

2016 US-Taiwan Defense Industry Conference

Keynote Address

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Defense Taiwan: New Strategies for Defense Industry Cooperation

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Opening

Honored to be at the conference

Thank you, Dr. Wolfowitz and AIT Chairman Mr. Moriarty for the kind introduction. It's an honor to be here with you today. I've been serving in the military for nearly 4 decades, during which, I've been a part of the numerous TWN-US meetings on military, defense and security cooperation and therefore made a lot of friends in the defense community. Today, however, is a brand new experience for me. It's my first time leading the Taiwan delegation to the US-Taiwan Defense Industry Conference. I am honored to represent the Ministry of National Defense of the Republic of China on Taiwan as the keynote speaker.

Earlier in May, Taiwan has just had a change of ruling party for the third time in history. This conference takes place when the people and industries in Taiwan are full of expectations for the new government to lead the way to continue promoting TWN-US relations and creating new opportunities of cooperation.

The defense industry, in particular, is gearing up in anticipation and is therefore looking very much forward to the conference this year. We have the largest-ever Taiwan industry representation, that is, over 35 Taiwan companies. Their enthusiastic support for the dialogue with the US government and defense industry is because we are seeing promising future

of cooperation.

Peace Through Strength

Taiwan, the example of democracy

Taiwan's relentless efforts are witnessed by all and even praised as "the beacon of democracy for Asia and the world" and "a great success story in Asia." Indeed, the democratic institution has been buttressing Taiwan for the rapid and prosperous economic and social development. Taiwan and all other democracies in the world share the universal values of freedom, democracy and respect for human rights. It gives me a sense of pride to say that I come from Taiwan.

However, it's not that Taiwan just happens to be able to win recognition from the international community, create prosperity for the people and to maintain peace and stability across the Taiwan Strait. We have to be supported by a solid national defense.

Armed forces readiness and responsibility

Freedom has a price. The price is to shoulder your responsibility. We in the Taiwan defense ministry are always thinking about how to man, equip and train our forces to build sufficient self-defense capabilities. In a joint capability assessments by Taiwan and the United States, we agreed that we should make the enemy reconsider their timing of invading Taiwan. They would wake up in the morning and think: not today! And they will continue to think "not today!" everyday.

Appreciate US support of Taiwan's defense

Let me stress that, if not for the United States and your longstanding support in the past six decades, Taiwan would not be able to build such a strong and confident defense force. TWN-US military cooperation started in the 1950s when the

United States provided military aid to Taiwan. Later in the 80s, Taiwan received strong support through the FMS cooperation. And then, in 2002, when then deputy secretary of defense, Dr. Wolfowitz, was in office, the platform of US-Taiwan Defense Industry Conference was created to facilitate our dialogues and build the bridge of cooperation for our defense industries.

I see in the US participants today the actual providers of weapon systems to Taiwan, the think tank experts who provided us with sound strategy proposals, the members of the US Congress who authorized arms sales and passed legislative bills friendly to Taiwan. I also see officials from the executive branch who promoted and deepened TWN-US defense relations.

All of you are an integral part to the buildup of our national defense. Without you, Taiwan's defense objectives would almost be unattainable.

Your kind support for Taiwan and TWN-US relations is felt strongly in my heart. Our bilateral relationship is so strong because it is founded on the Taiwan Relations Act and the Six Assurances to Taiwan. There is, nevertheless, a more important element, that is, the mutual trust and friendship built through years of cooperation. This has already transcended what can be defined by law. So, let me use the opportunity to express my sincere appreciation to you.

New Guidance for National Strategies

Expect broadening TWN-US defense cooperation

The theme of the conference-TWN-US Defense Cooperation: Past, Present and Future-is particularly meaningful at this juncture. The Past allow us to learn and avoid mistakes. The Present is for us to seize every opportunity and implement important policies at hand. The Future is a cradle of immense possibilities for success waiting for those who are prepared.

This is the 15th conference. The defense ministry has been present every year. The conferences have opened up more opportunities of cooperation among our defense industries. In the past, the focuses were more on the FMS and ICP. Now, we intend to devote more of our attention into building the connections between the industries to promote more comprehensive and diversified cooperation. With the active participation from both sides, we will be able to meet our expectation. This is also the very purpose of our gathering here today.

Innovative strategic thinking against changes in the security environment

In the Chinese military power report published by the DoD in May this year, the DoD assessed that the priority mission of the PLA is still responding to potential military conflict across the Taiwan Strait. The Chinese military modernization has progressed rapidly with the support of China's economic growth and comprehensive national power. The Chinese defense budget has enjoyed two-digit annual growth for over two decades. The balance of military powers across the Taiwan Strait is tilting dramatically. If mainland China ever decides to launch a full-scale invasion against Taiwan, it will no longer be an ideal option for Taiwan to confront the enemy with traditional military means. Taiwan should not compete with mainland China in an arms race when there is clearly a huge gap of available resources. We should reconsider the old strategic thinking and abandon the force-on-force and attrition type of operations. We should instead look for innovative and asymmetric means to create favorable conditions to defend against a much larger enemy.

Publication of strategy documents

In light of the changes in the security environment and enemy threats, President Tsai, when inspecting the Han Kuang Exercise earlier in August, stated that the armed forces need a set of strategies to guide the development of the force and the culture in the military. Under the guidance of national security strategies, the defense ministry is gathering thoughts from within and also from experts and scholars for the formulation of the three strategy documents, namely, the national defense strategy report, military strategy report, and national defense industry development strategy, to be published early next year. The documents will provide guidance for the force planning. Among them, the national defense industry development strategy will activate the reinvigoration and development of Taiwan's defense industry with the goal of enhancing Taiwan's indigenous production capabilities. It will also help our friends who care about Taiwan to understand our defense roadmap, so that you can work with us in a concerted manner to build up Taiwan's national defense.

Indigenous production, co-production, and FMS

Based on our actual defense needs and available technology and production capacity, Taiwan will consider either indigenous production, co-production or FMS acquisition to buildup necessary capabilities and meet the needs of our defensive operations.

Taiwan has already been quite experienced and also confident in the area of indigenous development and production of asymmetric systems. Examples include the sea mines, Tuo Chiang class corvette, shore-based mobile anti-ship missile, multiple launch rocket system, fast attack missile boat, and missile defense system.

Systems acquired through co-production include the F-5 fighters, which were produced in Taiwan with technology

transfer from the Northrop. There were other joint projects in which the US defense contractors provided certain parts and components, technical assistance, or assistance in system integration. Successful programs include AT-3 trainer jets, CM-11 tanks, Cheng-Kong class frigates, and IDF fighters. They are all still in active service today.

One on-going program is the F-16 A/B retrofit. The Lockheed Martin is responsible for the R&D, testing and evaluation, while the AIDC for the specification modification. This joint effort, when completed, will substantially bring up Taiwan's air defense capabilities.

Through FMS programs, the US government has been assisting Taiwan to consolidate our national defense and create strategic deterrence. This has always been a cornerstone for peace in the Taiwan Strait.

The FMS programs have provided Taiwan more than tangible weapons and equipment. When Taiwan is taking deliveries of sophisticated weapon systems, we are also working with the US military to train our personnel, refine our operational concepts, develop capability assessment procedures, and share intelligence and information. Those are equally important to the enhancement of warfighting capabilities.

According to the US International Trade Administration, in 2014 and 2015, Taiwan is the United States' second largest arms importer. We will continue to purchase from the United States systems that could not be built indigenously.

Taiwan values the government-to-government dialogues made possible by FMS cooperation. Taiwan also intends to continue promoting the various exchanges and cooperation programs to learn from the US military and translate the experience into momentum for continuous defense reform and military modernization.

The Road to A Self-reliant National Defense

Limited foreign sources of arms acquisition

Taiwan's defense challenges come not only from a much larger enemy force, but also our isolated status in the international community. The United States is no doubt providing unwavering support to Taiwan. We, however, cannot rest all our hopes on one source of arms supply. We have a strong resolve to build for ourselves capabilities sufficient for our self-defense. Besides continuing FMS cooperation with the United States, Taiwan also needs to broaden the source of supply. We believe that heaven helps those who help themselves.

Self-reliant national defense is Taiwan's new strategy

So, now, let me use some time to explain how the Taiwan's new government plans to implement the policy of building a self-reliant national defense. This is at the core of the new government's policies. We want our defense industry to be capable of supporting the needs of the armed forces. We want to work with the United States to transform the industry to support our national defense. Our vision is a win-win situation in which our national defense is strengthened and the defense industry upgraded.

To build a self-reliant national defense, we have several strategies.

First is on the management of monetary resources. We will be looking at defense budget as an investment to promote economic growth. National defense and economic growth will be mutually supportive of each other.

Also, the acquisition of major weapons and the R&D of defense technologies will not be confined within annual budgets. When necessary, we would resort to reserve funds or supplementary budgets.

Aerospace, shipbuilding and information security

Secondly, we have identified aerospace, shipbuilding and information security as the core of Taiwan's defense industry. The indigenous trainer jet and submarine will be the index programs leading the way to upgrade the defense industry. For the aerospace industry, we are promoting the indigenous production of advanced trainer jet to kick-start the development of a next-generation fighter. For the shipbuilding industry, there are already a series of plans of refurbishment and development. In the timeframe of 2016 to 2020, we will create an output value of 8 billion US dollars. According to the assessment of Taiwan's National Development Council, the output of the whole industrial value chain could be as high as 12 billion US dollars.

In the area of information security, Taiwan has a world-class information technology base in the private sector. We plan to incorporate this advantage of IT talents and capabilities into the armed forces and also build international information security partnership to help us confront cyber security threat and elevate our cyber defense and IO/EO capabilities.

Explore the possibility of a Taiwan DARPA

Thirdly, innovative technologies could be the key to decide whether the defense industry can be successful or not. To accelerate technology development and application, we intend to establish a Taiwan DARPA to integrate resources across government agencies. The purpose is to develop groundbreaking innovative technologies to be used immediately on national defense and to drive the development of the industry.

The government is to construct an economic model for innovation. Resources across the industry, government, academia, and research entities will be integrated to ensure a

steady supply of innovative ideas and quality manpower. The academic research institutes will support the industries to shorten their R&D cycle and enhance their product performance, thus creating a new model to reinvigorate economic development.

TWN-US Defense Industry Cooperation

Achievement of Taiwan industries and their potential

Before officially taking office, the Tsai Administration had already been evaluating the defense industry through on-site visits. After the May 20th inauguration, the government launched an interagency effort for an across-the-board examination of the industry's capabilities and requirements. In terms of shipbuilding, the China Shipbuilding Corporation (CSBC) is quite capable and experienced of platform design and building. The CSBC, Jong Shyn Shipbuilding, Ching Fu Shipbuilding, and Lung Teh Shipbuilding have already delivered 138 vessels of 12 different types to the ROC Navy, including missile boat, missile corvette, missile frigate, and supply ship.

The Pihsiang Machinery Manufacturing developed a LFP battery (lithium iron phosphate battery, LiFePO₄ battery) and was selected as the primary battery supplier for the United States' space programs. The propellers produced by the Hung Shen Company have the largest global market share for boats and medium-size ships. In the aerospace industry, the AIDC has partnered with the Air Bus and Boeing. The AIDC products, such as tail and engine, have served billions of air passengers. All these companies I introduced are here with us today.

Taiwan corporations are the most ideal partners

I will not be able to introduce all these quality Taiwan companies one by one. Taiwan industries have the ability to

design and manufacture. You can find in Taiwan a solid technological foundation, high quality manpower, low production cost, rapid commercialization cycle, highly efficient corporate culture, good governance and rule of law. With the whole-of-government support, Taiwan's defense industry makes the most ideal choice of partner for US companies. Let me call on your support to assist Taiwan companies to connect with the world. We can explore new possibilities of substantive cooperation and promote a strategic partnership among our defense industries.

Specific courses of action

There is a long history of successful cooperation between Taiwan and the United States. We will continue to take concrete steps to promote our cooperation.

First, we have established a defense industry development committee for the indigenous trainer jet, indigenous submarine, and information security programs. We hope to work with the United States on the technologies and equipment that are unattainable in Taiwan.

Second, regarding sensitive technology transfer, we hope there can be a coordination mechanism for Taiwan to work with the US government and industries to find solutions.

Third, we will look for the most ideal combination of FMS, DCS or hybrid projects to bring the best results.

Fourth, Taiwan government will give its policy support to expanding investment on scientific research for developing innovative technologies and meeting the requirement of asymmetric warfare. We welcome the US industries to be a part of those R&D projects.

Fifth, Taiwan government will assist Taiwan companies to look for opportunities for joint R&D, co-production, and strategic partnership, so that they can expand their international market

share.

Sixth, through the ICP of FMS programs, we hope to overcome technological bottlenecks and be able to develop major weapon systems and build up logistic support capacity to continue creating the favorable conditions for the development of Taiwan's defense industry.

Concluding

Defense industry cooperation the new highlight of TWN-US cooperation

The development of defense industry is a long-term effort. Key technologies, resources, and manpower will all take time. Nevertheless, we are seeing unlimited potential for Taiwan's defense industry. We will use our wisdom and muster our courage so that we can surmount any obstacles in an environment full of challenges.

Taiwan government is making it a priority to bridge our two defense industries. We will provide strong support to Taiwan companies for their investment on R&D and production.

Taiwan has many high quality companies. The government has the responsibility to introduce them to the international community. Through strategic support and guidance, we hope to deepen the cooperation among our industries to achieve a win-win development.

TWN-US military cooperation spans across a very wide scope. US FMS to Taiwan has played a very important role to our national defense. We will continue to request for FMS cooperation and also focus on the cooperation among our industries. With the support from both the government and the industries, our defense cooperation will become a new highlight of our comprehensive and constructive relations.

Jointly promote peace

Taiwan and the United States share common universal values. At this critical juncture, we are deeply aware of the importance of hand-in-hand and shoulder-to-shoulder cooperation. We need to continue consolidating our security partnership.

Today, I represent the Minister of National Defense to explain to you our vision and strategies for Taiwan's defense industry. I hope I'm also bringing confidence and also opportunities for closer cooperation.

The US industries have sophisticated R&D and technologies. We hope to work with you and look for your continuous support for Taiwan's buildup of innovative and asymmetric defensive capabilities. Through diversified and substantive interactions and technology transfer, we can scale up TWN-US defense industries to meet Taiwan's defense requirements and maximize economic interests for both of our industries.

We mankind are great because we dream big. Taiwan is extending our hands of friendship to you. We invite you to set off our dreams in flight and to assist Taiwan in its pursuit of stronger defensive capabilities. With our joint effort, we will attain the strategic goal of preventing conflicts, safeguarding national security and maintaining peace.

By that, I conclude my remarks. Thank you.