrations of two political parties, conservative administrations, liberal administrations, Republicans and Democrats, have all agreed upon, six presidents, is that we should pursue a balanced approach, try to encompass American national interests both with Taiwan and with Beijing.

Does that mean some pain along the way? Of course it does. Was it easy to shift diplomatic relations in 1979 under a Democratic president or to open up contact before that under a Republican president or to sign a communiqué a few years ago in Ancio (ph) under another Republican president? No, there was some pain. Did it reflect the national interests? I believe so.

It has been a remarkably successful balancing act and policy. Taiwan has flourished. Our relations with Taiwan, I would argue, are warmer than ever, despite what has been said here today, and therefore I would only ask that the people in the debate recognize, as have six administrations of both political parties, what it means to undertake a balancing act.

Now, during this period, Taiwan, its courageous people, its enlightened leadership, have adjusted with great dignity and grace to difficult changes in the environments they face, and their record speaks for itself. I'd like to think American policies have played a supporting role.

Certainly it's the people and leaders of Taiwan that have done that.

So let us not shortchange the conventions and the accomplishments of successive bipartisan policies in the executive branch and, I must say, on the whole, with the support of the Congress, as well. Now, with that general introduction, let me read my statement and then pick up a few issues that have already come up.

Thank you for inviting me to testify on behalf of the administration on an issue of substantial importance to our policy in the Asian-Pacific region. Our bonds with Taiwan are robust, friendly, growing, and complex. Your invitation is timely. For the first time in 15 years, we have systematically enhanced the ways in which we promote American interests and manage our relationship with Taiwan.

The administration has carefully examined every facet of our unofficial ties with a view to correcting their anomalies and strengthening their sinews. The president has taken a personal interest in this process and directed that a series of changes be implemented.

The lengthy, detailed interagency policy review that we have conducted is the first of its kind launched by any administration of either political party since we shifted recognition to Beijing in 1979. We have consulted with interested members of Congress and the private sector. The foundation of our approach has been to advance U.S. national objectives in our relations with Taiwan and the PRC, as well as in the Asia-Pacific area generally. The results, we believe, strike the right balance between Taipei and Beijing, laying the basis for further expanding relations with both while ensuring continued peace and stability in the Taiwan Straits.

The basic framework of our policies toward the PRC and Taiwan remains unchanged. It is worth recalling how durable and productive that policy has been. During 22 years, six administrations of both political parties have closely examined this approach and concluded that it is firmly rooted in U.S. national interests. Throughout this period, we have maintained our friendship and ties with Taiwan while advancing our considerable goals with the People's Republic of China.

U.S. policy towards Taiwan is governed, of course, by the Taiwan Relations Act of 1979. Three communiqués with the People's Republic of China also constitute part of the foundation. In the joint communiqué shifting diplomatic relations to the PRC 15 years ago, the United States recognized, quote, "the government of the People's Republic of China as the sole legal government of China," unquote. The document further states that, quote, "within this context, the people of the United States will maintain cultural, commercial, and unofficial relations with the people of Taiwan," unquote. The U.S. also acknowledged the Chinese position that there is but one China and Taiwan is part of China. These formulations were repeated in the 1982 communiqué and since 1978, each administration has reaffirmed that policy.

The policy has been essential to maintaining peace, stability, and economic development on both sides of the Taiwan Strait and throughout the region. It has buttressed expansion of bilateral contacts between China and Taiwan, including a broadening of social and economic linkages that have improved standards of living both in Taiwan and the People's Republic of

China.

Meanwhile, the United States has maintained mutually beneficial ties with both. We are focused on bilateral and multilateral agendas and are working cooperatively with each. We are not putting at unnecessary risk our relations with either.

We have made absolutely clear our expectation that cross-strait relations will evolve in a peaceful manner. We neither interfere in nor mediate this process, but we welcome any evolution of relations between Taipei and Beijing that is mutually agreed upon and peacefully reached.

During the past two decades, Taiwan has been one of the world's greatest economic success stories, achieving rapid growth and prosperity. Its security has been enhanced and is more solid than ever.

It has taken dramatic strides toward democracy and the fulfillment of human rights. With a small population and modest resources, Taiwan has risen to be one of the world's major economic actors while putting into practice a lively, increasingly representative political system. It has shown that political openness must accompany economic reform and that Asians value freedom as much as other peoples around the globe.

These remarkable developments are a tribute above all, of course, to the talents and energy of the people of Taiwan and to their enlightened leaders. They also reflect the soundness of bipartisan U.S. policies pursued through successive administrations. We have been faithful to Taiwan while addressing our wide range of goals with Beijing.

At the same time, in recent years changes of a profound nature have taken place in the People's Republic of China. The PRC is undergoing a significant transition from a command to market economy and has brought unprecedented prosperity to millions. It has opened up to the outside world, but it clings to a repressive political system. It is an increasingly important player on the world stage.

In the end, it is only the two parties themselves, Taiwan and the PRC, that will be able to resolve the issues between them. In this regard, the U.S. applauds the continuing progress in the cross-straits dialogue. The record is one of slow but not inconsequential advance. We should not underestimate the significance of two parties who have a history of bitter enmity getting together to discuss issues.

While credit must go, first of all, to each for enhancing their dialogue, U.S. policy has contributed to a climate which has fostered not only these growing exchanges, but also trade, investment and travel between them. This trend toward contact and dialogue serves the interests of both parties, the United States, and regional stability and prosperity.

Taiwan's security is one of the most important aspects of our policy. Meeting the needs of Taiwan is critical not only for Taiwan, but also for peace and stability in the region. We will continue to provide material and training to Taiwan to enable it to maintain a sufficient self-defense capability as mandated by the Taiwan Relations Act.

There is no change in our arms sales policy as a result of the adjustments we are undertaking. Our sales to Taiwan will remain fully consistent with both the Taiwan Relations Act and the 1982 U.S.-PRC communiqué. These documents are complementary and support the same basic objectives, peace and stability, in the Taiwan straits.

So I've begun my statement by giving you the context and reminding you of the advances we think have taken place, and indeed the advances in the international framework which lead to our policy adjustments. Within this framework, the president has decided to enhance our unofficial ties with Taiwan. Our goal is to reinforce the success of the fundamental policy approach I have outlined, which has promoted peace and growth in the region while accommodating changing circumstances in ways that advance U.S. interests.

We believe it would be a serious mistake to derail this basic policy of several administrations by introducing what China would undoubtedly perceive as officialty in our relations with Taiwan. This is why the administration strongly opposes congressional attempts to legislate visits by top leaders of the Republic of China to the U.S.

Now, let me give you the highlights of our changes. Taken together, they represent a significant advance while remaining faithful to the undertakings of several administrations of both political parties to Beijing. I'll be pleased to provide more details later in response to your questions.

We are now prepared to send high-level officials from economic and technical agencies to visit Taiwan. We will make judgments as to what level of visitor best serves our interests. They will have meetings at whatever levels necessary to accomplish our objectives. We're also prepared to establish a subcabinet economic dialogue with Taiwan. Moreover, last week we signed a trade and investment framework agreement and anticipate an early commencement of talks.

We're also making some changes in the way we promote our commercial and technical interests in Washington, including where meetings can be held. Taiwan will have a new name for its office here, the Taipei Economic & Cultural Representative Office. Recognizing Taiwan's important role in transnational issues, we will support its membership in organizations where statehood is not a prerequisite and we will support opportunities for Taiwan's voice to be heard in organizations where its membership is not possible.

Due in significant part to a well-conceived and consistent U.S. policy since 1979, U.S. and Taiwan relations are thriving. We can conduct any important business. Our trade and investment levels are high and rising. Some 37,000 students from Taiwan study in the U.S., second-highest number in the world. Thanks to our efforts, Taiwan is a valued member of the Asia Pacific Economic Cooperation forum, the most important regional economic body in Asia. It is engaged in serious productive negotiations which will lead to an accession to GATT.

Mr. Chairman, U.S. policy toward Taiwan has been a major bipartisan success story through several administrations. It is balanced. It is faithful to our obligations, our commitments and our national purposes. It promotes our goals both with the PRC and with Taiwan. Relations

with the PRC are official and diplomatic. With Taiwan they are unofficial but strong. We do not believe that we can or should tamper with this successful formula.

We do not seek and cannot impose a resolution of differences between Taiwan and the PRC, nor should we permit one to manipulate us against the other. What we can do, and what we have just done in the most thorough review and adjustment in 15 years, is to strengthen our unofficial relations with Taiwan, permit the expansion of ties with the PRC, promote regional peace and development, and serve American national interests.

Mr. Chairman, that represents my opening statement. With your permission, I'd like just a couple of minutes to answer just a few of the questions or comments that have already been made. And if I leave any out or people want to pursue that, of course, I'll be happy to do so.

SEN. ROBB: Please continue, and then we'll begin a round of questions.

MR. LORD: First, a further comment on legislation before the Congress about mandating visa issuance for top leadership visits by Taiwan. Here, let me make clear at the outset our personal regard and my own personal regard for President Li Teng-hui. I'm sure he will be seen by history as having made an enormous contribution, demonstrating that democracy works and meets the aspirations of the people regardless of history and culture. Under President Li's leadership, as is well-known, Taiwan has made enormous economic achievements. So we're not talking here about individuals. We're not talking about friendship or admiration. We're talking about what we perceive to be necessary in terms of American national interest.

As I said at the outset, what we're talking about is not whether we share positive sentiments toward Taiwan, but how far we can go consistent with our national interests. Now, the administration, as you know, is strongly opposed to efforts in the Senate to legislate visits to the U.S. by Taiwan's top officials. We believe that passage of such legislation would have very negative effects on U.S. foreign policy interests. I have described here the substantial foreign policy benefits we have achieved in our relations with both China and Taiwan through -- and I emphasize this -- a carefully balanced approach.

A key component of that approach is the unofficial relationship with Taiwan which has been in place as part of our framework since 1979. If Congress, over the administration's strong objections, were to legislate visits by Taiwan's top leadership, including the president of what Taiwan terms the Republic of China, it would remove one of the most important elements which makes the relationship unofficial.

Our objection to the amendment is not because China opposes it. We've already demonstrated, and indeed we have taken a great deal of criticism on the most recent review and on other occasions, that when we think it's in our national interest, we're prepared to pursue policies that Beijing objects to even very strongly.

But the point here is that it's not in our interest to reverse commitments at the highest levels of the U.S. government over many administrations, reaffirmed time and time again, including by this one. If we do not observe our commitments, what can we expect of others, including China, with respect to their commitments?

Finally, we believe that this provision is wholly unnecessary. Our relation with Taiwan is flourishing and will continue to flourish within the framework I've described. In short, the proposed legislation is unnecessary, inimical to our interests, and should be defeated. And it really gets here to a question of, as I said, symbolism and substance.

We can do everything that we need to do with Taiwan under the present arrangements, and we have tried to expand our ability to do so. And one of the reasons we have made the changes -- and I do not agree with those who denigrate these changes; I think they're very significant, particularly if you take their cumulative impact -- one of the reasons, in addition to our commercial interests, is precisely the point made by almost all the senators here, namely that we do recognize the movement toward greater freedom in Taiwan, and in part this is a recognition of that but does not go as far as many of you wish. But it is not just our economic considerations but our admiration for political progress that has driven our review and helped to produce our decisions. So we are moving forward. I do not accept cold shoulder. I think that's a misnomer. On the particular point of President Li's stopover in Hawaii, I would like to point out that this, whatever the press play, was a step forward, not a step back. No administration before this one has allowed the president of Taiwan to set foot on American soil. So this was a step forward, not a step back. It may not be as much as is wanted by many, but I don't see how this can be a cold shoulder or reverse step when this person could never come here before this administration.

Number two, there's a canard floating around, and to stamp it out is as hard as to get rid of the Energizer bunny.

But the fact is, of course President Li could have got off the airplane in Hawaii. We offered the distinguished visitors' lounge. We sent one of our most distinguished State Department people from Washington all the way out to Hawaii to greet him. He chose to stay on the airplane. That was his choice. And under our new policy, we will permit overnight visits. We will permit anything consistent with security and comfort and convenience so long as it's a transit visit. So I wanted to put to rest what has been a totally inaccurate portrayal of that incident.

Senator Pressler mentioned the issue of Chinese military. I think there are two issues here, and I can't do them justice without going on too long at this point. But I'll be glad to continue even on other occasions. The question of Chinese defense military buildup generally, and the specific point about exercises and the threat to Taiwan -- let me comment on the second part. You're absolutely right. There's been an exercise going on right opposite Taiwan near Fujian province. It is the most expensive exercise that the Chinese have conducted in 40 or 50 years. We do not believe China has the capability or the intention to invade Taiwan. Nevertheless, one of the heartening developments in recent years has been a reduction of tension in the straits, direct dialogue by high-level officials in both sides, though they call it unofficial; across the straits, a million Taiwan visitors every year to the mainland, investment of several billion dollars in the mainland, a lowering of rhetoric, and generally the redeployment of Beijing's military forces away from Taiwan.

So this would seem to run counter to that generally positive trend. We would like to think that Beijing would take into account the psychological impact of such exercises, whatever their ostensible purposes. So very frankly, we do not think this is helpful. And you're absolutely right; the scale is really quite large indeed.

There was a comment about the timing of the issuance of this report. First of all, it took long. It took too long, frankly. These are very tough issues. There was debate within the administration. It was reviewed at various levels, including very carefully by the president, who, as I said, takes a strong interest in this. And Senator Murkowski's absolutely right. There's a few times I said, "It's coming out within a few weeks," and I began to use up my credibility. It was essentially a matter of gridlock, also a matter of timing.

But the one thing I do want to point out; first, we released it as soon as the president made a final decision, and then we then briefed you and the interested parties all at the same time, by the way, in terms of the official results, as soon as we could right after the president made his decision. Now, that happened to fall on Labor Day. I don't blame you for a somewhat cynical reaction. You were not in town. I think it's unfortunate that in getting this out quickly after the president's decision, you were not in town.

We did try to contact everyone we could, and I would say that I previewed, including with Senator Murkowski, without presuming on a presidential decision. But I don't believe that many of you were surprised at the outcome in terms of the foreshadowing I had in many personal encounters and consultations. So I'm sorry that the Senate and House were not in session. This was not meant as disrespect. It was the timing after the president's decision. And I do believe that we foreshadowed it consistent with -- without prejudging presidential decisions -- well in advance of the release of the review how it would come out.

I think I'll make one last comment. No, I think I'll leave it there. I have some other comments. I'll work them in in response to questions. But I want to give the panel a chance to follow up.

SEN. ROBB: Thank you, Secretary Lord. I don't think there'll be any lack of questions and follow-up, given the interest in this particular topic. Let me clarify a couple of somewhat technical details. As a result of the policy review, certain U.S. cabinet-level officials will be allowed to go to Taiwan, Taipei. I assume that would include the secretary of the treasury, secretary of commerce and other officials. If I interpreted correctly, I assume that Secretary Christopher and Secretary Perry would not be able to go. First of all, is that a correct interpretation? MR. LORD: Well, the answer is essentially correct. That's right. In terms of distinction, we have said in our announcement that we will allow, permit, and indeed encourage high-level visits to Taiwan when it serves our purposes. And we made clear what is commercial and economic. This could be at any level.

We don't rule anything out. There is nothing fixed at this point. But your distinction --

SEN. ROBB: So when you say you wouldn't rule anything out, you would then -- under the policy it would not specifically preclude a visit from the Secretary of State, the Secretary of Defense, the Vice President, the President -- MR. LORD: No, I -- I wouldn't rule anything out on the economic and commercial side. We do not envision the Secretary of State, the President, the Vice President or the Secretary of Defense going. And this is a constant theme. What we have tried -- it has some consistency -- It is no question there is some awkwardness

and anomalies. We cleared up as many as we could after a 15-year period. I will not pretend that it's air-tight clear in every respect now. We think it's greatly improved. But the principle we tried to follow is to balance our unofficial ties with Taiwan with our great interests and friendship for Taiwan. And therefore we have drawn a distinction, whether it's in what office these people can meet here in Washington, or what kind of officials at high levels can go to Taiwan. We have drawn a distinction between commercial and economic and cultural departments, and you've named some that fall out of that category on the one hand, and those which have the symbolism of a diplomatic or security relation. On the other hand, like State or Defense. So the thrust of your analysis is absolutely correct.

SEN. ROBB: Well, let me ask you then just one other clarifying question then. If the -- strictly in an economic or financial side, if the Secretary of the Treasury could go, who would be one of the highest ranking officials that could possibly go, could the National Economic Council adviser Bob Rubin -- could Bob Rubin go, who works in the White House under this criteria? Or would he --

MR. LORD: It's a good question. Now, the fact is I really -- no decision is made who is going and when. The level will be higher. It will be as high as we need, including what you're suggesting, when we need it, and it can accomplish a specific purpose. And what is determinative here is the nature of the business. So if it's in the economic and commercial area, then that would allow high level visits.

SEN. ROBB: Well we don't with most countries send all of our highest level officials at any time. There is normally some purpose in their visit. But what I am trying to establish is the criteria for including some officials and excluding others in this particular policy review.

MR. LORD: Well, the criteria, as I've tried to indicate, is distinguished between those officials and those agencies which suggest officiality of diplomatic relation, those which suggest and carry on the business of economic, commercial, or environmental or energy or other type. We think that's a fair distinction when you have an unofficial relationship. We also think it serves to promote our concrete interests, and we'll go whatever level is required. But we do believe, since even this is going to be very controversial, we believe it's in our interests and it's consistent with our obligation -- we don't have a mindless flood of visitors -- we shouldn't have it anyway because of taxpayer's money -- we want to have specific accomplishments that we can see. It doesn't mean there have to be missions or anything like that, but it should promote a purpose. And if it at one level promotes it, we'll go to that level. If a higher level is needed, we'll go to that level.

SEN. ROBB: All right, let me just make one other clarification, because it's been raised in at last two of the comments and in your response, and that has to do with the prospect of President Lee coming to his alma mater to receive an honorary degree, which is apparently a very viable option in the minds at least of those at Ithaca, and those at Taipei. If President Lee were invited to receive an honorary degree, could he come on simply that basis, no other pretext for his visit, and remain a day or two in Ithaca or elsewhere in the course of receiving that degree, and the normal activities that surround the awarding of honorary degrees?

MR. LORD: Once again I will recall that (personal feelings ?) versus national interest come

into play here.

What may be fair, what may be not fair -- we have to go on the national interests. I have said that we are loosening up our policy with respect to transit visits -- that includes President Lee. But we do not believe other kinds of visits are appropriate or consistent with our unofficial relations with Taiwan.

SEN. ROBB: Should I interpret that as a no?

MR. LORD: That's (sort of State Department contract language ?), but I think you're on the mark. (Laughter.)

SEN. ROBB: I think you can understand why some of us on the legislative side, even in an attempt to be supportive, might have some difficulty in drawing the lines and making the same distinctions that you make in the policy review.

MR. LORD: It's one reason, very frankly, Senator, Mr. Chairman, that our review took so long. Because over the 15 years --

SEN. ROBB: If you worked a little longer, could you have gotten some of those sorted out?

MR. LORD: I didn't dare take any longer -- Senator Murkowski really would have been after me, and so we felt we had to blow the whistle. Now, seriously, these are difficult questions. We made an honest attempt -- the President did -- as I've said now in perhaps in over repetition, that we did want to strengthen wherever we could our ties, but we do have equities elsewhere and other national interests, and it's a balancing act.

I've said it before, I'll say it again: If people want to go all out for Taiwan, I understand that on a human basis -- I understand it even on economic and other grounds. But those who wish to do so have got to acknowledge that the further you go the bigger price you will pay elsewhere, where we also have great interests. As important as human rights and democracy are -- and I don't believe I've ever been personally accused of being soft on human rights, or for that matter soft on Beijing. The proliferation of nuclear weapons, the possible nuclear capability in North Korea, the drugs killing our children on the streets, the most serious environmental problems in the world -- alien smuggling, Cambodia, potentially huge markets, a U.N. veto -- these are not inconsequential interests for the United States of America. Now, if you want to jeopardize them by going even further and making it official with Taiwan, that's a legitimate policy.

What I do not want to hear is someone say let's do all these things to make our relations with Taiwan official, and let's also maintain all our equities on the other side of the strait. It cannot be done. Six administrations of both parties have decided it cannot be done. We have advanced our policy further than any other administration, and we believe it's consistent with the national interests.

SEN. ROBB: We could probably continue this discussion for some period of time, and I'll shift slightly. Would you just assess the PRC reaction to the policy review?

MR. LORD: Very tough. They've got their best speechwriters out, used all the adjectives that we've heard before. (I've got personal protests ?) here. We've had them in Beijing. They've made public statements. So they've been very unhappy with it. Whether their unhappiness will carry beyond rhetoric, we'll have to see. We have made it very clear to them, frankly, they have no reason to be unhappy. This is consistent with unofficial relations, as I made clear. They themselves have high level discussions directly across the Taiwan Strait. They've had five direct dialogues since the spring of '93, starting in Singapore and most recently in Taiwan itself. The highest ranking PRC official, a vice minister, visited Taiwan. So we tell them if you can have these kinds of talks, we can certainly have the kind of exchanges that we suggested. So we of course take Beijing's views into account. We do not believe we should likely break commitments to Beijing that six administrations have made for the reasons I've mentioned. So we will not let them manipulate us.

And our overriding objective is not to make Beijing or Taiwan happy or unhappy. Our objective is to serve the American national interests, and we think we have done that.

SEN. ROBB: A final question on this round. I have got quite a number of additional questions I want to ask. The new name of the entity which is found here in Washington to represent Taiwanese interests, do you think it accurately reflects the scope and breadth of the duties that are conducted here?

MR. LORD: Yes, I do. I would note in the Taiwan relations act, which was designed to strengthen our ties with Taiwan at a difficult time -- I forget the exact words, but something like promote and maintain commercial and cultural activities with Taiwan. And the communiqués we've had economic and cultural sort of featured. So that is one reason the name was chosen, is the economic and cultural dimensions have been prominent. Everyone knows that this includes political discussions as well. You can conduct any business you want. It does not include diplomatic -- that's the difference. We mutually agreed on this with Taiwan. It is a name that Taiwan uses in at least a dozen countries around the world, including with Japan. So we believe it's a very good change. Frankly, one of the anomalies we cleared up was this DC&A, which nobody understood what it meant.

Taiwan's own purpose -- I'll let them speak for themselves -- was to primarily to make it clear to various audiences who they were. This was not seen as a political move by them, so much as it is to clarify that it's Taipei and that it is conducting that kind of business, rather than the alphabet soup that we had before.

SEN. ROBB: But it would be fair to say that given their own druthers that is not the name they would have chosen?

MR. LORD: Well, it's the name they have chosen in Japan as well as other countries. So you would have to ask them if -- the point is this was a mutual agreement that we came out with.

SEN. ROBB: Thank you, Mr. Secretary. Senator Murkowski?

SEN. MURKOWSKI: Thank you, Mr. Chairman. Mr. Ambassador, I think the frustration that some of us in the Senate feel with regard to our policy towards Taiwan is while you take the position that basically six administrations have fostered a policy that are consistent, and that commitments were made and you abide by those commitments, you are not going to go back on those commitments, the whole world has changed. The Soviet Union is no longer the Soviet Union; East and West Germany are one, yet our policy towards Taiwan has remained, as you said, consistent over six administrations with perhaps some softening. Is that realistic in the world today?

This senator does not feel it is. I am very sensitive, I object the bullying tactics of the PRC, as evident as recent as the last week where President Lee wants to go to the Asian Games. There's an invitation, there's an acceptance, and then the unwritten hand of the PRC comes through diplomatic channels, causes the invitation to be unwound. This isn't the first time that has happened. And I object to that because I think the world is changing. There is a democratization, an extraordinary miracle that has occurred in Taiwan. The State Department, the White House, the administration seems to be against Congress to a degree in this because I think if you took a vote of the United States Senate they would say our policies are not keeping up with the changes that have been made in Taiwan and the changes that have been made in the world.

So I take issue, if you will, with the premise of your basis for continuity, when in reality we've seen dramatic change. I am also sensitive -- and I was in Alaska during the recess -- you know I'm not sure that the President wanted another document to review when he was on vacation in Martha's Vineyard, but he got one, which I question the necessity of the timing in that regard -- but nevertheless, what I am sensitive to is according to my staff we received notification from outside sources, from press reports, lobbyists and others, that the policy was completed and the PRC embassy was briefed Tuesday morning, approximately at 8 a.m. When our staff called the State Department approximately 10 a.m. on Tuesday, we were told that that was true. When we asked why my office had not been notified, we were told that the notification would be forthcoming. I was in Alaska so I probably couldn't be reached. But I did get your message through my staff and I appreciated it.

So my point is whether by design or mistake, simultaneous notification, I really question what happened. And I understand that the ranking member, Senator Helm's staff, also had to call the State Department and that Admiral Vance was in town at the time. So you know that makes me even more sensitive to the feeling that the PRC pretty much lags, if you will, the direction that some of the policies that are coming out with regard to Taiwan are in fact either informally cleared or -- there's a customary courtesy which I would expect, but by the same token I don't know that I would expect it in advance of notification, and I would appreciate any specific clarification you could give as to whether you know factually whether that's accurate or inaccurate because I think that is part of the, if you will, mental reflection that many of us have that there's just too damn much influence down there by the PRC.

AMB. LORD: I have several comments, Senator. First, I am finding it very strange to being accused of being soft on Beijing.

SEN. MURKOWSKI: I didn't say soft, I said influenced.

AMB. LORD: Okay. I agree the world has changed and many things have changed, and that's one of the reasons why we've changed our policy, or made adjustments in it. In the course of these changes of the recent years, Taiwan has done extremely well through its own efforts, but it's -- (inaudible) -- been a matter of U.S. policy hampering its development. I would argue we have helped Taiwan greatly. We have helped Taiwan economically, in the early stages in particular. And of course they deserve the primary credit for the tremendous takeoff. We have provided for their security, and I would argue that their security is more solid than ever. And we have sold arms to Taiwan as a defensive nature, and if we were bullied by Beijing, I can assure you, I can assure you we wouldn't be selling arms to Taiwan. There isn't a day that goes by that they are not pounding on our door and ringing our telephone and saying stop selling arms to Taiwan. So the bullying by Beijing is just totally inaccurate, with all due respect. Taiwan has moved toward freedom. All these things have happened during this course of our policy. So really what we are discussing, and I tried to mention before, is symbolism and substance. The question is can we de facto treat with Taiwan in every way that we need to, promote our interests, and avoid some of the symbolism which may seem arcane and silly at times, but gets us into trouble in other areas when we have other interests.

So that's the question, are we hurting Taiwan in any way, the answer is no. Are there some practices that we would like to be able to loosen up, yes, and we've done that. Are there some others that begin to get into the kind of symbolism that's difficult with respect to officiality, yes, we shied away from that. Human beings have made judgment calls. But it's a step forward, it's not a cold shoulder, and I have to tell you that the response we've gotten from Taiwan itself has been a lot friendlier than from this panel.

Now to again the question of changes, ultimately, and I stress this, the parties across the strait are going to have to work out their future relationships. We welcome anything they work out as long as it's mutually agreed and it's peacefully arrived at. We made very clear we would take it very seriously if it's not peacefully processed.

So I would hope, Senator, speaking candidly, that in the exchanges that Beijing would get more flexible in some of this symbolism. I don't think it's in their interests to be as tough as they've been on some of these issues. I don't think it serves their interest to stir up tensions in the strait. I don't think it serves their interest to alienate Senator Murkowski and other influential people by their conduct. I would hope that there would be a more flexible attitude on some of the symbolism, consistent with their one-China policy, which I can understand, and which we're committed to. It is up to them and Taiwan to work this out, and therefore, if we can operate more freely on a symbolic level, in addition to the substantive level, in the future because of progress in the cross-strait dialogue, we will certainly do so, and we would be very happy. But meanwhile we will do what's in our interests, and we are never bullied by Beijing nor will we be bullied by Taiwan.

SEN. MURKOWSKI: Thank you. AMB. LORD: I haven't quite finished.

SEN. MURKOWSKI: Okay, because my time is running and I wanted to be sure and answer

the question regarding the –

AMB. LORD: I'll shorten my answers, but I owe you some other answers.

SEN. MURKOWSKI: That's correct. I was curious about the notification.

AMB. LORD: But I also wanted to -- a lot of things here. In a vote of the Senate, of course you would get -- if you go to the Senate and say should we do all these things for democracy and practicing human rights, economic interests, everybody is going to vote for that. If you couple with that should we do all these things, and by the way we are going to wreck our relations with Beijing, whereas if we take a balanced policy of six administrations we can sort of have our cake and eat it too, I –

SEN. MURKOWSKI: The longer your answers, the less questions I've got.

AMB. LORD: Okay, I'm not -- I'm trying to address these –

SEN. MURKOWSKI: I understand.

AMB. LORD: Because it's a very fundamental point. You cannot say do everything you want on one side without paying a price on the other, and I want to come back to this. Finally, on notification, I've already explained that I am sorry it came over Labor Day. It was a bad timing from that standpoint. But once the President had decided we didn't want to delay it, as I've said. First we notified Mr. Dang Mashir (ph) by me personally, and Canard's (ph) is running around do we tell it to the Chinese before Taiwan is just not true. We then talked to the Chinese later that morning and we also placed phone calls to you and all other interested senators. We had difficulty reaching many, but I can tell you that all three audiences were contacted or attempted to be contacted before the lunch break. We were trying to get them out as simultaneously as possible. Furthermore, we had indeed foreshadowed to you and others the basic outcomes we believed, again without straightjacketing the President in the final decision.

SEN. MURKOWSKI: I've got to go now.

AMB. LORD: I'll be glad to come back bilaterally and discuss this further. It's very important.

NOTE: THIS IS THE FINAL SECTION TO BE TRANSMITTED ON SEPTEMBER 27TH. THE REMAINDER WILL BE ON THE WIRE WEDNESDAY, SEPTEMBER 28, 1994. THANK YOU.

SEN. MURKOWSKI: I didn't get 30 seconds on the yellow light.

According a report in Hong Kong's "South China Post" on September 8, the PRC has launched what they call a "battle plan," quote unquote, to isolate the ROC internationally and thwart Taiwan's independence. Have you ever heard of such a plan? Has State been notified, and if you have, could you comment on it?

MR. LORD: Well, I have not seen a specific, quote, "battle plan." It's no secret, and I'll just refer to it in terms of what I think Beijing's own self-interests are. They are waging, no question, a policy of trying to keep Taiwan from raising its international profile, whether it's in

international organizations or whether it's diplomatic relations with countries in general.

SEN. MURKOWSKI: So you've seen it, but you--do you hold any credence in it? Is it a potential threat to Taiwan? Is it just one of these things that the PRC throws out there and everybody gets excited about—

MR. LORD: -- (inaudible) --

SEN. MURKOWSKI: --is there an analysis the State Department would do as to whether or not it poses a threat? If it poses a threat, it implies the commitment of the U.S..

MR. LORD: Well, maybe I've misinterpreted it. I thought you meant by "battle plan" a political and diplomatic battle plan to pressure countries in doing certain things like they've done with Japan. That is what I was referring to. I'm not aware of a battle plan in a military sense, but I've already agreed with Senator Pressler that their large-scale exercises are not helpful and not constructive.

SEN. MURKOWSKI: Well, as I understand it, on one hand Beijing will continue to use the toughest means of rhetoric to combat and condemn the Li administration's alleged efforts to advance its pro- independence gambit. The other economic blandishment will be offered to the Taiwan business community so that the commercial sector will put pressure on Taipei to approve direct communications and other links with the mainland.

MR. LORD: That sounds accurate to me.

SEN. MURKOWSKI: So, you know, it seems to me when you have reality, and the reality today is that there's somewhere in the area of three (billion dollars) to \$15 billion worth of Taiwan investment in China, in the PRC, primarily in the southern provinces. The official figure is three (billion dollars). I think they're using as much as 15 (billion dollars), which represents a more accurate figure. They're allowing visits of approximately a million and a half Taiwanese to China--they're all Chinese, but this is a charade, and we are players in this charade, because clearly if China, the PRC, didn't want that investment, if they didn't want those people, they wouldn't be there.

And this goes on and so, on one hand, we have an economic relationship growing, and then we have a political cold war that continues while the rest of the world changes. And it seems to me that we have to change as well and recognize the realities associated with what is occurring in China today, and that's the biggest single economic influence, is Taiwanese capital, or capital that comes in from Taiwan through Hong Kong and comes in--my time is up, but I did want to make that point.

MR. LORD: Well, I hope you will make these points with the Chinese prime minister.

SEN. MURKOWSKI: Well, I hope I get a chance to see him. They've been kind of staying clear of my office.

It's open, you know, very regular hours. (Laughter)

SEN. ROBB: We'll provide a guide if that's necessary. Senator Pressler.

SEN. PRESSLER: Thank you, Mr. Chairman. I'm going to put up that map again, because I want to understand about these military exercises. What sorts of Chinese military exercises have just been held at Tang Jo (ph) near Hong Kong? What were they?

MR. LORD: Well, they are practice of, you know, amphibious landings and exercising capability both air and naval, but we can get you a classified, if necessary, detailed briefing, if you'd like it forwarded.

SEN. PRESSLER: Can you put as much into the public record as possible? Because I think that the public is interested, but could you submit an additional statement—

MR. LORD: Sure.

SEN. PRESSLER: --as much of it as is unclassified? MR. LORD: I'd be happy to.

SEN. PRESSLER: I don't see why this should be classified, what the Chinese are doing on their coast -- (inaudible) -- and people observe it. What can you tell us about the naval exercises now in progress near Shanghai?

MR. LORD: I can't tell you very much. I'm not aware of naval exercises near Shanghai. SEN. PRESSLER: But you said there were a lot of—

MR. LORD: Well, the ones I'm referring to are Fujian Province. It may be, you know, all connected, but I'll be glad to submit a statement for the record.

SEN. PRESSLER: Okay, yes. That's very--that'd be very important. And I'd--submit as much as you can that's unclassified—

MR. LORD: Sure. No, I imagine we have a lot of unclassified, I just—

SEN. PRESSLER: Now, what can you tell us about the Chinese 15th Airborne Army's paratroop exercise last July?

MR. LORD: Again, I will submit whatever we can on this.

SEN. PRESSLER: Okay. Do you know anything about that? Did that—

MR. LORD: I'm aware generally. I don't pretend to be an expert on every last exercise. What I need to know is the general pattern of what they're doing and for what purpose—

SEN. PRESSLER: Okay.

MR. LORD: --but I don't want to mislead you with imprecision here. I have to—

SEN. PRESSLER: Now, American academics have said that Chinese military exercises have increased markedly over the last year. Since there is no conceivable military threat to China, what is the meaning of these exercises?

MR. LORD: It could be psychological warfare on the Taiwan Straits. There's no question about it. I've already said we don't think it's constructive. It goes against the grain of the generally positive developments across the straits that Senator Mikulski and the rest of us have been talking about, the dialogue that's -- (inaudible) -- and the rhetoric, so I'm a little puzzled by it.

SEN. PRESSLER: What are they trying to accomplish?

MR. LORD: They're probably trying to remind--again, I'm speculating. We should have -- (inaudible) -- but I would think they're trying to remind the people on Taiwan that the independence option is dangerous and they're trying to remind third countries that, you know, don't heat up PRC-Taiwan relations with diplomatic moves that's going to make us mad. I mean, I think that's probably what they have in mind -- (inaudible) --

SEN. PRESSLER: Yes. Now, you're one of the top policy planners in our State Department. What do you make of this? Would you make of it that they're trying to force us to have a lower diplomatic relationship with Taiwan, or who--what are they saying? Would they attack Taiwan, or exactly what is going on?

MR. LORD: I want to be very clear and try to be as fair as we can, because, of course, Beijing would say that what I've said has nothing to do with what their purpose -- (inaudible) -- self-defense and to exercise their forces.

I do not believe that Beijing has either the intention or capability to attack Taiwan, any major invasion, major amphibious undertaking, and I don't see how it could possibly serve their interests. I know what it would do to our relations and our reactions and Japan and the world community, what it would do to scaring all their neighbors who--with whom they wish to have economic relations and that kind of trade, what it would do to their standing in the world community, so I don't think that's going to happen. I don't think it can happen.

The more serious problem is a step short of that, with a psychological or a partial blockade -- (inaudible) -- but -- (inaudible) -- got an aggressive -- (inaudible) -- but because people like yourself are reacting like this, it shows that it's not very constructive.

SEN. PRESSLER: Yeah. Could these exercises conceivably be a prelude to an invasion?

MR. LORD: Well, I mean, I guess in theory, but I want to stress we have no evidence that they plan an invasion. We don't think they have any intention or capability of doing that.

SEN. PRESSLER: Could these exercises conceivably be a prelude to a blockade? MR. LORD: Same answer.

SEN. PRESSLER: What is that?

MR. LORD: Well, again, I'm trying to keep them short here, but— SEN. PRESSLER: You

don't have to keep that one short.

MR. LORD: All right. It obviously would seem to be relevant to blockade action, but we have no evidence that they intend to blockade Taiwan, and I know that it would have serious consequences.

SEN. PRESSLER: On the bigger picture, aside from Taiwan, why do you think the Chinese are doing all these military exercises and then they're doing them throughout--well, I guess they're doing them in the Spratley (ph) Islands because they want to claim those from the Vietnamese, but on a broader scale, they're doing it all over Asia. Why are they doing that?

MR. LORD: Well, I think you've put your finger on it and I should have mentioned it earlier, and a lot of this may be related to the South China Sea, because, you know, there's disputed claims with Taiwan, by the way, as well as with southeast Asian nations.

SEN. PRESSLER: So you think all their activities--that a lot of their activities are not even in that area.

MR. LORD: No, but it does suggest the capability that would be applicable to that area, even if it's not geographically in that area.

So I think it's a general flexing of muscles, flexing their growing economic power, but they, I think, are beginning to understand that some of the nations of that region are beginning to get concerned both with their claims and with these exercises and the military buildup, and they have an interest in not hurting their economic ties with these countries, so they're going to have to balance this off.

But I--beyond that, it's very hard for me to analyze why they're doing it.

SEN. PRESSLER: Why is China building missiles long enough to-- with enough range to reach the United States?

MR. LORD: Well, they've had a missile program for some time that has gradually been expanded in scope. I don't think it's aimed with any hostile intent toward the U.S.. It's a matter of prestige and it's just general deterrent capability for the long term.

SEN. PRESSLER: But who are they deterring against?

MR. LORD: Well, you'd have to ask them that.

SEN. PRESSLER: Well, in your judgment, though. I'm asking—

MR. LORD: In my judgment, I think it's not an immediate threat that they see. I think over the long run--by that I mean decades-- they're still concerned about a resurgent Russian nationalism or Japanese military.

SEN. PRESSLER: Now, do you think that the Indian nuclear program is driven by the Chinese nuclear program?

MR. LORD: In part. I think they also have their analysis of the subcontinent situation. But I think the Indians have made it very clear that if they didn't have a China, they could probably work out a deal with Pakistan. I know of your interest in this issue.

SEN. PRESSLER: Yes, yes.

MR. LORD: I think you probably would agree with that. So to get at this problem, you've got to sort of talk to all three.

SEN. PRESSLER: Yeah. And that's where -- I'm not trying to browbeat you, but I hope our administration takes a -- makes stronger statements to China publicly also, because it seems that they're very reluctant to acknowledge the Chinese military buildup and the Chinese military exercises. And it seems as though we're just kind of sweeping it under the carpet, so to speak.

But I think this is very serious, because in the long run India will react. Eventually Japan will react. And we are really making -- it makes a mess of our diplomacy with places like Taiwan, in my judgment. And why is it that the administration and the State Department foreign policy establishment of the administration is so hesitant to recognize and criticize China for their military buildup?

MR. LORD: Well, I don't agree with your premise, at least as far as the administration is concerned. There may be some think tanks and so on or specialists. I think -- and we've had this exchange before, and with respect to the defense buildup, my own view is that it is significant. It ought to be watched. It does not threaten U.S. interests at this point. However, it's making some of their neighbors nervous.

But they started from a very low technological base. It's still essentially a defensive force. But they are beginning to build up their projection capability, particularly in the immediate vicinity. So it is of concern to their neighbors. It does not threaten us yet. And I've never wanted to exaggerate nor to underplay what they're doing.

On the exercises, I agree with you. This has not gotten much attention. The full dimensions have really become clear, at least to me, in recent weeks. And I think it is, as I've said several times today, not a helpful development. And this is something that hasn't received much attention.

SEN. PRESSLER: Well, I predict that in the next 10 years China and the United States will be at loggerheads militarily with our defending Japan or offsetting the Chinese in Asia in different ways. That seems somewhat maybe extreme, but I think the next arms race or the next military conflict or military confrontation, at least, will be between the United States and China and that this is because of their aggressive buildup and aggressive activities that are going on over there. I can't quite understand them. And I hope that we recognize it and are concerned about them and speak out about it. I think the administration should confront the Chinese more on this military buildup.

MR. LORD: Well, let me just say that first, of course, I hope your prediction is not true. We would hope China will be a peaceful, responsible member of the world community. And certainly we wish to have good relations. And it underlines a point I've tried to make

throughout this hearing, that we have very important equities with a country of 1.2 billion, with a strong economy, and therefore a growing military establishment reflective of that industrial base, which has been their strategy from the beginning.

And we believe it's in our interest to try to engage them constructively in a whole host of deals, whether it's nonproliferation, military-to-military exchanges, or the other interests that we have, not to mention regional conflicts like Korea, in order to get them engaged as responsible and not aggressive. And therefore, those who would push the Taiwan envelope so far as to break our relations with Beijing has got to contemplate the possible kinds of consequences you've just sketched.

SEN. PRESSLER: Thank you very much, Mr. Chairman, for your kindness.

SEN. ROBB: Thank you, Senator Pressler. I would observe that we have another vote. Senator Murkowski has gone to vote. And if he gets back in time, maybe we'll just do a handoff. Otherwise we may have to recess very briefly.

Let me just tie up a couple of loose ends, if I may. You indicated with respect to the current military exercises that are going on, that are the most extensive in 40 to 50 years, that you still didn't believe -- and correct me if I'm wrong -- that they had either the intention or the capability to invade Taiwan, something to that effect.

MR. LORD: That's correct.

SEN. ROBB: In the event that Taiwan were to declare its independence -- I'm not suggesting that they're making any noises along those lines, but in terms of trying to understand where, if nothing else, our own sense of where the PRC might be, what reaction do you think that the PRC would have to a declaration of independence by Taiwan?

MR. LORD: That's a very fair and difficult question. They've made clear in rhetoric that they'd have a very strong reaction. They have never explicitly renounced the use of force, despite our best efforts to have that occur. They've edged toward it, and they certainly emphasize they want to resolve this issue by peaceful means. I don't want to speculate on what they might do. I think they would know that we would take very seriously any threat to Taiwan. Now, one reason --

SEN. ROBB: Let me just stop you then for one second. You think that there is no element of intimidation that is a part of the rationale for the exercises that are taking place right now, given the increased attempt by Taipei and Taiwan to play a more active role on the international stage?

MR. LORD: I want to choose my words carefully. I've already said we don't think it's constructive. I'd rather not use other words until we can get firmer proof and evidence of exactly what they're up to and why. Now, any nation has a right, of course, to conduct exercises. We do it ourselves all the time. So we're not challenging China's right to conduct military exercises. But we question the wisdom of doing this kind of exercise on this scale for the first time in some time when the cross-straits dialogue has been going forward. So we find

it puzzling and not constructive, but I don't wish to go beyond that until there's further clarification.

SEN. ROBB: All right, I'll -- I understand why obvious caution is suggested. Let me run down just a couple of specifics in terms of international organizations. The United Nations --in accordance with your criteria that you suggested a few minutes ago, would the United States support full membership in the United Nations?

MR. LORD: Well, I said in my statement that any organization that requires statehood -- SEN. ROBB: Okay.

MR. LORD: -- and Article IV of the U.N. charter requires that -- we could not find consistent with our policy of unofficial relation support. However, whenever this kind of block is in the way, we will try to find ways, as appropriate, to get Taiwan's voice heard. And then if it doesn't require statehood, like APEC, where we were responsible for getting them into APEC, the most important economic organization in the region, we will work vigorously to try to get them to be members. So in the case of the U.N., I think it's clear where we would come out. Our Taiwan friends would like us not to pronounce this from the hilltops. We just want to make clear what our consistent generic position is. I think it's clear how it would apply to the U.N. SEN. ROBB: All right, you did mention APEC. Indonesia ultimately will determine their status in the next round at Bali or Jakarta, wherever it's going to -- Bali, I guess, is where it's going to be --

MR. LORD: Bocar (ph), yeah.

SEN. ROBB: What level would the U.S. like to see in terms of the representation of Taiwan at the APEC talks?

MR. LORD: Well, anything that Indonesia can work out, we'd be comfortable with. We're very cautious here because APEC -- it's got nothing to do with China. APEC is a consensus organization. And we're very sensitive, on the one hand, of showing great leadership, as the president did last fall --

SEN. ROBB: But it doesn't require statehood.

MR. LORD: No.

SEN. ROBB: And that's the reason I'm asking --

MR. LORD: Well, that's why they were represented. That's why they're there, because it was the economies that were represented.

SEN. ROBB: But would you encourage a head of state-to-head of state or foreign minister-to-foreign minister relationship with the other countries that are represented?

MR. LORD: If there's a consensus in APEC, we will certainly support it. We think both Beijing and Taipei were well-represented at the last meeting, and we think we were very constructive in promoting the solution. But whether Indonesia chooses to follow this in a consensus is not clear to me. I don't think certainly it'd be anything less than last year. And we

don't think it should be anything less.

SEN. ROBB: All right, we're getting very close on time. And if Senator Murkowski doesn't get back, I'm going to have to part. The ASEAN regional forum talks; there's been a fair amount of success with President Ramos, Harto (ph), others with President Li and his so-called vacation diplomacy. Should Taiwan be allowed full status in those talks?

MR. LORD: In the regional security talks? SEN. ROBB: Mmm-hmm.

MR. LORD: Well, I think in terms of the substance, there's a lot to be said for it. And there's no requirement yet of statehood. Again, this is a consensus organization, and we'll have to see what the consensus would be. But in terms of Taiwan's security interests and impact, you could certainly make a case for that. But again, we've got to balance off leadership in Asia from looking like we're imposing our views on Asia. That's why, whether it's (ARP?) or whether it's APEC, I give you this somewhat cautious approach about consensus.

SEN. ROBB: Final question, and then I'm going to have to run, regardless. With respect to GATT or WTO, in accordance with the criteria that you mentioned, that does not require statehood?

MR. LORD: No. We vigorously support Taiwan's accession. We just finished today six days of talks with Taiwan. Talks are going quite well. They're very productive.

SEN. ROBB: Should they be tied to PRC?

MR. LORD: Taiwan ought to get in on its own merits. SEN. ROBB: Even if PRC is not in?

MR. LORD: Well, we'll have to see how the PRC negotiations go. But the PRC itself has agreed that Taiwan should be a member. And there's an agreement on nomenclature. I forget the exact -- Taipei something. But in any event, there's an agreement on nomenclature. And so we think it's in PRC's interest to negotiate more seriously than they have in order to make progress on that front as well.

SEN. ROBB: I regret that I'm going to have to call a 10-minute recess. And we will resume -- Senator Murkowski has additional questions or I would go ahead and ask you to be excused, but we'll get right back to it just as soon as we can vote.

(Recess.)

SEN. : I think in order to expedite time constraints we'll proceed. I don't know if Senator Robb has got any more questions, but if he has obviously -- Ambassador Lord, the issue of the airplane sounds so trivial, and yet I think in your response you didn't address it. If a United States Air Force airplane takes over a -- (inaudible) -- they are going to be in Taiwan for a day or two, can that airplane stay there as far as State Department policy is concerned?

AMB. LORD: I don't know the answer, but I'll get the answer for you.

SEN. : Okay, if you would, because my understanding is it cannot, -- (inaudible) -- Guam or Japan and that seems an unrealistic burden on the taxpayer. It would be only place in the world, we can stay in Beijing.

You indicated that your policies, and the policies of the administration, weren't meant to hurt Taiwan. And you indicated with some pride and acknowledgement that Taiwan has prospered under policies of six administrations. But GATT is looming, U.N. membership is looming. We see precedent set with North and South Korea, East and West Germany in the U.N. -- innovative proposals. GATT, it is my understanding, that Taiwan basically is ready, much further ahead than the PRC. Is it our obligation to foster and encourage those agencies, GATT, the U.N., to kind of accommodate them as opposed to a position that I think we emulate which is to get real close to membership in the U.N. by Taiwan because the PRC would object.

AMB. LORD: Let me handle each of those. First let me say is what we're going to do as a result of this policy decision, we're going to look at all international organizations case by case and see which ones Taiwan is in, which ones they aren't in, what's the nature of the organization, does it require statehood, how would it serve our interests as far as Taiwan, and what are the diplomatic difficulties, and see where we can either support membership or support their voice, or where we have a problem. So we're going to look at this very systematically.

Now with respect to examples, on GATT I've already said we'll get them in as soon as they have satisfied the protocols. They are negotiating with 15 or 20 other countries --

SEN. : Regardless of whether the PRC has to go in simultaneously with them?

AMB. LORD: Well it's up to the PRC to speed up their negotiations so that we don't face that problem. SEN. : Assuming that Taiwan's ready, can we encourage --

AMB. LORD: You can encourage it again, as you know, in the GATT, there are other countries that Beijing may be leaning on where we may not get a consensus. So we can't engineer this by ourselves. We think it ought to get in on the merits.

SEN. : Okay.

AMB. LORD: On the U.N., on that, in the German and Korean examples, in both those cases there was agreement between the two of them that either diplomatic recognition in the case of Germanys or Korea, mutual agreement that they both be U.N. members, and therefore the two parties had agreement, and therefore there was no threat of a veto in the Security Council from Russia in the German case or from China in the Korea Case. And therefore it was an easy no-brainer for us to support that. In this case the two parties decided that they did not agree on that issue, so it's a different situation.

SEN. : The Senator from Illinois used the word sovereignty with regard to Taiwan, which you know isn't used very often because of the one-China two systems. And there has been a suggestion by others that Taiwan should be more aggressive in expounding on its advancement and its policies if called upon for contributions of talent and funding for real

causes. Do you care to editorialize?

AMB. LORD: Purely suggestions?

SEN. : Well -- (inaudible) -- Taiwanese make choices, it would make it a little more interesting as far as the dilemma with the -- the ongoing dilemma with the PRC is concerned.

AMB. LORD: I think it's very interesting already, and this afternoon has been very interesting, so I don't think they lack for skillful forceful advocacy and skillful and forceful friends, like yourself, Senator. And it would be presumptuous of me to tell Taiwan what to do when I think they are some of the most skillful practitioners of international relations that I've ever seen and I have some very close friends among them.

They are making -- I wouldn't say aggressive -- but they are making a very forceful case for a higher profile. And my understanding of it is that the present government, which does not favor independence, is concerned that independence sentiment is rising on Taiwan and that the opposition party of course is directing it. And therefore they feel both on the merit, along the lines of what you've saying about their importance and dignity, but also to preempt the opposition's push to an independence that they start raise Taiwan's international profile. So this is what's behind a very strong move in the last year or two where it was fairly quiet up until then.

SEN. : You indicated that the visit by President Lee to Central America, he had never had occasion to come to the United States before. I guess maybe one could counter by saying well maybe he never had an invitation to go to Central America before. As you know, the Senator from Colorado and myself have extended invitations on behalf of our state and you know if he was to go to Europe he would have to refuel somewhere, that's the reason he stopped in Hawaii. If we were to ask him to stay over in Alaska does that mean that he could come in and stay at the Captain Cook Hotel or go down to the Alleyesqua (ph) Resort and stay overnight. I mean somebody's got to make a decision to whether that's legitimate or outside the bounds of diplomacy.

AMB. LORD: Well we really do have to address it on the specifics of the situation, on a case by case basis. But as to the general parameters of transit consistent with safety and convenience and comfort, as launched with legitimate transit, we've loosened up, and I've made that clear.

SEN. : Well it's not clear at this point whether you would recommend approval of the example I've given. I note with interest and admiration that the representatives of the colonies government go to great ends to identify the development of the opposition party, the DPP. In fact, I couldn't help but note that they made a special effort at the reception which was held in the Mansfield Room, in 207 of the Capitol Building the other night for Mo Shi Ding (ph), to bring those members of the DPP over and be sure that we had a chance to meet them.

What happens as we see the development of democracy in Taiwan if the DPP wins the presidential election in 1996 and carries through that platform of Taiwan independence?

AMB. LORD: First let me say we admire this movement toward democracy and human rights, and I met last week with members of the DPP and opposition party, as well as meeting continually with Ding Mo Shurt (ph) and many others, again unofficial capacity. I'm frankly reluctant to comment on Taiwan's politics and what might happen, so I think I will be very cautious.

SEN. : Well I guess the question would be what would be the U.S. response if the PRC makes good -- (inaudible) -- use force to quell independence in Taiwan?

AMB. LORD: Well we've made very clear that we would take seriously any threats and I think I'll leave it at that.

SEN. : So our policy might change if that happens?

AMB. LORD: Well what we'd like to see is that the relationship and the dialogue across the straits make progress so that this issue can be resolved peacefully. We made it very clear we expect it to be resolved peacefully.

SEN.: I want to thank you, Mr. Ambassador, for spending as much time as you have with members of this committee. I know the Chairman appreciates it, and I know you've got a tough job to do, and I admire your effort to be responsive and yet recognize that there is a role for diplomacy here. I am sure you caught the tenure of the majority of the committee members relative to the changes that are taking place in the world. I think it's fair to see that regardless of the pace that the administration recognizes adjustments if you will, as opposed to major changes in our policy as far as Taiwan, I believe and I am going to foster efforts by the Congress and the Senate to encourage first the administration to move, and if they don't move a little faster, well I will try to do it legislatively. So I guess it's fair to say you have put me on notice.

AMB. LORD: I think these kinds of exchanges are very helpful. It's always a pleasure to be with this committee. I won't repeat my arguments. I understand your point of view, I understand the visceral desire -- (inaudible). We genuinely think we have moved forward here, more than any other administration, and we think we've done it in a way that serves American national interests. Reasonable people can disagree and I look forward to our continuing dialogue.

SEN. : So we might be helping each other -- we just might not be in the right position to acknowledge it. Thank you very much, Mr. Ambassador. I would take the liberty of calling our next panel.

END