



US - Taiwan Defense Industry Conference

October 28-30, 2018

The Hotel Annapolis, Annapolis, Maryland

Presentations & Papers

AIT Chairman James Moriarty

Remarks at U.S.-Taiwan Business Council, Defense Industry Conference

Monday, October 29, 2018, 9:00 AM

Rupert, members of the Council –

Thank you once again for the invitation to attend this conference as a representative of the American Institute in Taiwan. This conference offers a unique opportunity to hear from a broad range of experts and stakeholders who share an interest in Taiwan's continued security. I look forward to hearing the perspectives of Vice Minister Chang and other leaders from Taiwan's Ministry of National Defense and Legislative Yuan, current and former U.S. government officials, leaders of the defense industry, and analysts from around the world.

This is the seventeenth annual U.S.-Taiwan Defense Industry Conference in an ongoing series of discussions with industry to address the future of U.S. defense cooperation with Taiwan, the defense procurement process, and Taiwan's defense and national security needs. As industry experts, this audience is focused on the finer points of the security relationship, a relationship that has been founded upon and evolved through the Taiwan Relations Act (TRA). Since enactment of the TRA nearly 40 years ago, the United States and Taiwan have built a comprehensive, durable, and mutually beneficial partnership, grounded in shared values – in particular, support for democracy and human rights.

Of late, that partnership has become more important than ever as the People's Republic of China exerts pressure on Taiwan and U.S. interests in Asia, and around the globe. But as stated in the 2017 National Security Strategy, "we will maintain our strong ties with Taiwan in accordance with our 'One China' policy, including our commitments under the Taiwan Relations Act to provide for Taiwan's legitimate defense needs and deter coercion.

I mention this context simply to draw focus upon the current situation and to reiterate that the United States considers the security of Taiwan central to the security of the broader Indo-Pacific region. To borrow from the recent speech of Vice President Pence: "China wants nothing less than to push the United States of America from the Western Pacific and attempt to prevent us from coming to the aid of our allies." The United States considers stable cross-Strait relations as essential to maintaining regional stability. And I'm confident that none of us in the room today takes Taiwan's security for granted.

The TRA outlines specific commitments in the security realm. The first among those this audience should be quite familiar with, namely that the United States "will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability."

Providing these articles and services is about much more than simply bolstering defense capabilities; it is also U.S. law. In the face of unrelenting pressure from Beijing, the Administration's announcement last month of a \$330 million package of spare parts for Taiwan's military should not be taken lightly. We are committed to supporting Taiwan's self-defense capabilities consistent with the TRA. In doing so, the United States will help facilitate stability across the Strait by giving Taipei the confidence needed to pursue constructive interactions with Beijing.

At the same time, security relations with Taiwan are about much more than arms sales. Taiwan's key defense and military leaders are increasingly embracing the new Overall Defense Concept embodying the need to creatively employ existing

capabilities and to develop new innovative ones. This effort should provide new and exciting opportunities for both Taiwan and U.S. businesses.

Taiwan's own leaders must and will drive this transformation. Academics and analysts must provide clear assessments of the evolving security threats. Industry must look for new ways to apply existing technology to maximize the effectiveness of systems to bolster Taiwan's self-defense. Those who share an interest in Taiwan's security must work with Taiwan to ensure that its defense strategy, and the articles and services provided, support the move toward small, maneuverable, and survivable systems over large, expensive, prestige-enhancing platforms.

Additionally, reevaluating force structure and doctrine to better align manning, training, and equipping are also part of this effort. For example, we are supporting Taiwan's efforts to overhaul its reserve forces and enhance interoperability among its military services. We are assisting Taiwan with the development of an improved NCO corps. Through AIT, U.S. experts are also discussing new approaches to warfare with their Taiwan counterparts. In short, our unofficial military-to-military engagements are robust.

These examples demonstrate that providing necessary defense articles and services is a complex business that requires much more thought than simply replacing old planes, ships, and tanks with new ones. Taiwan can be confident that there is a large community in the United States – many represented here at this conference – committed to fulfilling both the letter and the spirit of the Taiwan Relations Act.

The Tsai administration has placed a considerable emphasis on producing defense systems indigenously. In fact, this August President Tsai stated that the development of indigenous weapons systems is the backbone of the government's national defense strategy. Late last year, Taiwan's Aerospace Industrial Development Corporation (AIDC) completed an upgrade of Taiwan's own Indigenous Defense Fighter.

Ground-based missile defense alone cannot secure Taiwan's airspace during peacetime. Having a viable Air Force – and one that is ready to conduct credible deterrence operations now – is irreplaceable. Taiwan's indigenous programs in this area are not mutually exclusive from our support for a layered defense capable of deterring invasion but must be inextricably linked to it.

In addition to aircraft, Taiwan's defense industry has also been invested in the development of shipbuilding systems. The stealthy Tuo Jiang missile corvette catamaran went into operation in 2015 – with Defense Minister Yen recently stating Taiwan hopes to begin building several more soon.

That list could go on and on. The United States appreciates Taiwan's determination to take a more self-reliant approach to its defense. Such an approach will also increase the number of stakeholders on Taiwan who are invested in the island's defense and actively thinking about the security challenges that Taiwan faces. This is a good thing.

At the same time, the U.S. government continues to encourage Taiwan to recognize that a credible deterrent must take into account the vast numbers of opposing platforms that may come across the Strait in a worst case scenario. There is an urgency to this: Taiwan's counterpart platforms no longer possess a quantitative advantage over the PLA.

The U.S. commitment under the TRA is firm, but that commitment alone will not secure Taiwan in an increasingly complex regional security environment. Taiwan must do its part to invest wisely in capabilities that deter aggression and would help Taiwan mount an effective defense should deterrence fail. While we commend Taiwan for the considerable strides it has

made, it can and must do more as the security threat against it continues to evolve.

Taiwan's defense spending simply has not kept pace with this changing environment. Taiwan must address this problem with real urgency. The United States is encouraged by President Tsai's recent proposal for a 5.6% increase in the 2019 defense budget. We see this budget increase as a step in the right direction. We also hope the Legislative Yuan fully supports this budget proposal thus demonstrating their understanding for the need for Taiwan to assume a greater share of responsibility for its own defense.

Equally important to procurement and indigenous development are training, maintenance, ordnance, and other key areas essential to ensure the readiness of the force. While less glamorous than new platforms, maintenance investments will mitigate near-term cost and risk. We understand the expenses behind Taiwan's transition to an all-volunteer force and focus on indigenous production, but to date we have not seen any special budgets for major programs such as the indigenous defense submarine. As friends, we remind Taiwan not to forsake the need for immediate readiness today for future capabilities tomorrow. I continue to encourage Taiwan to redouble its efforts to strengthen its preparations for effective all-out defense. That will require further investment in national defense and the strengthening of its reserve and call-up systems. Perhaps more importantly, it will include tough discussions about decommissioning older legacy systems in favor of more cost-effective, resilient, sufficient, and redundant ones.

Finally, while Taiwan should be commended for making long-term investments in potential new capabilities, it must also take steps that will increase its deterrent capability over the short-term.

I look forward to hearing General Chang's view on this set of opportunities and challenges, and how U.S. industry can help bolster Taiwan's defense through procurement.

(To General Chang) President Tsai clearly has great confidence in naming you as Vice Minister of Defense for Armaments, and it shows her priority of developing Taiwan's indigenous defense industry. I wish you and your team, and the people on Taiwan all the best.