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Upgrading US-Taiwan Relations for the 21st Century  
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Thank you. I appreciate the opportunity to speak here today. Congratulations to Russell for organizing this event. GTI will play an important role in building a public, collective understanding of Taiwan and U.S.-Taiwan relations.

I am impressed by the wealth of expertise that has participated in this conference today, so I hope my comments and insights into the U.S.-Taiwan relationship can contribute in some small way. The topic, Upgrading U.S.-Taiwan Relations for the 21<sup>st</sup> Century, is as relevant in the defense arena as in any other.

I'd like to share with you the values and principles that underpin the U.S.-Taiwan defense relationship, and give you a sense of how we have worked with Taiwan over the past several years to improve its defense, and outline some of our key areas of focus for the future. But first I would like to briefly address the importance of the U.S.-Taiwan relationship and describe our long-standing policy toward the island.

The U.S. has an enduring interest in maintaining peace and stability in the Taiwan Strait. We continue to encourage both sides of the Taiwan Strait to improve relations in a manner and at a pace acceptable to the people on both sides. We believe a Taiwan that is secure, confident, and free from coercion is better able to engage Beijing constructively, which, in turn, supports a stable and peaceful cross-Strait environment.

The United States has been an Asia-Pacific power for more than a century, and we have a vested interest in the security of our partners, and the overall security of the region. You all know that the security of Taiwan is central to the security of the broader Asia-Pacific region. Taiwan is an integral part of the region, and the region is better off when Taiwan is prosperous and secure.

Taiwan is also a model for the region and the world with its market economy and its vibrant, prosperous, free, and orderly democratic society. The people on Taiwan have a great deal to be proud of, and shared values are an essential, core component of the U.S.-Taiwan relationship. These values bind together the Department of Defense and the Taiwan Ministry of National Defense in common cause. They also help to connect Taiwan with other free and democratic societies in the region.

Our policy toward Taiwan is founded on the Taiwan Relations Act of 1979 and the three joint U.S.-China communiqués, and is guided by the Six Assurances. This has remained unchanged across successive presidential administrations, and the U.S. Government remains firmly committed to its one-China policy.

The Taiwan Relations Act calls for the U.S. to provide Taiwan with “arms of a defensive character” and to maintain the capacity to “resist any resort to force or other forms of coercion that would jeopardize the security, or social or economic system, of the people of Taiwan.” The Department of Defense, working with the interagency, provides Taiwan with defensive weapons through the Foreign Military Sales program and advises the State Department on Direct Commercial Sales.

Taiwan is the United States’ largest Foreign Military Sales partner in Asia and the second largest in the world. Since 2010, we have notified Congress of more than \$15 billion in arms sales to Taiwan. The capabilities that the Department of Defense has provided include some of our most advanced weapon systems, including AH-64E Apache Attack Helicopters, Patriot missile systems, and other advanced munitions. Taiwan’s newest F-16 fighter, the F-16V, is a highly capable modern aircraft. And between 2012 and 2016, the U.S. Government licensed \$3.1

billion in arms sales and services to Taiwan through Direct Commercial Sale transactions.

The most recent arms sale package was notified to Congress in June of this year. It comprises more than \$1 billion worth of equipment, including Joint Stand-off Weapons, High-Speed Anti-Radiation missiles, MK-48 Heavy Weight Torpedoes, and upgrades of existing torpedoes to a more advanced configuration, as well as other upgrades and technical support for other systems.

The U.S. commitment to Taiwan does not begin and end with arms sales, however. Our overall defense relationship is broader and more consequential.

We are especially focused on assisting Taiwan with the non-hardware aspects of military capability. And this is one of the principal ways in which we're upgrading our defense relationship. We have a program in place to overhaul Taiwan's reserve forces and make them more agile and effective in a 21st century combat environment. This includes a focus on increasing the integration of active and reserve forces. We are also working with Taiwan to develop improved joint doctrine, part of a larger effort to increase jointness and service interoperability in the Taiwan military.

In addition, we are upgrading our defense relationship by placing a greater emphasis on asymmetric warfare. To provide one example, the U.S. Army has a new initiative to increase the ability of Taiwan's ground forces to operate in a more decentralized fashion, with less reliance on higher-level command-and-control. We are also assisting Taiwan with the development of an improved NCO corps, again with an aim toward greater decentralization, with greater initiative at the NCO level. These and other efforts to train and assist the Taiwan military are central to our overall defense relationship.

High-level talks with Taiwan are another key element of our comprehensive and durable partnership. These address a wide range of issues related to defense and foreign policy, and they help guide DOD's work with the Taiwan military. These

talks directly impact arms sales, and they are symbolically important in reflecting our broader commitment to the people on Taiwan.

We have two senior-level defense dialogues with Taiwan that occur annually. One of them has been held every year for the past 22 years, the other for the past 16 years. We have additional, ad-hoc meetings that occur regularly, and we conduct robust, service-level exchanges that focus on personnel, training, maintenance, tactics, professionalization, and other topics.

All these efforts are indispensable to fulfilling the letter and spirit of the Taiwan Relations Act. And we will continue to assess and reassess our efforts to make sure they are updated to deal with 21st century threats.

The principal challenge facing Taiwan, of course, is the long-term, comprehensive military modernization being undertaken by Beijing. As the Department stated in its most recent report to Congress on this subject, Taiwan continues to be the PLA's main "strategic direction" and focus for military modernization. While the PRC considers other areas to have high strategic importance, including the East China Sea, South China Sea, and borders with India and North Korea, Taiwan remains the principal driver of the PLA's force modernization and expansion.

The PLA continues to develop and deploy a variety of capabilities that threaten Taiwan, with a significant number of these deployed near the Taiwan Strait. Of particular concern are ground-launched ballistic and cruise missiles. These continue to advance in both numbers and capability.

China also is investing in one of the most lethal, integrated air defense systems in the world. This includes large numbers of fighter aircraft as well as surface-to-air missile systems with increasing range and sophistication. The PLA Air Force now has about 600 fourth-generation aircraft and will likely become a majority fourth-generation force within the next several years. It is also developing fifth-generation fighters.

The PLA Navy is an increasingly advanced and flexible force comprising more than 300 surface ships and submarines. It is rapidly retiring older surface combatants and replacing these with larger, multi-mission ships equipped with advanced anti-air, anti-ship, and anti-submarine weapons and sensors.

Most recently, the PLA Air Force has conducted long-range over-water bomber missions in the Western Pacific, bracketing Taiwan.

And it is not just the weapon systems. The PLA is stepping up its training, and in recent years has conducted large-scale joint exercises, such as “Stride” and “Mission Action,” explicitly focused on Taiwan invasion scenarios. These are now openly discussed in Chinese media. The PLA continues to focus its training on large-scale and complex, joint operations, with greater realism and sophistication.

In short, China is developing the capacity to coerce Taiwan and if directed, compel unification by force. There are no indications that Beijing is preparing to renounce the use of force, now or in the future. It is therefore incumbent upon Taiwan to invest in the capabilities to deter aggression and to mount an effective defense should deterrence fail. The United States strongly supports Taiwan in these efforts.

The challenge for Taiwan is not that it must be able to defeat the PRC, but rather that it must develop and sustain the credible means to deny victory. This is our key measure of success, and it is essential for deterrence. Taiwan has made considerable strides in developing effective deterrent and defensive forces. But it can and must do more as the PLA threat continues to evolve.

To capitalize on the successes of the past several years, there are four main areas that should be the focus of Taiwan’s defense transformation efforts: (1) Prioritizing defense resourcing; (2) Prioritizing homeland defense; (3) Developing a capable, effective force; and (4) Investing in asymmetric capabilities.

(1) To begin with, Taiwan should increase its defense spending, which has not kept pace with threat developments. There is a temptation to focus on the percentage of

GDP devoted to defense, and that is not all bad... but what matters is that Taiwan has the resources it needs to develop a military that is effective against the PLA, taking advantage of key defensive and geographic advantages. This does not require a massive investment. But Taiwan needs greater resources to modernize its equipment, train realistically, recruit highly-skilled personnel, and develop advanced indigenous weapon systems. There is no substitute for providing the resources needed to achieve these goals. And simply increasing the top-line will not be sufficient – these resources must be focused on the right capabilities.

(2) The second main area in which Taiwan should increase emphasis is homeland defense. Taiwan should focus its efforts on acquiring capabilities that can defeat the PLA's power-projection forces at locations near Taiwan's main island, where its defensive advantages are greatest. This is also the one phase of the battle that Taiwan cannot afford to lose. Taiwan must invest in the military capabilities best suited to this purpose, and it must have the personnel, doctrine, training, and tactics to induce uncertainty in an aggressor about his ability to prevail in a contest close to Taiwan's shores.

We have seen significant progress in this regard. The Taiwan Navy is developing new systems and capabilities that target the center of gravity of an invasion force, with tailored capabilities that take advantage of shore-line defense where lines of communication are shortest, and vulnerabilities for an invading force are most acute. Taiwan's investments in sea mines, coastal defense artillery, land and sea-based mobile anti-ship cruise missiles, UAVs, fast attack boats, and hardening, decoys and camouflage considerably bolster its ability to defend the homeland and slow an invading force when it approaches Taiwan's shores.

(3) Third, Taiwan must emphasize the development of an effective, capable force. This is not just about having the capacity to deny, disrupt, or defeat PLA air and maritime operations. It's about the capacity to withstand air, missile, and cyber attacks while being able to pose a credible and persistent threat to any invading PLA force. This requires an examination of the human capital aspects, including

the right mix of volunteers and conscripts, the right balance between active and reserve forces, and rethinking the role of the reserves.

(4) Fourth, and most importantly, Taiwan needs to increase development of “asymmetric” capabilities to counter PLA aggression. There is an appreciation on both sides that traditional approaches to the defense of Taiwan are no longer viable in light of the growing capabilities of the PLA. Taiwan must transform its defense to include more asymmetric and innovative approaches. In our view, this should include a greater emphasis on large numbers of small things, including mobile, networked, and highly lethal weapon systems, aided by military deception. Key examples include mobile coastal-defense cruise missiles and mobile, surface-to-air missile systems.

Taiwan has made considerable progress in shifting its defense planning and procurement efforts toward non-traditional, innovative, and asymmetric approaches. Taiwan deserves a great deal of credit for this transformation, but the size, scope, and pace of the challenge it faces causes us to focus our attention on what remains to be done, rather than what has been successfully accomplished. I cannot emphasize enough the importance of Taiwan’s continued progress in this area – transitioning toward greater asymmetry, innovation, and adaptation.

We must bear in mind that Taiwan’s demonstrated commitment to its own defense is a critical factor in maintaining deterrence and preserving a stable and peaceful cross-Strait environment. The Taiwan military’s commitment to asymmetry, innovation, and adaptation is part of this deterrence equation.

We recognize this is a complex mission that is becoming more complex over time as the PLA threat evolves. But this shouldn’t deter Taiwan from continuing to self-examine and improve its self-defense capabilities. Taiwan has considerable defensive advantages, which – if properly exploited by an asymmetric, innovative, and adaptive force – could pose major operational challenges to an aggressor. As the PLA threat continues to grow in size and complexity, Taiwan must think more flexibly and creatively about how to exploit its inherent defensive advantages.

Consistent with the Taiwan Relations Act, the U.S. Government remains steadfastly committed to supporting Taiwan in these efforts, including by making available to it the defense articles and services necessary to maintain a sufficient self-defense capability. But Taiwan also has made a great deal of progress developing new, indigenously produced defense systems that are mobile, survivable, and able to take advantage of Taiwan's geography. In some cases, Taiwan may build for itself asymmetric capabilities -- because the United States does not make them -- that are highly effective at exploiting an opponent's weaknesses and targeting its center of gravity. Taiwan's mobile, coastal-defense cruise missile systems are one example.

Taiwan's new emphasis on producing defense systems indigenously is a consequential step. The Department of Defense recognizes and appreciates Taiwan's aspirations to be increasingly self-reliant for its defense, as well as its desire to increase the benefits of defense spending for its own economy and society. Taiwan has a long and successful history of cooperative indigenous defense programs, including the licensed production of Perry-class Frigates and the Indigenous Defense Fighter. Both of these proved that the concept is viable. In addition, Taiwan's defense industry has demonstrated that it is highly capable of producing asymmetric, affordable, and survivable weapon systems. Key examples include small fast attack boats, mobile ground-launched anti-ship cruise missiles, and multiple-launch rocket systems.

At the same time, we need to be clear that Taiwan's efforts to prioritize indigenous capabilities will present new challenges. The U.S. Government fully supports Taiwan's efforts to improve its self-defense capabilities through any legitimate means. However, the U.S. Government does not own much of the technology that Taiwan seeks for its domestic industry. This will necessitate closer cooperation between Taiwan and U.S. defense contractors and require them to establish new relationships. It also raises new issues related to protecting sensitive U.S. technologies.

Taiwan will need to ensure compliance with U.S. standards and requirements for safeguarding sensitive defense technologies. These will be a new and challenging

experience for some partners involved in Direct Commercial Sales. I would encourage Taiwan to continue to focus on improving its processes and procedures in this area, so it can enhance cooperation with the U.S. Likewise, Taiwan may also need to establish new regulatory mechanisms in order to expand its partnerships. It must reassure the U.S. Government that sensitive technologies will be protected against inappropriate transfer.

To fulfill its goals, Taiwan will need to address some unique and challenging problems. For instance, to what extent will companies with significant business interests on the Mainland participate in Taiwan's indigenous defense programs? Given the relatively small size of Taiwan's military and defense budget, will the production of small numbers of weapon systems indigenously be cost-effective or attractive for U.S. suppliers?

Traditionally, the Department of Defense and its contractors absorb a great deal of the cost and risk involved in developing and producing new weapon systems, including from delays, cost-overruns, and quality assurance or performance problems. By the time the systems are sold to foreign countries, many of the bugs have been worked out, and the risks are greatly reduced. As Taiwan transitions toward indigenous manufacturing aided by direct commercial sales, the risks of developing new weapon systems will shift to the buyers, and that is something Taiwan will need to reconcile. Addressing these and many other issues will be important to the success of indigenous defense production.

Taiwan's shift toward increasing self-reliance does not mean that the Department of Defense will lessen its commitment to Taiwan -- the Department will be there to help Taiwan think through these issues, and it will continue to work closely with the Ministry of National Defense in supporting Taiwan's efforts to maintain a sufficient self-defense capability.

Finally, I want to reiterate that the United States views a strong, secure, prosperous, and confident Taiwan as fundamentally in its interests, and we are committed to supporting Taiwan's efforts to develop the defensive capabilities to

resist coercion and deter aggression. We face many challenges in the region, and ensuring peace and security in the Taiwan Strait is a vitally important one.

Taiwan's commitment to preserving freedom, prosperity, and peaceful and stable cross-Strait relations is an example for the Asia-Pacific. I am convinced that in the coming years we will continue to build upon these values and the successes we have already shared.

Thank you.