

持續推動臺美國防產業交流 永續經營國防自主

Continue Promoting US-Taiwan Defense Industrial Exchanges and the Sustainability of Taiwan's Self-Reliant Defense

Oct 29th 2018

Mr. Michael Splinter, Chairman of the Board of the U.S.-Taiwan Business Council, Mr. Rupert Hammond-Chambers, President of UTBC, Ambassador James Moriarty, Chairman of the American Institute in Taiwan, and my dear friends from the U.S. and Taiwan, good morning.

一、 前言

1. Foreword

Since taking office last May, I've been following our government's instructions to promote Taiwan's self-reliant defense with a focus in the areas of advanced trainer jet or ATJ and indigenous shipbuilding programs aside from **accelerating** the production of missiles, radars, communications systems, and others that are already in process.

Last year, I had the honor of leading Taiwan delegation to elaborate our concept of self-reliant defense and how we would cooperate with the U.S. I am honored to be invited again to this year's conference and give my remarks. I would like to share with you our work over the past year and look into the future for our cooperation.

Over the past year, we have made substantial progress in both ATJ and indigenous shipbuilding programs with our government's proactive efforts to revive Taiwan's defense industry and engage in international cooperation. We have also started planning the logistic support for these systems to not only cover their life cycle but also assess requirements for follow-on variants. The goal is ever-upgrading system performance and ever-evolving operational requirements.

二、 和平奠基於堅強國防

2. Peace Through Solid Defense

This year marks the 60th anniversary of the 2nd Taiwan Strait Crisis in 1958, also known as August 23rd bombardment, which was critical to Taiwan's survival. We successfully secured the Taiwan Strait, laying the foundation for cross-Strait peace and stability over the past 60 years.

I happened to be born in the year of high tension. In retrospect, the Republic of China was just harshly-torn-and-hit by the civil war and World War II, its technology and industry base were literally non-existent. But international aids were flooding into Taiwan, especially those from the U.S. Military.

The first record of an air-to-air missile successfully destroying an aircraft in air combat was actually made by a Taiwanese Air Force pilot, who was flying an F-86 fighter and destroying a MIG fighter with a Sidewinder missile in the air over the Taiwan Strait.

The world is in sharp difference today. Taiwanese people have forged their own strength in both technology and industry, making great achievements and taking lead in certain areas in the world.

Meanwhile, our national defense buildup has prevented direct conflict between the Taiwan Strait despite the fact that military standoff still remains. Nonetheless, internationally and diplomatically, we experienced hardship, from first withdrawing from the United Nations to severing diplomatic ties with the U.S. as well as other allies.

Over the past six decades, situations both domestic and global have been unstable, making it only harder for Taiwan to acquire foreign advanced weapons, but somehow we turned the difficulties into strength and augmented the capacity of our self-reliant defense that plays a greater role today.

What I'd like to stress here is that 60-year of national security doesn't come out of thin air but is created by the hard work of the people of the Republic of China on Taiwan in unfavorable international situations. Our efforts best prove the old saying: Heaven helps those who help themselves.

■ 國防自主的挑戰

■ Challenges in Self-Reliant Defense

For any country, implementing self-reliant defense is challenging in terms of human and financial resources.

Taiwan has the edge in human resource quality but is quite limited in the size of manpower, economic scale and natural resources.

Therefore, in carrying out our self-reliant defense, our military investment should first avoid any form of arms race and take advantage of the unique battlefield in the Taiwan Strait and create weapon systems we actually need with asymmetric thinking.

We will put our focuses in integrating self-reliant defense with our technology and industrial strength, expanding domestic markets, and strengthening our capacity in technology to maximize the cost-effectiveness of our investments.

To reach the goal, we will use a certain amount of domestic acquisition budget in scientific research to elevate our technology level and human resource quality. By making defense investment and national power mutually supportive, our self-reliant defense will be sustainable.

To make effective use of our resources, we are striving to integrate resources of military and civil industries.

Weapon systems developed by, for example Taiwan's National Chung-Shan Institute of Science and Technology or NCSIST, will be further manufactured by the civilian sector. Furthermore, experiences gained from self-developed weapon systems, be it critical components or cross-field system integration, will be further applied on civil infrastructure.

■ 國防自主的機會

■ Opportunities in Self-Reliant Defense

Our focus in pushing forward self-reliant defense over the past two years is the development of main systems. That being said, we still seek the participation of both domestic and foreign companies in developing sub-systems and critical modules through market **mechanism**.

Therefore, our demand for cooperation with international companies never declined. Instead, it becomes more diverse and provides more opportunities.

This also means that our self-reliant defense, if joined by international partners, will mean win-win for both Taiwan and

U.S. industries.

Our Legislative Yuan is now reviewing our defense budget. In the following years, relevant demands from the billion dollar-worth ATJ and indigenous shipbuilding programs will only be more urgent. We look forward to the U.S. Industry's active participation, which of course will be relied upon policy support of the U.S. government.

How to shape a defensive force that meets requirements of the time is a constant challenge to every nation.

Foreign military sales have been a great importance to us and we fully recognize the fact that they can help us quickly enhance our capability. But technologies and techniques evolve over time, so defense power needs constant updates and supplements. Therefore, to have a stable and reliable supply system is the uttermost foundation.

However, international situations are changing rapidly as ever. The Republic of China on Taiwan has experienced difficulties in its international diplomacy over the past several decades and painful lessons learned in foreign military acquisitions. We therefore understand one thing: that is, to forge strength for a sustainable and reliable self-reliant defense that meets our requirements is fundamental to our defense policy. Building on this basis, we will seek foreign acquisitions and international cooperation on development and production to strengthen our defense capability.

I believe many of U.S. friends sitting among us today have witnessed the strength of Taiwan's defense industry after participating in the Taiwan-U.S. Defense Business Forum earlier this year.

Aside from technology transfer, we will also seek more flexible **mechanisms** in cooperation models when working with foreign companies.

We understand that advanced technology transfer can be a sensitive and difficult matter. It will still be an important goal for us, but it will not be the only option. Another important line of efforts is using existing technologies of Taiwan and the U.S. to co-develop customized systems that meet operational requirements of a Taiwan Strait scenario.

It will directly help enhance Taiwan's defense capability. Those systems developed by Taiwan-U.S. joint efforts will also help create market opportunities elsewhere.

Furthermore, industries in the U.S. can work with Taiwan counterparts to establish depot-level **maintenance** capacity in Taiwan for Taiwan-purchased U.S. systems. By doing so, **maintenance** cost can go down, and efficiency will go up, so will the operational sustainability. By setting up a local **maintenance** supply chain, providing full-life cycle integrated logistic support, the availability of U.S. military equipment in this region will also be benefited.

三、 永續經營國防自主

3. A Sustainable Self-reliant Defense

■ 國防自主的成果與展望

■ Fruits and Prospect of Self-reliant Defense

Looking back the past two years, although difficult in the beginning, we have started to gain initial results in the focused areas of aerospace, ship-building, and information security.

In ATJ program, Aerospace Industrial Development Corporation, or AIDC, signed outsource contract with NCSIST in April last year. After one and half year of planning design, test and evaluation, as well as parts acquisition, the assembly of ATJ was formally kicked off in June this year, which is a concrete move that best represents our determination in realizing

Taiwan's self-reliant defense.

We plan to produce 66 ATJs, which will cost roughly USD\$2.3bn, out of which 40% will be put into international cooperation. So far, AIDC has wrapped up acquisition contracting with major companies. It is planned that the first ATJ will be leaving factory in September 2019, first test flight in June 2020, and by 2026 all ATJs will be manufactured. This will serve as a paradigm for Taiwan's self-reliant defense and international cooperation in creating win-win for both the military and civil sector.

AIDC has many years of working relations with various U.S. industries representing here today. With the ATJ program as a starting point, we are assessing our requirements for subsequent variant models and welcome U.S. companies to join us in pushing forward international cooperation.

In indigenous defensive submarine program or IDS, users and R&D units have teamed up and signed MOU in a bid to initiate detailed design next year. The program is ongoing as scheduled and we look forward to foreign companies' engagement in developing relevant equipment.

In April this year, the U.S. government also released marketing license for Taiwan's IDS program, which demonstrates positive responses from both the U.S. companies and government for the program.

What's more, our plan to upgrade the aging Sea Dragon-class submarines is already in place and we are currently negotiating contracts with U.S. companies.

Building on our current foundation of shipbuilding, we have also begun planning a series of next-generation surface ships, including new-generation frigates, new amphibious transport dock, or LPD, Tuo-chiang catamarans, new type of fast mine layers, missile assault boats, and others. These ongoing projects will greatly enhance our Navy power in response to our future threats.

In information security, our government has elevated information security to a national level matter, affirming that information security equals national security.

To maximize our response capacity to information security incidents both domestic and abroad, we have information exchanges and joint defense **mechanism** in place with foreign organizations through Taiwan Computer Emergency Response Team/ Coordination Center, or TWCERT/CC.

Besides transportation and financial sectors, we are also formulating regulations and laws regarding information security for defense industry. Domestic companies intending to join the defense industry will be vetted and graded. Their information security facility and capacity will be a focus in our grading system.

Through our highlighted attention to this matter, we aim to incorporate capabilities of the information security industry and strengthen the overall security environment of the defense industry.

In pushing forward self-reliant defense, we have strengthened Taiwan's defense capability, created a market for thousands of high-skill job, driven up our technological standards, and in return benefited the civilian industry and provided many foreign companies with cooperation opportunities.

■ 增加國防預算，完善軍備建案採購程序

■ **Increase Defense Budget and Improve Acquisition Process**

To meet requirements for national security and show our determination in self-reliant defense, we have been increasing the

budget for military investment over the past two years.

Our 2019 defense budget will account for 2.08 % of our GDP. Among the total budget, 21.3% will be used to carry out self-reliant defense.

We will weigh in Taiwan's financial strength and continue increasing defense budget to forge a sustainable self-reliant defense that creates triple wins for our national defense, economy, as well as civil industries.

Furthermore, we also proposed plans to improve and streamline acquisition process.

In future armament procurement, NCSIST will work with different services in investment assessment, participate in major foreign acquisition, and assist foreign contractors with project management and technical communications in order to carry out our armament efforts in a more professional and efficient manner.

■ 精進工業合作模式

■ **Strengthen Industrial Cooperation**

We also have plans to improve the industrial cooperation program that has been implemented for many years.

Ever since we signed the first contract of industrial cooperation for F-16 project with Lockheed Martin, all contractors have to engage in industrial cooperation with Taiwan as long as the program value exceeds USD\$5 million. By doing so, we hope to elevate the level of Taiwan's technologies through technology transfer.

However, many years later, we and the U.S. contractors both realize that the existing cooperation model needs improvements.

Earlier, I mentioned the sensitivity of technology transfer and Taiwan's unique international status. There has been a lack of open and level-playing market for Taiwan to choose from in many acquisition cases. The results are unfavorable to our defense budget and technology transfer. The delays from industrial cooperation also create difficulties to the contractors in executing the programs.

To maximize the effectiveness of industrial cooperation on foreign military acquisition, we are planning to modify current cooperation model. Our efforts will include 1) raising the minimum threshold to avoid failure in technology transfer for smaller-value cases; 2) expanding the scope of cooperation to create more models for cooperation; and 3) stipulating additional exclusion clauses for special situations.

四、 臺灣是區域繁榮發展的重要基石

4. Taiwan, an Important Cornerstone for Regional Development and Prosperity

The current situations in the Asia-Pacific region are constantly changing and unpredictable. Taiwan is sitting at a critical geographic location and a pivot point of the world's sea lines and airways. It is also a country that advocates freedom and rule of law, values human rights, and has the will to adhere to international orders. If countries friendly to Taiwan can take a positive attitude and be a part of efforts to strengthen Taiwan's defense and security, the outcome will definitely help maintain the common interests of regional countries.

I mentioned earlier that we will adopt both indigenous system development and FMS simultaneously as we push forward self-reliant defense in the days to come.



US - Taiwan Defense Industry Conference

October 28-30, 2018

The Hotel Annapolis, Annapolis, Maryland

Presentations & Papers

Taiwan has a sound regulatory system, solid technology foundation, convenient mass transportation, high-quality talents, efficiency-focused corporate culture, and is also the most ideal partner to international defense business.

We are standing at a time when Taiwan is marching towards self-reliant defense. If industries and companies from both the U.S. and Taiwan can enhance their exchanges and links based on the principle of resource sharing and mutual benefits, they will become important cornerstone for regional development and prosperity.

五、 結語

5. Conclusion

Over the past two years, we have experienced great challenges in carrying out self-reliant defense. But by the government working together with defense industries both domestic and abroad, we are making breakthroughs and starting seeing initial results. We showed our determination and confidence and therefore gained attention and support from both Taiwan and the world, giving the defense industry from our two countries more opportunities to participate in Taiwan's self-reliant defense projects.

Today, taking this great opportunity, I have talked about our government's efforts in promoting self-reliant defense, our visions and how to further make it a sustainable business. We welcome the U.S. industry to joint us and together make contributions for the peace and stability of the Taiwan Strait.

Thank you!