

Closing Keynote Remarks
U.S.-Taiwan Business Council Defense Industry Conference

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Good afternoon. I would first like to thank the U.S. Taiwan Business Council for organizing this year's conference, albeit in a virtual setting. I am honored to continue the tradition of senior Department of Defense officials making remarks at this conference. This is a, if not *the*, critical forum for the public and private sector to discuss security in the Indo-Pacific and Taiwan's defense strategy.

Before I begin my remarks, I would like to thank the U.S.-Taiwan Business Council, and President Rupert Hammond-Chambers, for their tireless efforts to enhance and promote the U.S.-Taiwan relationship. The Council's work in bringing together public and private stakeholders committed to Taiwan's security does so much to advance the U.S.-Taiwan defense relationship.

And I want to thank the conference participants – the representatives tuning in from Taiwan and TECRO, from industry, from academia, and from across the U.S. government. Your contributions, ideas, and expertise make this conference a truly irreplaceable incubator of ideas and actions to support and enhance Taiwan's self-defense. I hope that next year we will have the chance to convene in-person.

This year's conference has focused on a topic that is at the core of much of the work the Department of Defense does in the Indo-Pacific: the existential threat Taiwan faces from China. This discussion could not be more timely or important. Over the last year, we have watched with concern as the Chinese Communist Party (CCP) has broken its promises and utilized military coercion and intimidation to pressure and undermine the freedom and interests of peoples across the Indo-Pacific.

In Hong Kong, for instance, the delayed elections and arrest of individuals who advocate for democratic freedoms promised under the 1984 Sino-British Joint Declaration plainly demonstrate that Beijing's "one country, two systems" is a hollow promise—and raise questions about the credibility of its commitments elsewhere around the region, whether in the South China Sea, the East China Sea, or along the line of actual control with India. To be sure, these actions and the CCP's

increased use of bullying and coercive tactics cast a long and dark shadow across the Indo-Pacific. But I will also say they only serve to make Taiwan's democracy a beacon which President Tsai has said, "lights up the world", shine that much brighter.

Indeed, Taiwan's democracy continues to shine brightly as an example for the region and the world. Taiwan's story is a powerful one, as any visitor to the island can attest. We have witnessed Taiwan's vibrant democracy and civil society in action. Taiwan's free-market economy embraces innovation, entrepreneurship, and private sector-led growth—making Taiwan a valuable economic and trade partner for the United States. And, since earlier this year, we have witnessed Taiwan's outsized support to the global community in response to COVID-19. Taiwan has mobilized its domestic industry to provide the United States and others with critical donations of personal protective equipment (PPE). For this, I would like to extend my thanks to the people on Taiwan for their tremendous generosity.

Even as the region and the world continue to benefit from Taiwan's experience and expertise, the Chinese Communist Party has targeted Taiwan with diplomatic isolation, military threats and actions—including incursions of Taiwan's waters and airspace—cyber attacks, economic pressure, and other forms of interference activities and influence operations.

On the military side, whether it's measured in the increased sophistication of the People's Liberation Army's surface ships and submarines, advances in combat aircraft and air defenses, more ballistic and cruise missiles, or the development of tools for cyber and information warfare, the PLA today is mission-focused, well-resourced, and rapidly developing in both terms of direct military pressure on Taiwan and through other capabilities that the PLA seeks to use to deter, delay, or deny any third-party intervention in a crisis.

The PLA's actions test Taiwan's ability and preparedness to respond to coercion—in fact, they test the resilience of Taiwan's society. These actions are also a test of the international community's resolve and commitment to a free and open Indo-Pacific—a region integral to the global economy as a bulwark against the authoritarian alternatives peddled by Beijing. I would like to be clear: the PRC's threats against Taiwan are part and parcel of a broader challenge to security across the Indo-Pacific. The PLA's incursions into Taiwan's waters and airspace are destabilizing, increasing the likelihood of miscalculation and putting the shared prosperity and security of the region at risk. I would also like to be clear that while the PLA's actions are real and dangerous, the PLA is not unbeatable.

Taiwan can, through smart investments, send a clear signal to Beijing that Taiwan's society and its armed forces are committed to the defense of Taiwan. We're seeing the steps Taiwan is taking to bolster its self-defense—President Tsai's Cabinet proposed allocating an additional \$1.4 billion to next year's defense budget. These increases, while a step in the right direction, however, are insufficient to ensure that Taiwan can leverage its geography, advanced technology, workforce, and patriotic population to channel Taiwan's inherent advantages necessary for a resilient defense. President Tsai has also prioritized reforms to Taiwan's Reserve forces—a force that will play a critical role in Taiwan's territorial defense beyond the beaches, and demonstrate to society how important it is that the people of Taiwan are committed to Taiwan's defense.

As important, Taiwan must continue to seek a balance of investments across its defense portfolio. A balanced approach entails funding indigenous development, foreign acquisitions and sustaining or, in some cases, divesting legacy systems to support an effective and constant military deterrent. It is in this spirit that Taiwan funds indigenous research and development, such as the work that the National Chung-Shan Institute of Science and Technology (NCSIST) does to enhance and refine anti-ship missiles like the Hsiung-Feng series that could defend the island against an invading amphibious force. It is similarly important that Taiwan avoid over-investing in areas where there is less likely to be a return on Taiwan's limited defense dollars.

The United States continues to encourage Taiwan to field credible, resilient, mobile, distributed and cost-effective capabilities to achieve multi-domain deterrence. In particular, we encourage Taiwan to invest in what I call “large numbers of small things” — capabilities that can signal to an adversary that an invasion or an attack would not come without a significant cost. These are small dollar investments in lethal capabilities tailored to counter the military threat Taiwan faces, and they provide Taiwan with the best type of insurance policy.

One such capability is highly-mobile coastal defense cruise missiles (CDCMs), which is why we have encouraged Taiwan to acquire as many as possible – both foreign and indigenously produced. We are also prioritizing other capabilities that would support Taiwan's ability to defend its littorals and beaches – including short-range air defense, defensive naval mines, small fast-attack craft, mobile artillery, and advanced surveillance assets. These capabilities are more survivable than larger conventional platforms; they are better suited for Taiwan's geography, and more

importantly, are focused on preparing the Taiwan Armed Forces for the one fight they cannot afford to lose.

We are here to help. The United States' policy toward Taiwan, as enumerated in the Taiwan Relations Act, our one China policy, the three U.S.-PRC Joint Communiqués, and the Six Assurances, has been consistent. In addition to assisting Taiwan to maintain a sufficient self-defense. The Department is also adapting our capabilities, concepts, and posture to maintain deterrence, and if we are called to do so, prevail in a conflict. To prevail, however, will also require an equal commitment by the people of Taiwan to their own defense—requiring not just higher defense spending, but also a whole-of-society approach to counter the full spectrum of potential PRC aggression.

To start, Taiwan needs to strengthen its reserve forces—not just as reinforcements for the active components, but more importantly to ensure that those brigades that are charged with supporting local and county agencies in a crisis are able to do so. Training the reserve forces should demonstrate to the people how small, but manageable actions can support Taiwan's defense; perhaps most of all, such training would show how the creativity, resourcefulness, the ingenuity and the patriotism of the Taiwan people can be catalyzed to signal that Taiwan and the very idea of Taiwan is something that's worth fighting for.

Another area that we believe holds further untapped potential to support Taiwan's self-defense is the co-development and co-production of capabilities that best provide for a credible multi-domain deterrent. Collaboration with Taiwan to develop defense capabilities that both of our militaries can use in steady-state or a conflict would go a long way in countering China's concerted efforts to technologically overpower its adversaries. And it is critical that our respective defense industrial bases—not just our political and military leadership—are poised to support this potential form of cooperation.

We believe that our efforts to jointly research, design, develop, and/or produce military capabilities should focus on capabilities most relevant to Taiwan's defense. Taiwan is clearly investing in its own defense industrial base—including shipbuilding, aircraft, and related components and armaments such as mines and missiles. While much of Taiwan's indigenous defense industrial base is centered around state-affiliated defense companies, there is also a network of small and medium-sized companies on Taiwan that provide components—optics, sensors, communications devices and so on—to integrate into the systems built by the larger companies. I encourage our industry partners in attendance today to continue to

discuss how they can leverage Taiwan's network of research and development, technological expertise, and businesses both large and small to identify new approaches that support Taiwan's acquisition of critical self-defense capabilities.

Similarly, I also encourage our industry partners to continue to think creatively about how U.S.-made systems can be adapted and integrated alongside Taiwan's indigenously-produced capabilities. Taiwan's homegrown weapons platforms could be enhanced further through the provision of U.S.-built technologies that will strengthen the mobility, survivability, and lethality of Taiwan's indigenous systems. This could include, for instance, providing vehicles that could accommodate and increase the mobility of the NCSIST-designed Tien-Kung surface-to-air missile.

But our collaboration need not be limited to the research, design, development, or production of operational capabilities for use by the Taiwan or U.S. militaries. Indeed, the Department believes that we can look farther up the supply chain—to companies that provide chips, widgets, and other types of enabling technologies that are fused into our defense capabilities.

We need look no farther than Taiwan's leading position in the global semiconductor industry to identify possible opportunities. While many of the semiconductor chips that support U.S. artificial intelligence, 5G networks, and our military are designed here in the United States, approximately 47% of U.S. designed chips are made by Taiwan. TSMC's announcement that it will build a wafer plant in Arizona is a game changer—not just for the semiconductor industry, but also for U.S. national security.

With TSMC's commitment, high-tech 5 nanometer chips will be made here in the United States. TSMC's investment will create thousands of jobs, promote the creation of high-skilled sub-industry clusters, and support both U.S. and Taiwan leadership in future technologies. And, importantly, the footprint of Taiwan's leading semiconductor firm here in the United States provides an opportunity for our industries to collaborate on intellectual property protection—ensuring that the chips, like our militaries, are defensible against all potential threats.

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I hope that as you all engage in further conversations after this conference that you will continue to identify creative solutions to advance our interest in ensuring Taiwan fields a credible, multi-domain deterrent. The threat Taiwan faces is real and urgent—but it is not an impossible one. Our continued cooperation is critical to enhancing and strengthening Taiwan's self-defense.

The United States' fundamental interest is that the Taiwan issue is resolved peacefully, without coercion, and in a manner acceptable to the people on both sides of the Strait—as Beijing promised. The United States remains committed to our one China policy. Consistent with the Taiwan Relations Act, the three joint communiqués between Washington and Beijing, and the Six Assurances provided by President Reagan to Taipei in 1982, the United States makes available to Taiwan defense articles and services necessary to enable it to maintain a sufficient self-defense capability. We rely on foreign military sales and direct commercial sales to provide Taiwan with these critical capabilities; and we also depend on continued support from the defense industrial base—all of you dialed in today—to ensure that the U.S. interest in the peace and stability of the region is a priority also shared across the U.S. defense sector.

Thank you very much for your time and attention.

I look forward to your questions.