

**AIT Chairman James Moriarty**  
**Remarks at U.S.-Taiwan Business Council, Defense Industry Conference**  
**Monday, October 16, 2017, 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, analysts from across Taiwan's political spectrum, and current and former U.S. government officials.

I know this conference, and this audience, is focused on the finer points of the security relationship, but I'd like to start by providing the broader strategic framework that underpins the important U.S.-Taiwan relationship. I will then turn to the U.S.-Taiwan security relationship and broader security trends in the region.

As a Pacific power, the United States has a vital interest in the security of our partners, and in the overall security of the region. Since early in its history, the United States has recognized the importance of the Asia-Pacific, and has had a presence in the region for over a century and a half. Our commitment to the region remains unwavering.

A few data points help illustrate the importance of Asia to the United States. The percentage of Americans who say Asia is more important than Europe to U.S. interests jumped from 21 percent in 1994 to 52 percent in 2012.

We have five treaty allies in the region. Those allies remain the bedrock of our engagement in the Asia-Pacific.

Five Asian economies – including Taiwan – are among our top twelve trading partners, while APEC economies purchase over 60 percent of U.S. goods exports. We continue to bolster our alliances and build lasting partnerships across the region.

Within this context, the United States considers the security of Taiwan central to the security of the broader Asia-Pacific region. The United States also considers stable cross-Strait relations as essential to maintaining regional stability. None of us should take the security of Taiwan for granted.

The authors of the Taiwan Relations Act had a keen understanding of the linkage between Taiwan’s security and that of the broader region. The Act was written with an eye toward helping to – and I quote – “maintain peace, security, and stability in the Western Pacific.”

The Act asserts that peace and stability in the Western Pacific – again I quote – “are in the political, security, and economic interests of the United States, and are matters of international concern.”

Simply put, the TRA highlights the closeness of our relationship with Taiwan by identifying Taiwan’s security as a political, economic, and security interest of the United States. Since its passage into law, every U.S. administration has reaffirmed the U.S. commitment to the TRA.

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.”

Such defense sales are based on an assessment of Taiwan's defense needs, and facilitate stability across the Strait by giving Taipei the confidence needed to pursue constructive interactions with Beijing.

Taiwan is the United States' largest Foreign Military Sales partner in Asia. Since 2010, the Executive Branch has notified Congress of more than \$15 billion in arms sales to Taiwan. Over the past decade, the United States has authorized the transfer to Taiwan of some of the most sophisticated weapons – weapons needed by Taiwan to maintain its self-defense capability.

In June, the Trump Administration notified to Congress \$1.4 billion in arms sales to Taiwan, underscoring the U.S. vow to uphold its commitments under the TRA.

The United States will continue to make available to Taiwan defense articles and services necessary to enable Taiwan to maintain a sufficient self-defense capability.

At the same time, security relations with Taiwan are about much more than arms sales. Taiwan's key defense and military leaders increasingly appreciate the need to overhaul Taiwan's security concept and embrace modern, asymmetric approaches and innovative ways to employ existing capabilities. This effort, which the United States government is actively supporting to maintain Taiwan's self-defense capabilities, should provide new and exciting opportunities for both Taiwan and U.S. businesses.

Taiwan's own leaders must drive this transformation of Taiwan's security policies, and they have already begun to do so. At the same time, everyone here has valuable contributions to offer that will help ensure Taiwan's success.

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 implementation of the new, asymmetric approach to Taiwan's self-defense.

The good news is that this has already begun. For example, we are supporting Taiwan's efforts to overhaul its reserve forces and enhance jointness among its military services. We are assisting Taiwan with the development of an improved NCO corps. U.S. experts are also discussing asymmetric approaches to warfare with their Taiwan counterparts.

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.

Through our interactions, we see that Taiwan’s fighting forces, and their leadership, are modern, capable, and creative. Their capabilities far surpass the sum of the technical systems they operate. Taiwan is not only demonstrating innovative ways to employ existing systems, but is also indigenously developing advanced asymmetric capabilities. I commend the leaders in Taiwan’s military and scientific communities who are at the forefront of these efforts.

The Tsai administration has placed a considerable emphasis on producing defense systems indigenously. The United States has a strong track record of working with Taiwan on its indigenous defense efforts, from our cooperation on the licensed production of Perry-class frigates, to the Indigenous Defense Fighter. The National Chung Shan Institute of Science and Technology, or NCSIST, which General Chang formerly led, has also demonstrated it is capable of producing world-class asymmetric weapons and systems.

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 encourages Taiwan to get ahead of some of the challenges it will likely face as it pursues the production of indigenous defense systems.

For instance, how will Taiwan secure critical technology?

Further, given the political reality that Taiwan has a very limited export market for its defense articles, how will Taiwan bring down the per unit cost and ensure cost-effectiveness?

Finally, in our FMS system, the U.S. government takes on most of the risk of developing new systems. Once a product is sold to a foreign partner, the U.S. military has already worked out most performance issues. Thus, how will Taiwan mitigate the risks posed by undertaking the research, development, and production itself?

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. Taiwan is spending significantly less on defense as a percentage of GDP than those that face similarly sophisticated threats, such as Israel, South Korea, and Ukraine.

This shortfall is exacerbated by the expenses related to Taiwan's continued transition to an all-volunteer force and its push to develop defense articles indigenously. These efforts, while commendable, both raise near-term cost and risk. We also fear that they may tap into parts of MND's budget that should be spent on training, maintenance, and other key areas. Taiwan can and must do better.

I continue to encourage Taiwan to redouble its efforts to strengthen its preparations for effective all-out defense, which will require further investment in national defense and the strengthening of its reserve and call-up systems. Such efforts would likely include investment in asymmetric and innovative capabilities that maximize Taiwan's enduring advantages and increase the survivability and lethality of Taiwan's forces.

Perhaps more importantly, it will include tough decisions to decommission older legacy systems in favor of more cost-effective, easier to maintain, survivable, and combat-effective solutions.

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. Taiwan cannot afford to trade security 15 years from now for increased risk over the coming 5 to 10 years.

I look forward to hearing General Chang's view on this set of opportunities and challenges. Clearly, President Tsai has great confidence in General Chang. General Chang's promotion to Vice Minister of Defense for Armaments shows the Tsai administration's determination to develop Taiwan's indigenous defense industry. I wish General Chang, his team, and the people of Taiwan all the best.