



United States-Taiwan Defense Industry Conference

September 18-20, 2005

Loews Coronado Bay Resort, San Diego, California

Edward Ross Speech

U.S.-Taiwan Business Council-Defense Industry Conference 2005

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Mr. Edward W. Ross

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Good evening. Thank you, Vice Chairman Coffman, General Houh and distinguished guests. I am here tonight on behalf of my good friend and colleague Richard Lawless who was unable to be with us this evening because of pressing business in Beijing. He sends his warm regards to all of you. Richard has enjoyed a long and successful relationship with the Council and sincerely regrets that he cannot be here with us tonight. He and I are very much aware that this conference remains the premier forum for anyone in the public or private sector who has an interest in the security of Taiwan. So, it is my great pleasure to be with you this evening in Richard's stead. As many of you know my own association with the Council goes back twenty years. I assure you that whatever I say here this evening is straight from the heart-untainted by political rancor and partisanship. Having said this let me forewarn you, the Taiwan press is probably going to get it all wrong.

I want to begin by acknowledging President Chen's statesmanship, balance, and restraint in the past year in the face of many domestic and international challenges. President Chen has repeatedly offered to meet with Chinese leaders to discuss their differences and we believe it is incumbent on Beijing to become more creative in its approach to Taiwan and take up the opportunity to meet with the duly elected leadership in Taipei. President Chen has also shown statesmanship in his measured response to the anti-succession law that Beijing passed earlier this year that was clearly a retrograde step in cross-strait relations.

In a similar vein, I also want to commend Minister Lee Jye and his staff at the Ministry of Defense, who in the past year have made an extraordinary effort to reach out to the people of Taiwan, to educate them about Taiwan's defense needs - in this same period, the MND attempted to deepen the Taiwan military's relationship with the Legislative Yuan, meeting with members of the LY no fewer than 170 times in an effort to explain the necessity of the "Special Budget." Despite their best efforts, the "Special Budget" seems mired in the politics of the day.

In the last year, the "Special Budget" has been submitted and rejected 28 times in the Procedural Committee. This means that it hasn't even made it to the Defense Committee for consideration - 28 times rejected out of hand, no debate, and no opportunity for real compromise, just plain rejected. But, so that there is no misunderstanding of my comments, I am not here to urge the passing of the Special Budget.



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In fact, I do not even want to suggest that, if the Special Budget were passed tomorrow, its passage would provide an adequate solution, or even the most appropriate solution to Taiwan's defense needs. Indeed, in spite of the fact that the special budget was appropriately conceived to fund specific projects approved back in April 2001 in the first months of the Bush Administration, over this near five-year period nothing has happened. Instead the special budget became a political football. Its destiny was to be kicked and head-butted, as the center attraction in the field of Taiwan domestic politics, as the centerpiece of a near five-year game of bait-and-switch. In fact, a neutral observer could draw the conclusion that this battered ball has been kept in play more to entertain the players – the politicians – than to serve the real needs of Taiwan. Unfortunately, the Special Budget evolved from an "attraction" to become a "distraction."

This political football too long ago became a distraction, and now late into the game, much of the air has gone out of our over-kicked and much-abused ball. I say "distraction" because as we watched the ball being kicked about, the Taiwan politicians did little to actually put forward an agenda or put money towards improving their defense capabilities. Moreover, even as the LY has failed to take action on the Special Budget, the Chen administration in all of the regular budgets it has submitted has consistently placed defense spending behind other priorities. While defense spending has increased only marginally in these budgets, spending on economic and social priorities has leapt, often in double-digit terms. But, again, I am not here to play the blame game. If possible, I wish to speak directly to the people of Taiwan. After all, this is about their future, their wealth, and their security. I want them to know that national security is not simply a political platform and that no specific defense issue should become a politically partisan football. Rather, national security is a political responsibility and the people of Taiwan should hold elected officials accountable for what they are doing, or more correctly not doing. In America, we often say that national defense is above partisan politics and, for the most part, we adhere to that belief. I think the people of Taiwan need to hold their politicians to a similar standard.

The reason I am here tonight can best be framed by a single question that Richard and I have been asked frequently this year, by members of Congress, their staffs, by other senior U.S. government officials, and business people. They ask us, "If Taiwan is not willing to properly invest in its own self-defense, why should we, the U.S., provide for its self-defense?" It's a reasonable question. And because it would appear that, should present trends continue, we will have this question more broadly raised in the U.S., we should discuss it here tonight.

At a time when young American men and women are in harm's way in Iraq and Afghanistan – countries not nearly as developed or politically evolved as Taiwan – an increasing number of Americans are asking hard questions about how much we are willing to sacrifice – for the security and democracy of others.

Now, you may say, 'Surely, you are not comparing the defense of Taiwan to the U.S. effort in Afghanistan or Iraq. Taiwan is so different.' Taiwan is indeed different from Iraq and Afghanistan in several ways. Economically, according to 2004 estimates, Taiwan's GDP was about \$578B; Iraq's GDP was \$54B. Taiwan is a functioning democracy. Iraq was a dictatorship and is striving to become a democracy. Taiwan's dynamic society is composed of highly educated individuals who are often well traveled in the East and the West and who embody the best of both. Afghanistan is only now emerging into the daylight after decades of non-stop war and Taliban tyranny. And both Iraq and Afghanistan could take a page from Taiwan's book in terms of democratization, the rule of law, and respect for human rights. So, Taiwan is vastly evolved politically, economically, culturally and socially. So, the questions begs; why would Taiwan, a society so prosperous, so well-educated, so highly-developed, but yet so threatened, make the conscious decision to allocate only 2.4 percent of its GDP to its security?



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Allow me to put my question in context. If we look at the region, Singapore, with a GDP of about \$121B (according to 2004 estimates) with a GDP per capita of \$27,800, invests more than 5 percent of its GDP in defense. Taiwan's GDP is \$578B and its GDP per capita is \$25,300. Despite a relatively low threat to Singapore, the people of Singapore and their government understand the importance of investing in a strong national defense to ensure their way of life, and they consistently invest their national wealth accordingly.

It has been suggested that Taiwan raise its annual defense budget to 3 percent of its GDP in the short-term, with a longer-term goal of at least 3.5 percent of its GDP invested in its annual defense budget. I applaud President Chen's recent public announcement that it is his intention to raise the annual defense budget to the 3% level. This is a commendable statement of intent and demonstrates real awareness of the security threat – as well as real leadership. But the President cannot do it alone.

In spite of a growing GDP over the past ten years, Taiwan's defense budget in relation to its GDP has declined both in absolute and relative terms. In spite of an expanding central government budget, the defense budget has been a decreasing proportion of the central government expenditure for the past ten years. In stark contrast, China has been able to sustain double digit increases in its annual defense expenditures for well over the past decade.

Beijing's sustained military build-up in the Taiwan Strait adversely affects the status quo. At the same time, however, Taiwan's steadily declining defense budgets, and the resulting erosion in its own defensive capabilities, also adversely affect the status quo. Deterrence is compromised, and this is dangerous.

I want to be clear -- that no one is suggesting that Taiwan engage in an arms race with China. No one expects Taiwan to outspend the PRC on weapon procurements. What we do expect is that Taiwan will have the collective will to invest in a viable defense to address a growing threat and be in a position to negotiate the future of cross-strait relations from a position of strength.

While it is necessary for Taiwan to increase its annual defense budget, an increase alone is not sufficient. It is equally important that Taiwan prioritize its defense spending. Spending for the sake of spending is not in the interest of Taiwan, nor in the interest of the U.S.

Taiwan can take a number of steps to improve the efficiency and effectiveness of its national security – that is, its military defense posture – without breaking the bank. Taiwan is particularly vulnerable because it is an island in close proximity to a threat, possesses limited resources, and relies heavily on advanced technology to meet its defense needs. For these reasons alone, it is important Taiwan minimizes its vulnerabilities and maximizes its strength.

Last year, Richard spoke at some length about critical infrastructure protection and introduced the concept of "hardening" Taiwan. There are a number of ways Taiwan can accomplish this hardening, on a relatively fast timeline. Such a "hardening" program does not necessarily have to include the big-ticket items that the political class loves to endlessly fight over. While we acknowledge that Taiwan has begun to address some less military-specific vulnerabilities and is exploring ways to enhance the civilian leadership's ability to decide, convey and execute decisions in a time of crisis, it has been a slow start and that slow start has sent a message: Taiwan is committed, sort of, and is willing, sort of, but sees no reason to hurry.

Ultimately, it is up to the people of Taiwan to assess the value of protecting their way of life and determine how much they are willing to invest in the defense of it, for themselves and generations to come. This, after all, is what democracy is all about.



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Taiwan continues to develop and acquire defensive capabilities; some of these are asymmetric, intended to deter an attack and buy time for international intervention. The decline in spending, the resistance to prioritizing that spending by Taiwan, and the growth of PLA capabilities has resulted in a growing imbalance in critical areas such as missile and air defense and anti-submarine warfare. The future does not bode well as we see these imbalances and gaps increasing across the spectrum and expanding into new asymmetric warfare areas.

Also, Taiwan needs to fulfill its near-term critical defense needs. It needs to stop short-changing itself on reserves of critical munitions. It should purchase viable defense assets to counter near-term threats. It is important that near-term threats with present-day solutions drive Taiwan's budget process.

But Taiwan needs to do more than just invest in new weapon systems, it needs to embrace the concept of "hardening" itself, politically, psychologically and militarily, and that includes everything from pouring concrete and developing a robust missile defense program, to full systems integration including computer network defense, to psychologically preparing its citizens for a variety of possible scenarios that would threaten them and their way of life.

Taiwan must consistently and constantly set conditions, which force the PRC to re-evaluate its strategic calculus of a cross-Strait conflict. The great variables in this equation are time and capabilities. If you neglect one, you're in trouble. If you neglect both, you're in very deep trouble. The U.S. is only one variable in this equation. Taiwan must play its part by building and maintaining a viable defensive posture based on credible capabilities that demonstrate its "intent" – while providing real capacity to resist and survive. Only such a combination of demonstrable will and expanded real capabilities will deter aggression.

We always cite the Taiwan Relations Act, because it's good policy and it's the law. However, inherent in the intent and logic of the TRA is the expectation that Taiwan will be able to mount a viable self-defense. For too long, the Taiwan Relations Act has been referenced purely as a U.S. obligation.

" . . . 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."

Under the TRA, the U.S. is obligated to "enable" Taiwan to maintain a sufficient self-defense, but the reality is, it is Taiwan that is obligated to have a sufficient self-defense.

There is an explicit expectation in the TRA that Taiwan is ready, willing and able to maintain its self-defense. Taiwan must fulfill its unwritten, but clearly evident obligations under the Taiwan Relations Act by appropriately providing for its own defense while not simply relying on the U.S.'s capacity to address a threat in the Strait. The TRA requires both parties to do their part to deter aggression or coercion vis-à-vis Taiwan.

This means, unambiguously, that Taiwan has the obligation to do so to the degree that responds to the threat it faces.

It is time that the people of Taiwan and their elected officials understand that when it comes to defense, they (and not the U.S. nor any 3rd party) are in the first instance accountable. Taiwan's participation is not optional, nor can it be notional or abstract. For the past ten years, the leaders of Taiwan appear to have calculated U.S. intervention heavily into their resource allocation equation and elected to reduce defense spending despite an ever prosperous and stable economy. And this short-change math does not work.



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You see, China is also doing the math and has accounted for the possibility of foreign intervention. Their conclusion; buy more submarines and more anti-ship cruise missiles. The U.S. is carefully watching the PLA's modernization, as outlined by the Department of Defense's 2005 China Military Power Report, and we're watching the partisan stalemate over Taiwan's defense spending and we're doing our own math.

We do not live in a world of absolutes. And the time of reckoning is upon us. In the end, the U.S. ability to contribute to Taiwan's defense in a crisis is going to be measured against Taiwan's ability to resist, defend and survive based on its own capabilities. Taiwan will be stood up against the yardstick of "national will" and will be measured accordingly.

Many fear Taiwan will never reverse its downward spending trend. But we are convinced in the wisdom of the people and leadership on Taiwan. We have faith in Taiwan's ability to turn the tide. As friends, we encourage our Taiwan friends on both sides of the political spectrum to unite, to compromise and commit yourselves to protecting Taiwan's democracy by prioritizing and acquiring the necessary defense capabilities to deter aggression and maintain the peace and stability of the Strait.

As the lone superpower, our interests are plentiful and our attention short. We cannot help defend you, if you cannot defend yourself. Tomorrow, I will be accused of bullying the LY members or of interfering in the internal politics of Taiwan, but I am frank in my comments tonight and I want the people of Taiwan to consider my words, because I am speaking for those in and out of the U.S. government who are advocates for Taiwan's defense, friends of Taiwan and partners with Taiwan in our mutually shared values and goals. The U.S. government is invested in your success as we are with no other people.

We encourage our Taiwan friends both Blues and Greens, and more importantly I urge the people of Taiwan to think very hard about the future of Taiwan – how should it look, how should it feel, and what is it worth?