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Good evening. Thank you for the invitation and opportunity to share with you the Department of Defense's view on Taiwan's defense at this unique forum. I applaud the U.S. Taiwan Business Council for bringing together representatives from the U.S. Government, Taiwan, and defense industry to discuss developments and trends in Taiwan's defense and security.

I would like first to extend a warm welcome to General Chang Guan-chung, Vice Minister for Armaments, who serves in a critically important role shaping Taiwan's defense. I would also like to thank the U.S.-Taiwan Business Council's Chairman, Paul Wolfowitz; as well as its President, Rupert Hammond-Chambers, for your leadership and for your steadfast commitment to a stronger U.S.-Taiwan relationship. For 16 years, this conference has been the premier venue for frank and open discussion with all the key stakeholders invested in Taiwan's security. I am honored to be back again this year.

I would like to use my remarks this evening to share the Department of Defense's perspective on the U.S.-Taiwan defense relationship, and

describe the *critical role an effective deterrent plays in maintaining cross-Strait peace and security*.

The Indo-Pacific security environment is dynamic. It's changing rapidly. We're witnessing the emergence of new technologies across all domains – air, maritime, land, space, and cyber – which paints a picture of future conflict being highly integrated and networked.

So, in this environment, how does Taiwan maintain an effective deterrent that is *credible, resilient, and cost-effective*? What is the right balance between conventional and asymmetric capabilities, what needs to be done with legacy systems, and how will Taiwan leverage its talent and resources to meet this challenge?

The impressive collection of experience in this room will play a key role in addressing these questions.

In this context, one of the messages I wish to leave with you tonight is the respect I have for what you do, and the importance, I believe, of the work you do to shape the deterrent of tomorrow.

Reassurance and Commitment

Let me start tonight with the United States in the Indo-Pacific. The United States is a Pacific nation in both geography and outlook. Five U.S. states have Pacific Ocean shorelines; we have five defense treaties with eight allies in the region; and our top 8 trading partners are based in the Indo-Pacific with almost \$2 trillion dollars in annual trade. The Indo-Pacific population is almost 4.5 billion – almost 60 percent of the world's total. The peace, stability, and economic prosperity of this region affects everyone on the planet.

I want to highlight two key regional security issues tonight: first, the challenge that North Korea presents to the peace and security of a free and open Indo-Pacific; and second, Taiwan's role as a vital partner of the United States in supporting the region's rules-based political and economic order.

As the Secretary of Defense stated, the United States regards the threat from North Korea as a clear and present danger.

The regime's actions are manifestly illegal under international law.

The Kim Jong-un regime threatens hundreds of thousands with careless provocations. From nuclear tests to missile launches, their behavior undermines the peace and security of the region, and poses a direct and immediate threat to regional allies, partners, and the world.

The international community has spoken and clearly denounced the regime's actions through multiple United Nations Security Council Resolutions.

We support the goal, shared by us all, to include China, of the denuclearization of the Korean peninsula.

The United States will continue to increase diplomatic and economic pressure on Pyongyang until it finally and permanently abandons its nuclear and ballistic missile programs.

We commend those countries, increasing almost daily, that have supported and are enforcing United Nations Security Council sanctions, as well those who are exerting efforts to pressure North Korea to behave responsibly and in accordance with international norms.

The second issue is Taiwan's important role in supporting global economic prosperity and regional peace and stability.

The United States intends to remain steadfast in deepening these ties and upholding policies consistent with the Taiwan Relations Act.

To quote Secretary Mattis, "we will not use our allies and partners as bargaining chips."

This includes Taiwan: we will not pursue a grand bargain that trades U.S. interests in a secure and prosperous Taiwan.

This is because our policy towards Taiwan is based on our enduring national interests. It is why our approach has transcended political parties and served as a central element of our approach to Asia for decades.

Taiwan serves an important and positive example for the region with its open economy and its prosperous, free and democratic society. These are values which we hold in common.

The United States is committed to maintaining a fulsome and vigorous unofficial relationship with Taiwan that ensures Taiwan's continued innovative culture and prosperity and that ensures the continued peace and stability of the Indo-Pacific region.

Our decades-long one China policy remains founded on the Taiwan Relations Act of 1979, and the three joint U.S.-China communiqués. This has remained consistent through seven administrations and continues so today.

We take our obligations under the Taiwan Relations Act and our assurances to Taiwan seriously, and remain firmly committed to providing Taiwan with arms of a defensive character.

The United States will steadfastly support Taiwan's self-defense capability while at the same time maintaining our own capacity to resist the use of force or other forms of coercion that would jeopardize the security, or social or economic system, of the people of Taiwan.

That is why Taiwan is a significant security cooperation partner in Asia, and why the Administration notified Congress in June 2017 of \$1.42 billion in arms sales.

The United States – as a Pacific power – has a vested interest in the security of our partners and upholding the existing global rules-based order which features a strong, prosperous, democratic Taiwan.

Now, a key aspect of maintaining regional peace and security is ensuring partners are secure, confident, and free from coercion. Our success in this endeavor depends, however, on our partners providing sufficient resources to their own defense, thereby maintaining an effective, credible deterrent.

The Need for Resources and the Urgency of the Threat

Look, Taiwan is faced with a challenging dilemma. A democratic and developed society demands social services and government spending on bread and butter programs that improve the daily lives of its citizens.

For a society at peace, military spending is often cast as competing with social investments. To put it plainly, Taiwan's challenge is to maintain a long term deterrent while balancing society's competing priorities.

This reality is understandably unpleasant for some.

The reality, also though, is that Taiwan faces an existential threat.

So, however unpleasant, the reality is that if Taiwan intends to protect its way of life, and if it intends to protect its current and future prosperity, it needs to recognize the growing threat from the mainland and increase its investments in defense commensurate with the security challenges it faces.

PRC President Xi's pursuit of what he calls China's great rejuvenation and China's rapid military modernization are matters Taiwan cannot ignore. Taiwan cannot count on Beijing's forbearance for its security.

As detailed in the latest China Military Power Report, China is building the capability to coerce, and if directed by the Communist Party, compel unification by force.

The Department assesses that there is no indication that the Mainland is preparing to renounce the use of force, now or in the future.

Today, it is incumbent upon Taiwan to spend more on defense; it is incumbent on Taiwan to invest, modernize, train, and equip its armed forces with a 21st century deterrent.

Conditions for 21st Century Deterrence

To achieve this objective, I offer three suggestions for Taiwan to consider for a 21st century deterrence.

First, Taiwan needs a *credible deterrent* in response to the military modernization occurring across the Strait. The question of fielding a realistic, credible deterrent when the adversary vastly outspends and outpaces in defense production is a complex one.

It takes the right balance of conventional and asymmetric means and, most importantly, sufficient resources to man, train and equip its force, using exercises and deployments to demonstrate the credibility of its deterrence.

Second, Taiwan needs a *resilient deterrent* that is survivable and that complicates the adversary's ability to plan for and launch a successful invasion.

Third, Taiwan must grapple with a *cost-effective deterrent* in making decisions today that will impact the force posture of tomorrow, and that of 20 – 30 years from now. The urgency of meeting these conditions, and of striking the right balance among them, is critical.

Ladies and gentlemen, the time for concerted action and for self-strengthening for Taiwan is now.

Credible Deterrent

Taiwan's ability to defend itself is first and foremost concentrated on deterring an attack or invasion on the Island.

A central tenet of the Taiwan Relations Act is that the United States will “make available to Taiwan such defense articles and services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.” Since 2010, the United States has notified Congress of over \$15 billion in arms sales to Taiwan.

Numerous Department of Defense military and civilian personnel engage their Taiwan counterparts every year on substantive issues to support arms sales and defense services that strengthen Taiwan’s armed forces. This goes on every day.

Taiwan 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 the defender has the advantage and the vulnerabilities for an invading force are most acute.

We support and encourage Taiwan to develop indigenous defense systems that pose an asymmetric threat to a PLA invasion force, such as land and sea-based anti-ship cruise missiles, multiple-launch rocket systems, small fast attack boats, UAVs, coastal defense artillery, and naval mines.

Taiwan’s investments in hardening, decoys, and camouflage further its survivability and present considerable challenges to the adversary’s planners.

We applaud these innovative and asymmetric investments, and our door remains open to discussion and planning for Taiwan’s future defense needs.

Let's pause and reflect further on the significance of what the Armed Forces of Taiwan have achieved in deterring an amphibious operation and in establishing a credible deterrent.

This is due, in large part, to Taiwan's military, to include its science and technology base, a source of legitimate pride and global competitiveness, in making great progress in deploying new weapon systems that are mobile, survivable, and able to take full advantage of Taiwan's geography to defend the homeland.

Even so, the PLA threat is daunting: two amphibious mechanized infantry divisions, one amphibious armor brigade, nearly a dozen army aviation brigades and regiments, three airborne divisions, and two marine brigades. The PLA Navy has new ships that include 30 tank landing ships, amphibious transport docks, almost two dozen landing ships, and it is looking at procuring assault hovercraft.

The PLA's arsenal of missiles deployed in garrisons opposite Taiwan include short and medium range ballistic missiles, cruise missiles, and other anti-access area-denial capabilities.

Major platforms include a naval force exceeding 300 surface ships and submarines and an air force of approximately 600 fourth-generation fighter aircraft.

It fields one of the most lethal integrated air-defense systems in the world.

Its growing naval power-projection capabilities, symbolized by the aircraft carrier Liaoning and its bomber aircraft, represent a growing and

dynamic challenge to the traditional deterrent calculus of Taiwan's defense.

Finally, PLA reforms and the establishment of a new service, the Strategic Support Force, are tailored specifically to joint fighting in an information dependent environment.

The ability of the PLA to shape the operating environment through network denial and electronic warfare is growing.

And the ability of the PLA to disrupt and impose costs, without firing a weapon or deploying a soldier, complicates the traditional timelines for defense acquisition, fielding, and life-cycles of major systems.

The Department of Defense assesses that these capabilities, combined with large-scale PLA exercises and increased ability to conduct joint operations, present a growing threat of a credible invasion force.

As the PLA continues to develop and refine its weapons' systems and capabilities, Taiwan must urgently improve its self-defense to maintain a credible deterrent capability.

How Taiwan addresses this mismatch while the other side outpaces, outspends, and outfields it, is the crux of the issue. To maintain cross-Strait peace, Taiwan needs the deterrent capabilities of tomorrow, but it needs them today.

Planning and resourcing a credible deterrence does not mean that one must mirror image forces, systems, training, and doctrine.

Attempting to do so frankly is a path to failure.

Taiwan's planners and acquisition force need to focus on identifying the potential adversary's weaknesses and identifying how to exploit those weaknesses while also leveraging Taiwan's own strengths.

Resilient Deterrent

Now, my description of the cross-Strait picture is the reality we face together. We should not minimize the seriousness of intent nor the capabilities that are growing across the Strait. We can, though, take heart.

There is realistic reason for optimism: one of the single most difficult military operations that exist is to conduct an amphibious invasion.

An invading amphibious force has multiple vulnerability points of which Taiwan can take advantage and impose unsustainable costs. These in turn complicate planning and execution of the invasion.

The resilience and effectiveness of Taiwan's defense capabilities, today and in to the future, should be based with this goal in mind.

We do not give Taiwan enough credit for shifting towards asymmetric capabilities and for working to strengthen its deterrence and, if deterrence fails, developing a force that takes advantages of any attackers' weaknesses. We must recognize and applaud these efforts.

But among friends I have to be honest; there is more that can and needs to be done. Taiwan must continue to build and maintain a resilient deterrent and credible homeland defense.

A resilient island defense needs to be on the cutting edge. It needs to integrate all warfighting and critical infrastructures into a system of

systems that networks C4ISR capabilities and decentralized maneuverability through and with innovative technologies.

Given the technological advances in modern war, the tactics and approaches needed to support an amphibious invasion are likely to employ multi-domain fires and paralyzing network and electronic warfare attacks.

In the face of that then how does Taiwan field an *integrated and multi-domain deterrent* capable of highly networked command and control with survivability and decentralized maneuverability?

To do so is complex but achievable – and we can help.

Taiwan's competitive advantage in innovation and technology is world renowned. President Tsai seeks to leverage this capacity by elevating the industrial base.

Efforts to focus Taiwan's talent, technical expertise, and ability to improvise will be critical to Taiwan's self-strengthening and to a resilient self-defense.

The PLA's quantitative advantage and operational strengths require looking at cheaper, more numerous precision-guided weapons and advanced surveillance assets. The maintenance and survivability of these systems yields cost-savings better suited to Taiwan's defense

This is different from having the capability to defeat the mainland or completely deny PLA air or maritime operations.

This is about making Taiwan resilient enough to withstand cyber, electronic, missile, and air attacks, and to remain capable of posing a

credible and persistent threat to any invading force. Factoring this into budget decisions and procurement selection is admittedly complex.

For our part, we are acutely aware of the growing regional and global threats that challenge our conventional forces and standard ways of defense thinking.

We are now investing in the budget conscious and asymmetric concept of large numbers of small things: things – equipment or platforms – that are mobile, survivable, and lethal to a threatening force.

This includes using current weapons in new ways.

This includes employing smaller systems in numbers that can swarm over a threat. This includes networking systems yet making them sufficiently autonomous and able to adapt to a situation in real time so that they can continue to disrupt and kill.

Taiwan should too.

If Taiwan can develop such systems and capabilities and then combine their lethality with the combat skills of a highly trained force, Taiwan will be able to protect its homeland.

In support, we are working with Taiwan to increase the capability of the non-hardware aspects of deterrence as well. Taiwan will overhaul its reserve force to make it more agile and effective for the 21st century.

This includes, for example, increasing the integration of active and reserve forces.

We are also working with Taiwan on ways to develop military doctrine, which will in the end lead to an increase in jointness and service interoperability in the Taiwan military.

These initiatives are essential to building the warfighting abilities of the Taiwan Armed Forces

Another resiliency factor for deterring amphibious operations is creating doubt in the adversary's ability to anticipate Taiwan's deployment and operational use of its military capabilities.

To provide one example, the Taiwan Army is working with the U.S. Army on an initiative to increase the ability of Taiwan's ground forces to operate decentralized and asymmetrically.

The Taiwan Army's ability to move quickly across the island to any point needed to repel an invader, to take the initiative and fight in small units, and to strike without warning will give any potential invader pause.

This type of capability is applicable to all services but requires flexibility and an openness at all echelons of command.

Leaders at senior levels must trust that their junior leaders – officers and NCOs – are capable of performing their mission. Junior officers and NCOs must know that they are empowered to make and execute decisions at the lowest level.

As part of this empowerment and decentralization, the Department is working with Taiwan to improve the professionalization of its NCOs.

Empowering NCOs is a fundamental trait of an effective fighting force. Taiwan is making great strides in this area to include the creation of a position for a senior enlisted advisor to the Chief of the General Staff.

For industry this all presents opportunities and challenges.

The ways of traditional defense procurement that focus on high price-tag, high-end systems, with large scale production, and imports are not fully suited to island defense.

Do not misunderstand me, Taiwan still requires some major end-items. But defense industry and acquisition specialists must also consider that the procurement of asymmetric capabilities alters – or disrupts – the traditional long-term procurement model and supply chains.

Ensuring Taiwan Armed Forces have access to smaller, independent yet networked, capable, and cost-effective platforms is an issue that needs to be incentivized and solved by the best and the brightest.

Public-private partnerships are a vital means for addressing this need. These tremendous needs present private industry and planners options to develop new, smaller, lethal systems and to make what is old, new again.

Don't discount older and simpler capabilities. Rather, we have to find ways to network the old with the new so that they complement one another.

As an example, sea and surf-zone mines are an older technology yet they offer significant obstacles to an invading force.

What service member, at any rank and in any military, wants to contemplate being part of an amphibious landing when sailing first through heavily mined seas and then second, facing more mines, as well as direct and indirect fires, once the few survivors land on a heavily defended beachhead?

The very scenario should inspire fear in any adversary.

Innovating an old capability with cutting edge technology offers the potential to surpass the ability of the PLA to use the sea to its advantage; in fact, they make the sea a threat in and of itself.

Taiwan and defense industry have the technology, and they have the innovative ideas. How can mines be mobile, layered in defensive belts, and intelligent?

How can drones and remotely piloted small ships be networked to provide surveillance and attack support to one another and to ship or land-based anti-ship cruise missile platforms?

What devices can be built that disrupt the electronic communications of an attacker or that counter the effects of jamming?

To link back to an earlier idea I presented, how can Taiwan and defense industry build and employ large numbers of small and cost-effective networked “things” that can operate in a decentralized yet complementary manner, and that magnify the capabilities for the defense while complicating decision-making for the offense.

A resilient deterrent is networked, survivable, and adaptive.

A resilient deterrent blends these capabilities across the factors of personnel, equipment, and command and control.

Resiliency ensures that if deterrence fails, defense and infrastructure capabilities will exist and remain functional such that, when employed, they will deny the aggressor its operational objectives.

Taiwan and defense industry must think in terms of how to field capabilities that affect the PLA's confidence in its ability to achieve its goals. Remember that the ultimate goal is for leadership across the Strait to say "today is not the day" and to continue to say this every day.

Cost-Effective Deterrent

In terms of cost-effectiveness, Taiwan has a daunting fiscal task: how to develop and maintain a cost-effective deterrent. Yet, for the reasons I have highlighted, it is possible to maintain a credible and resilient deterrent within a well-resourced and thoughtfully executed defense budget.

This requires frequent reassessment of the threat environment and one's own defense capabilities after which, thoughtful and apolitical decisions regarding acquisition, maintenance, personnel, training, and planning are made and implemented.

Taiwan needs to consider four key questions in optimizing defense spending for a cost-effective deterrent:

(1) What is the right balance between conventional and asymmetric capabilities?

(2) To what extent should Taiwan develop weapons indigenously versus purchasing them from abroad?

(3) What should be the roles and functions of the reserve force versus active forces, and how can Taiwan best integrate the two? And,

(4) When to retire legacy systems and whether to replace these with new systems of the same type or with asymmetric capabilities?

These are not easy questions to answer, but they must be addressed now so that Taiwan can best allocate its defense budget and make the right investments in research and development, in acquisition, and in integrating defense capabilities across all domains.

But, Taiwan's defense *budget* has not kept pace, certainly not with the reality of the security environment. It needs to be increased and increased now.

Taiwan leadership and the Ministry of National Defense need to be selective given the declining percentage of defense dollars available. Budget priorities are best focused on acquiring, maintaining, and training on affordable, timely, and cutting edge systems that are integrated into a multi-domain defense.

Taiwan is known for its technological innovation. Combining this strength along with investments in the recruitment and retention of motivated and highly skilled people will allow Taiwan to maximize its defense funding.

I can think of no other people more capable of mastering these difficult issues.

Indeed, Taiwan has built and fielded some excellent defense systems that are mobile, survivable, innovative and asymmetric. Some of these systems include small fast attack boats, mobile land-launched anti-ship cruise missiles, and multiple-launch rocket systems. I applaud these programs and encourage Taiwan to build more.

However, as I said, there are high-end major defense systems that Taiwan will continue to need. Only Taiwan can determine the right balance between conventional and asymmetric capabilities.

The challenge that Taiwan faces is that the typical procurement phases that include the design, build, and testing before fielding require years, even decades. Taiwan does not have that luxury.

Taiwan and U.S. defense industry need to work with the Ministry of National Defense to further identify and develop capabilities that are affordable, survivable, and asymmetric.

I provided some ideas earlier. I would ask that those of you here, who compose a significant brain-trust on which Taiwan relies, continue to develop these ideas, add your own, and then help make them a reality.

As you all think through these challenges, and opportunities, you will need to consider some difficult and unique issues.

For example, how will Taiwan companies with significant business interests on the Mainland participate in Taiwan's defense sector?

What potential security risks or conflicts of interest does this pose?

Considering Taiwan's limited defense resources and the relatively small size of Taiwan's military, will building small numbers of weapon systems indigenously be cost-effective or attractive for U.S. suppliers?

What niche can U.S. defense industry help Taiwan to fill?

These and many other questions are integral to the success of indigenous defense production. Being self-reliant does not mean that the Department of Defense will lessen its commitment to Taiwan.

Our commitment to supporting Taiwan's ability to maintain its self-defense capability, as established in the Taiwan Relations Act, is as solid as ever.

The Department will be there to think through these questions with Taiwan, and the Department will continue to work closely with defense planners in the Ministry of National Defense to support Taiwan's efforts to maintain a credible, resilient, and cost-effective deterrent and self-defense capability.

Conclusion

In closing, let me leave you with where I started: the U.S. commitment to the region will not wane.

The United States has been a Pacific region power for many years and will remain so into the future.

Our commitment to our allies and partners is resolute.

The United States views a confident and strong Taiwan as fundamentally in our, as well as the region's, interests, and we will support Taiwan's self-strengthening. We will support Taiwan's efforts to plan, develop, and field the capabilities it needs to resist coercion and deter aggression: the defense capacity needed to maintain the very peace and prosperity that the Taiwan people have worked so hard to achieve. Although we face many challenges in the region, ensuring security in the Taiwan Strait is a vitally important priority.

I would like to thank everyone in this room for your work, your innovative ideas, your commitment, and your dedication to producing unique solutions to these shared challenges.

Thank You.