

## **Keynote Remarks**

### **U.S. Taiwan Business Council Defense Industry Conference**

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Good afternoon. I would like to first thank the U.S. Taiwan Business Council for organizing this forum, which comes at a crucial time both in terms of security in the Indo-Pacific region, and in Taiwan's defense transformation, two key themes I will address shortly. I also want to welcome General Chang, Vice Minister for Armaments, who plays such an important role in this transformation; and send greetings from Randy Schriver, our Assistant Secretary of Defense for Asian and Pacific Security Affairs, who could not be here today.

I also want to thank Chairman Michael Splinter of the U.S.-Taiwan Business Council, and President Rupert Hammond-Chambers, for their continued work in ensuring a strong and productive U.S.-Taiwan relationship. The Council's work in bringing together like-minded stakeholders committed to Taiwan's security does so much to advance the U.S.-Taiwan relationship. And, I want to thank you -- representatives from Taiwan, from industry, from academia, and colleagues from across the U.S. government -- for what you do, and for your efforts and contributions to Taiwan's security and to U.S.-Taiwan relations.

Today I will discuss three overarching themes: 1) Taiwan's role in the Indo-Pacific and in U.S.-Taiwan defense relations; 2) Taiwan's approach in addressing its national security threats; and, 3) some decisions that Taiwan must make to implement its emerging defense concept quickly and comprehensively.

In his speech at this year's Shangri-La Dialogue, Secretary Mattis stated that the Indo-Pacific is our priority theater. "Our interests," he said, "and the region's are inextricably intertwined." Our strategy makes significant security, economic, and development investments that demonstrate our commitment to allies and partners in support of our vision for an Indo-Pacific that is safe, secure, prosperous, and free.

A key feature of our strategy for the Indo-Pacific is the fact that it is inclusive. All those committed to upholding international rules, norms and standards are welcome. As Secretary Pompeo has said, our relationships in the region have been and will continue to be built on "partnership, not domination."

This is central to meeting the strategy's primary objective: A free and open Indo-Pacific, where all may engage in free and free, fair, and reciprocal commerce, retain unimpeded access to the maritime domain, and be free from coercion. Achieving this objective will ensure continued regional peace and stability, and allow this economically and culturally vibrant region to continue to prosper.

Key to a free and open Indo-Pacific is maintaining our obligations under the Taiwan Relations Act, which has guided the U.S.-Taiwan defense relationship for nearly 40 years. These obligations include supplying Taiwan with arms of a defensive

character in order to ensure that Taiwan maintains a sufficient self-defense capability, and maintaining the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan. At the same time, we will continue to adhere to our One China Policy -- based on the three joint communiques and the Taiwan Relations Act -- and oppose unilateral actions by any party aimed at altering the status quo.

Fundamentally, our commitment to supporting Taiwan's self-defense is based on the belief that a strong and secure Taiwan is the best deterrent against aggression, and is best able to defend the Taiwan people and preserve their hard-won democracy. A strong and secure partner, with the means to defend its social and economic system, is critical to ensuring a stable, rules-based order in the Indo-Pacific that benefits all.

Ultimately, it is the unique qualities and values of the people that define Taiwan itself -- its innovative economy, democratic governance, commitment to the rule of law, and contributions to regional peace and stability. In this context, the Taiwan people are defending more than just territory -- they are defending their history and their culture. They are defending the very idea of Taiwan, a democracy which, in the words of President Tsai, "lights up the world."

As my Department of State colleague Alex Wong recently described, Taiwan is the embodiment of the types of reforms and types of values that the United States wants to promote throughout the Indo-Pacific, and which Taiwan does itself through initiatives like the New Southbound Policy, public health initiatives, and humanitarian assistance.

In the end, the success of Taiwan fundamentally rests on the Taiwan people who view their way of life and their ability to serve a beacon to the world as something worth defending.

Let me talk now for a bit on the cross-Strait military situation. Taiwan is aware of the magnitude of the threat across the Strait. Taiwan lays squarely in the cross-hairs of Beijing rhetoric and military planning.

Regionally, Beijing has taken a more assertive posture and aggressive tone in an effort to upend the status quo -- a status quo that has conferred enormous benefits to the Chinese people. Beijing increasingly seeks veto authority over other nations' economic, diplomatic, and security decisions that, as articulated in our National Security Strategy, make it nothing short of a revisionist power.

The Department of Defense's own National Defense Strategy highlights these concerns, noting that China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to its advantage. China's increasingly authoritarian governance and heightened religious repression are at odds with those who would seek to strengthen the rule of law, civil society, and transparent governance in the Indo-Pacific.

When I spoke to the conference last year, I noted that Taiwan cannot count on Beijing's forbearance for its security. As the developments I just spoke of make clear, that unfortunately remains the case. There is no indication that the Mainland is preparing to renounce the use of force, now or in the future.

China seeks to alter the status quo and erode Taiwan's diplomatic space in the international arena while increasing the frequency and scale of PLA activity within and beyond the First Island Chain. As the Department's 2018 China Military Power Report makes clear, the PLA continues to develop strike capabilities, including long range bomber flights. These coercive acts only make more difficult the peaceful resolution of cross-Strait issues in a manner and scope, and at a pace,

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acceptable to the people on both sides.

More broadly, the People's Liberation Army is undergoing reforms that will increase its ability to conduct joint military operations, including across the Taiwan Strait. Whether upgrading existing platforms, acquiring new capabilities, or undertaking structural reforms, the PLA is preparing to fight – and to win.

These developments require a response that is rooted in national strength, and in the defense domain for Taiwan, self-strengthening means innovation, it means smart investments, it means leveraging the asymmetries to Taiwan's advantage.

Taiwan's latest strategic vision, summarized in the Overall Defense Concept, or ODC, provides a blueprint for doing just that, by prioritizing the concepts and mission essential tasks needed to blunt a PRC attack. Moreover, this concept shows that although Taiwan faces daunting challenges, these challenges are not insurmountable. In fact, it shows Taiwan's ability to synthesize years of planning and analysis into a concept that aims to defeat an invading force with innovative methods that play to Taiwan's strengths.

The ODC is of course a unique product of Taiwan's efforts – within the context of its strategy for a resolute defense, multi-domain deterrence. I will therefore leave it to the Taiwan MND participants and others here to best explain what the ODC is and how it will be implemented. I want to articulate though how we in the Department understand the ODC, and why we believe it has the potential to be a major step forward if implemented effectively and comprehensively.

The ODC concept focus on asymmetric warfare, force preservation, and littoral battle leverages Taiwan's geographic advantages, while exploiting the key challenges an amphibious invading force is likely to face. A large-scale amphibious invasion is a very complex and difficult military operation that requires air and sea superiority, a rapid buildup and sustainment of supplies onshore, and uninterrupted support. If the PLA were to succeed in its landing and breakout, it would still face force attrition and the complexity of urban warfare and counterinsurgency.

Moreover, the concept's prioritization of survivable, mobile, and more numerous precision-guided weapons and advanced surveillance assets is a highly effective approach to countering the PLA's quantitative advantages and operational strengths. Therefore, comprehensive implementation of the ODC, with all the attendant changes to Taiwan's force structure, planning, and doctrine, is vital for the defense of Taiwan as the PLA pursues its own aggressive build-up.

Never ones to fear change, the Taiwan people and armed forces have made important strides in strengthening the self-defense capabilities of the island. President Tsai has committed to spend more on Taiwan's defense, both in the coming fiscal year and in the years ahead. Multi-year growth in Taiwan's defense budget is imperative to support of the Overall Defense Concept. Although Taiwan will never be able to match China in defense spending, it must have sufficient resources to modernize its military and provide the critical materiel, manning, and training needed to deter, or if necessary defeat, a cross-strait invasion. If future year defense budgets do not continue to grow to properly resource the strategy, Taiwan's current efforts will falter.

We also commend President Tsai for her efforts to enhance Taiwan's defense self-sufficiency. She has been a strong advocate for domestic development and manufacturing in order to strengthen Taiwan's defense industrial base.

This will enable Taiwan to make further strides in both developing and fielding the types of asymmetric capabilities to defend against a PLA invasion force, such as land- and sea-based cruise missiles, short-range air defenses, multiple-launch

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rocket systems, small fast attack boats, unmanned aerial vehicles, coastal defense artillery, and naval mines. Taiwan's technological expertise, if optimized properly with further investments in the recruitment and retention of highly-skilled people, may provide outsized returns relative to its defense budget. We want to encourage and assist these efforts, because we believe they can make unparalleled contributions to Taiwan's self-defense.

This force transformation that Taiwan is embarking upon, and that we fully support, calls for balance as well with sufficient conventional capabilities to meet the peacetime needs of a military in a rough neighborhood. We understand Taiwan's need to deploy ships and aircraft to patrol its air and sea space.

Yet as Taiwan confronts the immediacy of these requirements, it cannot afford to overlook preparing for the one fight it cannot afford to lose. The mobile, survivable, and distributed capabilities mentioned a moment ago can do far more to deter an attacker by threatening to exact significant costs on any invading force, or defeat an attacker in the event of invasion. I again commend my Taiwan friends for pushing higher defense spending and focusing on self-strengthening, but Taiwan has both too few dollars and too little time to focus on lesser priorities than that which is necessary for its own survival.

Last year I spoke of Taiwan's need for a credible, resilient and cost-effective deterrent. Credible – in that Taiwan's acquisitions, training, and doctrine address the vulnerabilities of a potential adversary that spends more and fields faster. Resilient – in that Taiwan's forces and systems are distributed, maneuverable, and can operate autonomously while facing cyber, electronic, missile, and air attacks. Cost-effective – in that Taiwan retains conventional capabilities for contesting with steady state presence activity around the island, but focuses research, development, procurement, and maintenance on affordable and scalable asymmetric capabilities that are integrated into a multi-domain defense.

The U.S. military is acutely aware of the growing regional and global threats to its own forces and the limits of traditional defense concepts. To be clear, we too are increasingly adapting our force structure along these lines. In fact, we are investing in the budget-conscious and asymmetric concept of large numbers of small things: platforms and weapon systems that are mobile, survivable, and lethal to a threatening force. The key point is that large numbers of small things provide a total capability that is less sensitive to the loss of any individual piece of equipment.

If Taiwan's military makes these changes to its force structure, it is equally important that Taiwan continue to make progress on how it trains and organizes its forces. The Department has been helping Taiwan to think through how to increase joint capabilities while operating in a decentralized environment. This in turn will enable Taiwan to employ mobile and distributed systems without central command and control. Given the capabilities the PLA could bring to bear in a blockade or outright amphibious invasion, including information control, Taiwan's progress here is key.

A critical component of this is developing and empowering junior officers and non-commissioned officers (NCOs). Leaders at senior levels must trust that their junior leaders – officers and NCOs – are capable of performing their mission. Likewise, junior officers and NCOs must know that they are empowered to make and execute decisions at the lowest level. Empowering NCOs is fundamental to a modern and effective fighting force. Taiwan must also continue to strengthen its reserve forces and consider the role they can play in complementing the active force. Reserves can serve as a significant force multiplier and should not be neglected. Moreover, reserves function as a connection between the active force and broader society, and can reinforce the stakes the people of Taiwan have in their own defense.

As you all engage in further conversations this afternoon and tomorrow, I want to reaffirm again the U.S. commitment to a free and open Indo-Pacific, and again make clear that Taiwan has been, and will continue to be, an important partner in the

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*Presentations & Papers*

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region. We in the Department of Defense are committed to assisting Taiwan with maintaining its self-defense capability, and will always be proactive in engaging with MND leadership and defense planners as Taiwan transitions to a more asymmetric posture.

I know that the changes I discussed will be disruptive and compel many people and organizations – both in the United States and Taiwan – to change old ways of thinking, old ways of procurement, planning, and training. But these changes are essential if we are to look dispassionately at the military balance in the region and devise a way ahead that ensures Taiwan has the ability to resist coercion and deter aggression. This ability will safeguard continued peace and stability both across the strait and within the Indo-Pacific. Most importantly, it will help protect the free and democratic way of life for the 23 million people of Taiwan.

Thank you very much for your time and attention. I look forward to any questions you may have.