

THE BROOKINGS INSTITUTION
CENTER FOR NORTHEAST ASIAN POLICY STUDIES

TAIWAN'S RESPONSE
TO AN EVOLVING SECURITY
ENVIRONMENT

The Brookings Institution

April 29, 2013

Washington, DC

[Transcript prepared from an audio recording]

ANDERSON COURT REPORTING

706 Duke Street, Suite 100

Alexandria, VA 22314

Phone (703) 519-7180 Fax (703) 519-7190

PARTICIPANTS:

Introduction:

RICHARD C. BUSH III
Director, Center for Northeast Asian Policy Studies
Senior Fellow, Foreign Policy

**SESSION 1: CHANGES IN THE ASIA-PACIFIC SECURITY ENVIRONMENT
AND THE ROC'S DEFENSE TRANSFORMATION**

Moderator:

BONNIE S. GLASER
Senior Adviser for Asia, Freeman Chair in China Studies and Senior
Associate, Pacific Forum
Center for Strategic and International Studies

Panelists:

ANDREW N.D. YANG
Vice Minister (Policy)
Ministry of National Defense, Republic of China (Taiwan)

SESSION 2: THE 2013 QUADRENNIAL DEFENSE REVIEW OF THE ROC

Moderator:

RICHARD C. BUSH III
Director, Center for Northeast Asian Policy Studies
Senior Fellow, Foreign Policy

Panelists:

CHIA-SHENG CHEN
Director, Defense Net Assessment Division, Department of Integrated
Assessment
Ministry of National Defense, Republic of China (Taiwan)

PHILLIP SAUNDERS
Director, Center for the Study of Chinese Military Affairs, Institute for
National Strategic Studies
National Defense University

PROCEEDINGS

RICHARD BUSH: And I am pleased to invite you to today's program on Taiwan's response to an evolving security environment. I think we have a very interesting program. I need to say upfront that this is a joint venture between CNAPS and the Freeman Chair in Chinese Studies at CSIS. Last week we have a very good program at CSIS on the domestic politics and political issues and economic issues and U.S.-Taiwan-PRC relations. And so today we're moving to focus on defense issues. In baseball, this would be referred to as a home and home series, but we're very pleased as always to collaborate with CSIS. I'm not going to say anything more and I'm going to invite my friend and colleague, Bonnie Glaser, to introduce our key note speaker.

BONNIE GLASER: Welcome, everyone. We're very pleased to open our session today with a keynote address by Vice Minister Yang Nien-Dzu, Andrew, who many of you know. I think one of the most important things that Dr. Yang did before becoming vice minister of defense was to establish the Chinese Council of Advanced Policy Studies (CAPS) which many of you know has really become a leading center on the study of the PLA. And of course, Dr. Yang is also an assistant professor at National Sun Yat-sen University where, of course, he is on leave since 2009 to take the post of vice minister for policy at the Ministry of National Defense.

When we were at lunch, Dr. Yang and I were talking about how one of the most difficult parts of his job is to answer questions at the legislative U.N., and apparently had three grueling sessions last week. So we promise that we won't make this quite as grueling as that but we will leave time for questions afterwards.

So please join me in welcoming Vice Minister Yang.

(Applause)

ANDREW N.D. YANG: Thank you, Bonnie, for such a gracious introduction. Equally, I want to thank Richard Bush at the Brookings Institution and Bonnie Glaser at the CSIS for jointly hoisting this very prestigious panel and inviting me to say something about our own recent assessments of the regional developments and your current preparations for our defense transformation. And I also equally want to thank the many friends and colleagues, take the opportunity to come over here to participate in sharing your ideas and your thoughts about the issues and topics which are going to carry into discussion today.

I was taking my liberty to read one of my favorite international media -- that is the *International Herald Tribune* for a number of years. And I'm particularly interested in two political cartoons that recently appeared in the newspaper a couple weeks ago. One is describing -- was the image of a

gentleman, obviously President Xi Jinping as sort of pushing a trolley in a supermarket and there was a very naughty baby crying and threw everything out of the trolley. And you can see all the passersby, the other consumers, customers, particularly the three customers were hiding their heads and covering their ears with tremendous agony in their face and couldn't do anything about it. Those three customers -- South Korea, Japan, and the United States. And the daddy, Mr. Xi Jinping, was furious. You can see his face squeezed together and the smoke coming out of his head. That was the political cartoon describing the current Korean Peninsula situation.

The second one I also like very much is a recent one which shows Prime Minister Abe was riding a water buffalo going into a china store and you see the manager was standing behind the counter, also President Xi Jinping. And his face was also squeezed together and furious. And his head was smoking as well. And Mr. Abe was riding the buffalo and going through the china store and destroying a number of porcelain vessels and so forth. He was very happy about that. That's the second cartoon I read recently.

But I want to mention these two cartoons basically reflecting similar impressions from our interpretation of the recent changes taking place in the western Pacific area, which is also highlighted by our 2013 Quadrennial Defense Review. Our main theme in terms of our assessments on the regional security and the strategic situation can be summarized by two words. One is uncertainty. Second is escalating. Certainly, these two words do not represent good developments in the future but also at the same time urging all the actors in the region or around the world to take extra effort to deescalate attention and resolve the problems and come to a more sensible discussion of how to manage the situation more peacefully and stably.

And I think that we are facing the kind of changes taking place very fast, rapidly in the region, not just about the assertion of the sovereignty issues but very much a reflection of the changes, rapid changes taking place in the course of modernization in concerned domestic societies. For example, in China you see there are various changes taking place as a result of economic developments -- the development of a new middle class and you have a lot of netizens in China also expressing their views and affecting the policies as well. So those are issues continuously affecting, I believe, the Chinese concerns and the policymaking process. Equally in Japan you see more proactive citizens or opinions shaping political leaders' behavior and their decisions as well.

So those are the factors continuously putting extra elements into the decision-making process. And certainly, we're adding new elements in terms of shaping the perceptions of their separate individual societies.

The same thing is happening in the Korean Peninsula. You have a newly selected young leader, Kim Jong-un, and he is throwing everything out of

the trolley and you can't do anything about it. Right? It's not that we follow South Korea's current policy -- they call it strategic patience. Yes, but what's next? You cannot leave the issue to continue to expand in their own way. You have to find ways to resolve the core issue there. So I think -- I hope this will be the lesson learned for everybody to take the extra step and efforts to solve the problem.

It leads to our interpretation in our analysis of our current approaches in terms of addressing sensitive and complicated issues, particularly in the East China Sea. Last year in August, President Ma Ying-Jeou put forward the so-called East Sea Initiative. Not many people really believed it can make any contribution to the region. And a lot of people criticized this is the fantasy of our Taiwanese leader. But if you look at the follow-up developments recently, especially after our government signed officially an accord with Japanese authority and it creates a different kind of dimension for people to think about. This is the kind of thing that we want to ease the tension and also to enhance some mutual benefits. I don't know whether Japan is learning lessons from our initiative from last August, but certainly the events taking place in the region make the leaders or the people to think about how to make extra efforts to make peace instead of making escalations or tensions.

So this is a step forward. At least we can learn from these lessons that things have to be addressed with the efforts and all the considerations. So I think that this is the message contained in the QDR. There is no other alternative. Steps have to be adopted and efforts have to be made; otherwise, we are going to face the situation which I mentioned earlier -- that is the uncertainty and escalation, which is no good for our future generations and we will make mistakes if we don't see there is a need to resolve the issue today.

The second thing I want to address is what are we doing at home facing this complicated regional security challenges and also ongoing process across the Taiwan Strait which we continue to support to ease tensions. We firmly believe long-term peace and stability can only be realized through self-strengths. Nobody is going to help you. You have to pay greater attention to strengthen your own ability to deal with any possible negative impact in the future, even hurting your national interests.

So in the process of conducting this peaceful rapprochement across the strait, we are also putting great efforts to conduct the necessary transformation of our self-defense capability. For the purpose to make sure that the enemy will not read the message wrong and conduct unnecessary steps to use force to achieve their political objectives. So we mean to continuously putting efforts to strengthening our self-defense so to compromise the intention to use force against Taiwan in the future.

So what are we doing right now? Basically focusing on two

things. One is to implement the so-called voluntary policy which is a very challenging and difficult task to fulfill, but at the same time in order to facilitate this important policy to be implemented we are closely working with our parliament, Legislative Yuan, to amend the legislation or improve the conditions to accommodate the needs for a volunteer system. We are also working very hard with our interagency collaboration to smooth the bureaucracy and regulations to facilitate better accommodation for volunteer system. At the same time we are asking for more resource funding to support this program.

And of course, we are making adjustments and improvements, in our own ministerial regulations, current measures in order to encourage and attract more talented young people to join the armed forces, which certainly takes a lot of effort and costs a lot of time to do it. We are not expecting that this will be fulfilled in the short term but certainly it will be a continuous effort in the future.

Second, we are also taking more emphasis and more steps to develop asymmetrical capability with advanced technology as well. We are doing this for a number of years already and we also are doing this with a closed collaboration with our friends at the Pentagon and also identifying areas for enhancing our asymmetrical capability.

In the process of developing these new and important steps of defense transformation, we solve the problems of our service rivalries. We solve the problems of consent disputing and now we are entering into more realistic steps to identify areas and priorities for asymmetrical measures. We later listed one example in our QDR -- that is the Ma warfare capability. We have other steps to follow in the future as well.

So you will see in the future that this will be the focus in terms of our defense transformation. It will be cost effective. It will be more indigenous and certainly collaborating with our allies and friends. It's not very juicy but it will be very much objective oriented and we will make sure that this will be the essence and foundation for the future capability building process.

All these efforts we made in terms of enhancing our self-defense capability is to support the peace-building process. It's to ensure stability and progress in the region. And also at the same time it is to support our democratic institutions and our freedom. So I think this is the area that we should make an extra effort, and we hope that the audience in Washington, D.C., can understand we are making our contribution and also to support the effort we made in Taipei.

Last week, we just finished our major annual military exercises, Han Kuang 29, and I can tell you this -- that in the course of conducting these Han Kuang exercises we already implemented some of the capabilities newly developed by our armed forces. And this is a further step to demonstrate that

there is a consensus already achieved and the services also witnessed the initiation of these joint efforts are taking place and taking its effects. So I think that we will continuously put those efforts into our routine exercises so that our officers and men can learn from these exercises and bring about more consensus and resource allocations in the course of building more effective asymmetrical capability in the future.

I think that my presentation will stop here, and certainly I will welcome questions from the audience. Thank you for your attention.

(Applause)

MS. GLASER: Here we are. Well, thank you very much, Minister Yang. I'm sure that there are lots of questions. I will restrain myself and open up the floor. Please wait for the microphone. Identify yourself, and please do ask a question. Who would like to be first? Okay, right over here.

QUESTION: Hi, I'm Jeffrey Lin. I'm a student with George Washington University, and thank you for coming here today, Mr. Minister. I was wondering that in bigger, more sophisticated projects there's a trend towards indigenization as opposed to buying foreign weapons. For example, in the QDR, I believe, it mentions that Taiwan is looking into building a fighter with fifth generation characteristics, if I recall correctly. Thank you.

MINISTER YANG: I mean, the first generation or fifth generation in terms of punching the speaker. Well, our policy in terms of weapon system development is to go for the -- essentially to look into the area of indigenous capability in terms of developments. If our indigenous effort cannot be realized in terms of new weapon systems, then we will seek overseas for foreign acquisition. So that's the principle of our weapon system development program.

In terms of the so-called fifth generation fighter aircraft, what the QDR emphasized is to seek the fifth generation aircraft. It didn't mention particularly whether it will be indigenously made or acquired from a foreign source. So this will be our future program of seeking advanced fighter jets to be part of our self-defense operators.

Does that answer your question?

QUESTION: Yes. Thank you very much.

MINISTER YANG: Okay.

MS. GLASER: Okay, Nadia. Wait for the microphone, please. Up front over here.

QUESTION: Hi, Andrew. Welcome back.

MINISTER YANG: Thank you.

QUESTION: Nadia Chow from *Liberty Times*. You just mentioned the fishery agreement with Japan. I just wondered, can you elaborate a little bit about the security implication for that agreement? We are in a contentious region. A lot of people, you know, a lot of countries actually have different claims on sovereignties and that's a source of tension. What do you think this will imply to other cases, like the South China Sea?

MINISTER YANG: Thank you. As you read the contents of those agreements there are two areas that need to be addressed. One is the agreement has made the area available for Taiwanese fishing boats to fish in the much wider regions which are defined by both sides as part of the -- it's much bigger than the previous Taiwanese fishery grounds in the region.

Second, both parties agree that in the course of conducting fishing, no party can apply the domestic laws to the other side. I think that's the way to avoid miscalculation and to avoid direct confrontation. So that certainly requires further discussion. What does it mean in the course of conducting fishery and patrolling? No domestic laws can be applied to the other party. That's certainly in need of further discussion in that part. But in principle, it sets the buffer because the fishery region has been expanded. So it has created a much bigger buffer to avoid direct confrontation.

Secondly, in the agreement, in principle it has ruled out the possibility to apply domestic laws to be used to the other party. I think that also is a measure to avoid direct confrontation and to avoid miscalculation. So in that sense I consider that in terms of security there are measures to be adopted, including to the agreement, at least to create some kind of buffer to regulate behavior, to avoid miscalculation and misregulation as well.

But I think that we also provide the venue for both authorities to have more frequent and institutionalized channels of communication to deal with potential problems in the future, which certainly is another measure to be adopted to enhance security -- mutual security instead of creating gray areas or uncertainties to facilitate tension in the future.

MS. GLASER: Eric McVadon.

QUESTION: Eric McVadon, the Institution for Foreign Policy Analysis. Andrew, I think you deserve special congratulations. You must have set a record for the time you've been in that job, and not a lot of people who sat in that chair have stayed very long. But I do have a question.

MINISTER YANG: Thank you, sir.

QUESTION: Have you emphasized cyberwarfare in your QDR?

MINISTER YANG: We do mention the importance of paying great attention to deal with cyberattacks in the QDR. Actually, we are also taking realistic steps to cope with that. I don't want to go into details what sort of steps we are taking at the moment, but this is certainly an extremely important concern for our national security, as well as for our national defense. And there are two structures that have been created since last year. One is presided over by the cabinet, basically looking to the protection between governmental systems and the private systems. And the other has been created by the National Security Council, which is particularly emphasizing the importance of protecting national key junctures and the key infrastructures. And certainly, it is a very important part of these national security, cybersecurity mechanism. We are working very closely together.

MS. GLASER: Okay. This side.

QUESTION: Thank you, Mr. Yang. My name is Donghu Yu with China Real News Agency. You emphasize this air defense capability, particularly the asymmetric capability in your speech. Under this policy, how do you think how necessary and how critical it is for Taiwan to purchase the F-16 C/D in the near term? Did you get any information from the U.S. Government after you came to Washington, D.C., that the Obama administration is considering selling F-16 C/D to Taiwan in the near term? Thank you.

MINISTER YANG: Well, if you read our policy carefully, at least after we received the approval from the U.S. Congress to provide F-16 AB retrofit programs in September 2011, I think, we have been emphasizing that we are still in need of future advanced jet fighters. And any deliberation in terms of the requirements of the future advanced jet fighters has to be superseding -- at least superseding the upgraded retrofit F-16 AB model. So you have to understand that the evaluation of the assessments for a new generation of fighter aircrafts takes a longer perspective. Currently, the F-16 AB retrofit programs certainly proceeded with a number of years and you will provide sufficient air defense for our overall defense capability.

So when we talk about the future advanced generation of fighter aircrafts then you have to make assessments and you will see what will be available requirements in the future; what are the options in the future. If you look at that, certainly you will reduce or you will rule out some of the options available today. So we are talking about the future requirements, not urgent, immediate today's requirements that we have mentioned. So that's our policy position in this issue.

No, we didn't get any information from the U.S. counterpart.
MS. GLASER: Richard.

MINISTER YANG: Richard. Sorry about that.

MS. GLASER: That's okay. We chose the same person.

DR. BUSH: Thanks. Thank you very much, Andrew. I wonder if I could ask you to elaborate a little bit on how the defense strategy and the military strategy that you've described fits within President Ma's larger security strategy for Taiwan. Thanks.

MINISTER YANG: Thank you, Richard, to offer me this opportunity to make my interpretation of these three cardinal principles. We actually develop our defense strategy based upon President Ma's overall national strategy, which is to stabilize the cross-strait relations and to making efforts for Taiwanese meaningful international participation, and certainly, he emphasized the importance and the need to integrate diplomatic and defensive efforts to support these two prominent initiatives.

So these are the three principal pillars for President Ma's strategy to enhance our national security and protecting our national security interests. So we follow those overall security perspectives in the course of formulating our defense strategy to emphasize was quoted a hierarchical defense. That is to say to enhance our effective deterrence, and at the same time to consolidate our self-defense capability based on asymmetrical efforts. So that's our defense policy. Our quoted defense policy.

And followed by a defense policy on the military strategy, that is to say that we have to be more to streamlining the total armed forces, make it smaller, more superb, and more leaner and stronger. So this is the guidelines for our defense transformation which has been followed, at least starting from five years ago. So you have this three dimensional, three tiers of constructing or developing our national security strategies and come up with the necessary and sufficient defense policies to support this objective and producing the guidelines for our forced transformation, which has been conducted and implemented until today. This has not been vividly put forward by the QDR but between the lines you can see that's the kind of systematical arrangements of our defense plan in the future.

MS. GLASER: Over there.

MINISTER YANG: Sorry.

MS. GLASER: You're used to being in charge. And I understand that.

QUESTION: Hi, Richard Shin with Economist, Inc. My question is you mentioned that China's possible military action and deterrence effect, and so the first question is really what is the likelihood that such military action would be in the short run or in the long run that you need that deterrence? And the second is given that risk, and given China's continued increased military spending, what is the likely cost of maintaining this deterrence effect and would the public continue to support that in the long run?

MINISTER YANG: Can you repeat the second question again?

QUESTION: Yes. The second question is really given the risk assessment you have on the first question, and given China's continued increasing military spending, the cost of deterrence will continue to rise for Taiwan as well. And so the question is what would that cost increase be and would the public continue to support such increase in spending?

MINISTER YANG: Okay. Number one, we never underestimated Beijing's intention and ability -- capability to use force. Their intention is alive and kicking because they never renounced use of force. Beijing is still holding the option to use nonpeaceful means, even codified by law. So what else can you say about Beijing's intention. I mean, it's very clear, abundantly clear that if they fail their so-called peaceful unification process and to see there's an opportunity available, they will be encouraged to use force. That's our interpretation. So we never underestimated Beijing's intention.

And secondly, as we mentioned, repeat and repeat again, we're not, as you said, Beijing has spent a lot of resources in terms of defense modernization in the past and continuously putting a lot of resources in that regard. We are not, and we cannot compete with Beijing. An imbalance has already been created for a number of years already. So we are seeking ways to fend off the options Beijing will be adopting in terms of fulfilling their objective by nonpeaceful means. So those are the areas which we are focusing on. So we emphasize asymmetry capability with Beijing. You cannot compete. You are small; they are big. They have a big economy. You have very small, limited resources. So there is no way to compete with Beijing. So we emphasize that what we are trying to do is to make enemy or Beijing's intention cannot be successful. Their attempts will not be fulfilled. So that's our objective.

MS. GLASER: David Brown.

QUESTION: David Brown from SAIS. Thank you, Andrew. As always, interesting comments. I would like to ask you to say a little bit more about asymmetric measures that you talked about. You mentioned those as being something that came out of a collaborative process with your U.S. partners. I can remember a decade ago when some of the asymmetric ideas that Taipei had were

not very popular and the administration actually tried to discourage them. Washington now seems to have a very different approach to these issues.

I have two questions against that background. One, are the asymmetric measures that you are adopting ones that grew out of Taiwan's suggestions that are being supported by the U.S. or the other way around? And secondly, are there any ideas or any areas where the U.S. is actively discouraging you from trying to develop certain kinds of systems?

MINISTER YANG: Thank you to bring up this question. One, it's very much our initiative, and frankly speaking, being supported by the U.S. The kind of asymmetric capability we are talking about I mentioned today very much in terms of our indigenous effort is not supported or provided by the United States. It's not, as I mentioned, very sophisticated, high tech in essence. We actually came up with the ideas and indigenous efforts which have been consorted and frequently discussed with our partners, and very much suitable for our geography and our environment. And most importantly, it's cost effective.

So those are the areas and items I think that we have confidence in terms of developing. And it is critically important because you are also boosting our confidence. Now, we can actually produce those things ourselves. And you don't need a replacement. You don't need a spare part supply. And what you need to do is to continuously improve those capabilities. I think even they are not shiny, fashionable in terms of technology but it is very effective. You will fulfill your mission objectives and I think that's what we are looking for.

MS. GLASER: Ken Allen.

QUESTION: Thank you. Vice Minister Yang, I'm Ken Allen from TGI. Two parts. Could you talk about any obstacles to your military trying to go to an all-volunteer enlisted force? And the second part, one of Bonnie's paper's subjects is confidence building measures. She's been working on this for 10 years and there are several steps in military-to-military confidence building measures. Where do you stand in actually dealing with the PLA track 1, track 1-1/2, track 2 for confidence building, strictly military-to-military? Thank you.

MINISTER YANG: Well, the obstacles in terms of implementing volunteer systems, there are two parts. One is that it is not just the Ministry of National Defense responsibility. It takes a lot of effort from other governmental agencies as well. So you have to overcome difficulties and making everybody talking the same language. That's not an easy process. So I spend a lot of time to call upon the interagency collaboration for the last year or two.

Second, in terms of obstacles and challenges is to convince the legislators to amend the current legislations or to enact new legislative support for this program because often if you want to implement policies you have to follow

the due process; otherwise, it is not going to be realized. So that's another area that we are facing challenges.

Number three is how are you going to overcome the difficulties of improving your own infrastructures? That's not necessary to say that you need more money to put into it. Money is not a problem in terms of resources allocation, but the problem is that again, it is also related to the regulations and legal arrangements. You need to speed up the process of improving your fringe benefits, your housing accommodations. You know, all kinds of aspects of your benefits so that you can encourage youngsters to consider to be recruited, to join the armed forces because you have a better profile than other professions to provide opportunities for youngsters to seek their own future objective. And certainly, you have to provide better venues for the education and for their professionalism trainings and so forth. So it's a package. If you don't fulfill your objective in terms of solving all the problems in a set time, that's our fundamental challenges. You are facing all kinds of problems and challenges together and you have to deal with them simultaneously and you find you don't have many hands available. So that's the difficulty we are facing right now. But we are doing the best we can.

MS. GLASER: The second question was about –

MINISTER YANG: Oh, yes. I forgot.

MS. GLASER: CBMs.

MINISTER YANG: CBMs. That's your question, too. Well, I can tell you this. I have no tracks in terms of conducting CBMs right now, either first track or second track or third track. But it is an important issue. In fact, we have our internal study groups. As a matter of fact, as I mentioned earlier, I am also heading or chairing a task force within the MND specifically looking to the cross-trade security and military issues which include what are the options that the mainland China are putting forward in terms of facilitating the corridor which is slightly different from the CBM. But and also we also talked to some of the scholars or experts who are continuously discussing these issues with their counterparts in mainland China. And to familiarize some of their ideas, fresh ideas, emerging from those discussions. So we are not losing track about what's going on between the other side but we are at the same time also evaluating the feasibilities or possibilities, whether it is possible for Taiwan to pursue or to respond to the process. But I think from the government's point of view we consider the CBM or confidence building measures or mil-to-mil contact cannot be taking place or realized unless the political difficulty is being peacefully resolved or any political resolution has been realized. This is also part of the consensus developed by the cabinet as well.

MS. GLASER: We'll take one last question. Over here.

QUESTION: Yes, Tina Chung with Voice of America. I'd like to know that recently a number of high profile cases, espionage cases involving the Taiwanese military personnel; do you have any concern about sensitive intelligence being compromised? And also, secondly, how would you describe the morale in Taiwan's military during this time of transformation against the backdrop of rapprochement with China? Thank you.

MINISTER YANG: Well, it's really unfortunate that we have these kind of espionage incidents taking place. In reality, it's been uncovered by our internal efforts and fortunately we have uncovered those attempts or behavior activities early in their stage. And in the course of conducting our investigation we discovered that so-called classified materials involved in those activities are pretty much outdated. It's not all current or recent classified information. So in terms of compromising our interests we consider and we try our best to keep it at a minimum. But it provides the opportunity for us to look into the espionage cases and certainly finding ways to deal with it. And as you know, the Taiwanese Open Society and since both sides have conducted direct interactions, there are many opportunities for mainland China to allude and making attempts to penetrate into our security apparatus. And also we fixed those gray areas and also at the same time conducting necessary measures to cope with the future developments as well. So, so far as I can see, the damages caused by those espionage are minimum. It's been fixed. And we are finding measures to cope with the future trend.

As to the second question –

MS. GLASER: Morale.

MINISTER YANG: -- morale has not been compromised. I think I find that even we don't want these kinds of things taking place but for our current personnel and officers and men, they've been alerted by the espionage cases. And they consider that the enemy threat is real and genuine. It is imminent. So I think that the morale has been boosted instead of being compromised because they consider the enemies to have taken whatever they can to penetrate our security system. So I think that's important because people are being alert that the enemy is still next to you. It is not far away from the other side.

MS. GLASER: Well, this has been really terrific. I want to thank you, Minister Yang, for taking time out during your visit to Washington as I know you always do to talk to those of us in think tanks and the public about the security situation in Taiwan, about your defense strategy, and helping us to understand the recent developments. And I'd also like to thank you for your contribution to U.S.-Taiwan relations.

MINISTER YANG: Thank you very much.

MS. GLASER: We trust that you will continue to make a good contribution. Please join me in thanking Minister Yang.

MINISTER YANG: Thank you very much.

(Applause)

MINISTER YANG: I want to thank again both Richard and Bonnie for organizing this opportunity to meet all of you here in Washington, D.C., and I wish you all the best. Thank you.

MS. GLASER: We're going to have just a quick switch and we're going to have a discussion specifically about Taiwan's Quadrennial Defense Review. So if you go out and get coffee, please do come right back. We're actually not going to have a break, so we'll probably start in less than five minutes. Thank you.

(Recess)

DR. BUSH: I would first like to make a comment about the previous panel, and that is that last week at our CSIS-Brookings event on Cross-Strait Relations, Ambassador Raymond Burkhardt, the Chairman of the American Institute in Taiwan, noted that the defense relationship between the United States and Taiwan is much broader and deeper than what one reads about in the newspapers, in the media. And I think what we've learned today about the collaborative process on asymmetric and innovative capabilities is an example of that breadth and depth.

So, now we're going to drill down a little more on the Quadrennial Defense Review for 2013 itself. And for that, we have two real experts.

First, Colonel Chen Chia-Sheng will make a presentation. Colonel Chen is the Director of the Defense Net Assessment Division of the Department of Integrated Assessment in the ROC's Ministry of National Defense. And that really is the department that puts the QDR together.

After he's finished with his PowerPoint presentation, we will then assemble here, and we'll be joined by Dr. Phil Saunders, who is the Director of the Center for the Study of Chinese Military Power at the Institute for National Security Studies at National Defense University. And then we'll have some time for questions.

So, Colonel Chen, I'll ask you to come on up.

CHIA-SHENG CHEN: Thank you, Chairman, for your introduction, distinguished scholars from Brookings and CSIS, ladies and gentlemen, I'm Colonel Chen. The chairman has already introduced me, so I'll just skip this part.

I'm really honored to have this opportunity to brief you on our 2013 QDR. And there are five parts of this briefing, shown on the table.

The first, my introduction. The Ministry of National Defense, in compliance with Article 31 of the National Defense Act, is required to submit a Quadrennial Defense Review to the Legislative Yuan within 10 months after each presidential inauguration. The promulgation of our second QDR, on March 13 this year, manifests that we have built a four-year defense-review mechanism to realize the President's strategic concepts, review existing defense policy, incorporate suggestions from all ranks, reflect public opinions and expectations, proposed implementation plans for defense policy, and propose and outline the directions for military development, and also promote the communication with the Legislative Yuan to strive for the support for defense policy.

Now, the compilation of the QDR. During the compilation of the QDR, the Ministry of National Defense engaged all of its staff units, responsible agencies, and civilian experts and scholars on areas such as defense strategy, security and international laws, in a total of 36 meetings. In response to future security environment and defense needs, the Ministry of National Defense incorporated ideas of all participates to make the QDR more comprehensive.

The framework of the QDR -- the 2013 QDR is based upon President Ma's concept of three legs of national security, the national development vision of the Golden Decade, and the guidance of conquering the enemy by strategy. The QDR aims to consolidate defense consensus, and specify the defense strategy and force development directions to respond to changes in international security environment, in consideration of available defense resources, and focusing on the innovative asymmetric concepts. The following are the key points of each chapter.

Chapter 1, Security Situation and National Defense Challenges -- the Asia-Pacific security environment has undergone several changes over the past four years. Five aspects are identified as follows.

First, rapid growth of Mainland China's power. Mainland China's military modernization has progressed rapidly. Its force projection capabilities have extended over the first island chain to the Pacific, gradually changing the Asia-Pacific balance of power. It is actively developing the anti-access and area denial capabilities to threaten U.S. power projection and freedom of maneuver in this region.

Second, U.S. Asia-Pacific strategic adjustment -- the U.S. is adopting a rebalanced strategy to utilize in the combined strength of friendly and allied countries to ensure their common interests, and not threatened by any individual country, thereby maintaining original security and stability.

The third, sovereignty claims are over disputed island and maritime rights interests. The tension in the Asia-Pacific region has recently escalated due to sovereignty claims over disputed island and maritime rights and interests. The disputes over the Diaoyu Islands and islands in the South China Sea involve the most complex issues, and impact regional peace and stability, and also the ROC's national defense and security.

The fourth, Northeast Asia issues -- the Korean Peninsula remains the most unstable factors in the Northeast Asia. Until now, North Korea has been developing nuclear weapons and ballistic missiles, causing turbulence in this region. After the leadership transition in North Korea, its military policies become increasingly assertive. Its third nuclear test has attracted international condemnation, making the resumption of the six-party talks more difficult, and bringing greater uncertainty to the Korean Peninsula.

The fifth, nontraditional security threats. Nontraditional security threats are comparable to traditional security threats, and may result in complex disasters which pose the major threat to the sustainable development of regional countries.

In terms of security development in the Taiwan Strait, the following points are identified.

Number one, relaxation of cross-strait relations. Over the past four years, both sides of the Taiwan Strait have resumed institutionalized talks, and are gradually heading toward rapprochement.

Second, Mainland China's military strategy against Taiwan -- cross-strait rapprochement does not stop our endeavor to modernize our defense capability. China has never renounced the use of force against Taiwan, and the People's Liberation Army continues to build up military force and plans in an attempt to seize Taiwan. The goal of the military exercises is to rapidly end an island conflict and reduce the possibility of foreign intervention.

The third -- the current military threat posed by Mainland China. The PLA has expanded its ISR coverage to the entire area west of the "first island chain," and its tactical ballistic missiles and cruise missiles are all capable of reaching Taiwan. In addition, it is accelerating the development of its fourth generation fighters and carrier-based fighters, blue-water naval capability, amphibious war-fighting capacity, and information operations and electronic warfare, making it a major military threat to us.

As for domestic security environment challenges, five points are regarded as significant.

The first, defense resource constraints -- defense resources are becoming more and more constrained. Consequently, benefits and welfare packages for military personnel cannot be significantly improved, resulting in the lack of incentive for recruits and retention, and increasing the difficulties in promoting volunteerism.

Second, low birth rate -- given the decreasing number of able-bodied males in Taiwan, the Ministry of National Defense needs to reduce force levels according, and improve military personnel's quality and professional ability to meet defense requirements.

The third, disaster prevention and relief -- disaster prevention and relief has been tasked as one of the ROC armed forces' core missions. In addition to carrying out regular military exercise, active duty and reserve forces have to strengthen their disaster relief capabilities.

The fourth, cyber security -- during peacetime, potential enemies may steal, alter, and remove our online information. Once a conflict starts, enemies may disable our command, control, and logistic networks through cyber attacks. Hence, the ROC armed forces must strengthen their response capabilities.

The fifth, challenges of defense awareness -- the public has been living in peace and prosperity that are gradually neglecting threats and surrounding security issues. In light of the military threats posed by Mainland China, we must improve the awareness of counterintelligence activities, and increase the public's threat awareness.

Chapter 2, National Defense Policy and Strategic Guidance. First of all, national defense policy, considering development of the current security environment, the ROC armed forces continue to implement military preparation based on the President's guidance of building a hard-ROC defense force. On this basis, the Ministry of National Defense reiterates seven objectives at the current stage. They are: building credible capabilities, demonstrating defense resolution, safeguarding regional stability, strengthening intangible combat capability, enhancing disaster prevention and relief preparedness, promoting volunteerism, and improving welfare for military personnel and their dependents.

As for national defense strategy, five components are as follows.

Number one: war prevention. The armed forces exert their efforts to strengthen defense preparation and combat readiness, promote regional military security exchanges and cooperation, and consolidate a national defense power to prevent threats from other countries.

Number two: homeland defense. We continue to build an elite armed force, establish highly effective joint operation capabilities, acquire modernized weapons, and accumulate all our defense capabilities to effectively safeguard homeland and sovereignty.

Number three: contingency response. The ROC armed forces will properly respond to contingencies by refining the surveillance, reconnaissance, and early-warning capabilities, perfecting contingency-response mechanisms, enhancing contingency operation capabilities, improving disaster prevention and related capabilities, and also reinforcing information security.

Number four: conflict avoidance. The ROC armed forces will implement military conflict avoidance measures to reduce distrust, misjudgment, and misunderstanding, and strictly abide by conflict avoidance regulations to avoid conflict caused by miscalculation.

Number five: regional stability. The ROC armed forces will also maintain peace and security of the Asia-Pacific region, jointly safeguard air and maritime security in the East and South China Seas, and in areas surrounding Taiwan, and participate in international antiterrorism and humanitarian assistance activities. Moreover, we commit to international norms, uphold the principle of not producing, not developing, not acquiring, not storing, and not using nuclear weapons, and strictly abide by the regulations controlling the export of weapons, to improve the peace and stability in the Asia-Pacific region.

Under the guidance of the defense strategy, the ROC armed forces have adopted resolute defense, credible deterrence as their military strategy concept. To implement the above-mentioned concept, the ROC armed forces must effectively carry out the following five missions.

Number one: resolute defense to ensure the security of national territory.

Number two: credible deterrence to decrease the intention of enemy invasion.

Number three: counter-blockade to maintain sea and air lines of communication.

Number four: joint interdiction to delay the enemy from approaching the homeland.

Number five: ground defense to deny enemy landing and setting footholds.

Chapter 3, Joint War-Fighting Capabilities and Preparedness, laid out five dimensions. First of all, manned war-fighting capabilities. Joint counter-air capability is to establish early detection and warning, long-range precision engagement, and joint multi-layer interdiction capabilities to obtain air superiority in air space.

Number two, joint sea-control capabilities aims to establish high quality and efficient rapid deployment and long-range strike capabilities to deter enemies' incursion, defend the sovereignty over islands and maritime rights and interests, and ensure the security of sea and air lines of communications, as well as freedom of maneuver.

Number three, joint ground-defense capabilities focus on establishing three-dimensional, digitized, automated, and special-operation ground combat capabilities, in accordance with the concept of active-duty force for strike and attack, reserve force for homeland defense to ensure the safety of regional bases and facilities.

In terms of support capabilities, two major paths have to be taken care of. Number one, joint sea-force-air capabilities. This is aiming to gain real-time battlefield information by constructing a network system and integrating command-and-control centers, weapon platforms, and surveillance systems.

Number two, joint information operations and electronic warfare. This is to establish early warning, rapid response, effective countermeasures, and delaying enemy attack capabilities, so as to ensure our information operations and electronic warfare capabilities and superiority.

In addition to the main and support capabilities, the following four aspects are also essential.

Logistics and readiness-- the armed forces emphasis on building capabilities of precise logistics management and rapid logistics and support to integrate a logistics capability of each service. As for reserve mobilization part, the armed forces' well-refined mobilization policy effectively integrates administration system, and properly utilizes national resources to establish timely mobilization and engagement, and sufficient mobilization and engagement capabilities.

In terms of joint disaster relief, the armed forces adopts the measures of preparing for disasters in advance, deploying troops with an eye to

disaster preparedness, and ensuring readiness for rescue operations to complete personnel and supply mobilization, and provide support to local government for disaster prevention and relief, to ensure the nation's overall disaster prevention and relief capabilities.

The last portion of this chapter is overall intangible combat capabilities. This aims to build robust intangible combat capabilities, to solidify national identity, cultivate patriotic integrity, counter enemies' psychological warfare, consolidate the will to win, and establish overall defense.

The last chapter of the 2013 QDR is Defense Organization and Transformation. The first is associated with organizational structure. Three key points are as follows.

Number one; refine the planning mechanism for force-building. The Ministry of National Defense now is replacing balanced-force buildup with mission-oriented, prioritized force buildup. Defense resources allocation will concentrate on building strategically sustainable joint operation forces.

Number two; streamline the defense organization, the Ministry of National Defense adjusts its organizational structure to establish a defense organization capable of meeting requirements for future warfare.

Number three, building a suitable force based upon the enemy threat, national security situation, the overall resource allocation, and the idea of combat, equipment, organization, and training. The Ministry of National Defense will build joint forces suitable for future operation environment. At the current stage, the Ministry of National Defense is implementing the program, the force level of the ROC armed forces will be reduced to 215,000 by the end of 2014. The Ministry of National Defense will continue to research and adjust the force structure in the near future.

As for resource management, four components are as follows.

First, refine armaments management. This aspect is to combine the national economic development and civilian power to promote technique transfer, research and development, production and maintenance to support force buildup and various missions.

Second, maximize the usage of defense resources. Future defense budgetary allocation will be based on the concept of zero-based budget, and the procedure of planning, programming, and budgeting systems -- or PPBS. Administrative requirements and program priorities will be comprehensively reviewed to maximize the cost-effectiveness of the limited financial resources.

The third, combine defense and civilian needs. This is to develop a self-reliance in defense industry, design military-civilian dual-use technologies, expand defense outsourcing, and enhance overall military base usage to enhance dual-values of strengthening and facilitating economy.

Fourth, step up defense talent cultivation. Talent cultivation in the ROC armed forces is purpose-oriented and plan-based. In the future, the Ministry of National Defense will continue to cultivate defense professionals for force buildup and military preparation, based on requirements for defense transformation.

In light of war-fighting capacity, three dimensions need our attention.

First of all, promote volunteerism, under the presupposition of ensuring defense security and maintaining military obligations, as stipulated in the constitution. The Ministry of National Defense now is promoting volunteerism, and implementing various complementary measures to strengthen weaponry and equipment-readiness and troop training.

Second, integrated joint operations capacity. This is to perfect a joint war-fighting command mechanism in order to make the mechanism function both during wartime and peacetime with coherent authority, and fully exert command-and-control effectiveness of the joint operations.

The third, build an all-out defense consensus. The Ministry of National Defense will coordinate interagency efforts, and combine the capacity of government agencies and social resources to promote all-out defense, to gain the public support for defense development.

The last part, conclusion. In response to changes of the current security environment and challenges to our national defense, the Ministry of National Defense will continue to promote a defense transformation and military preparedness, to ensure that all goals elaborated in the QDR will be achieved with quality, and in a timely manner. By doing so, we will make the ROC armed forces a small but superb, small but strong, small but smart elite force, capable of supporting cross-strait peace for engagement, ensuring cross-strait security, and maintaining regional stability.

This is the end of the briefing. Thank you very much.

(Applause)

DR. BUSH: Thank you very much, Colonel Chen. And now we turn to Phil Saunders, who can speak from his seat, or speak at the podium, whatever you want.

PHILLIP SAUNDERS: I'll go ahead and speak from here. I'm going to do three things. I'll talk a little bit about the QDR process and the QDR as a document. I want to talk very briefly about the logic underpinning Taiwan's efforts to deter an attack from the mainland. And then I'll speak to a couple specific points in the QDR.

And the first is, this is a really serious effort. This is not something tossed off or done in a slipshod manner. There's a lot of good analysis here, there's a lot of hard work here. I went through the descriptions of the security environment, and I found myself struck by what an honest and comprehensive assessment it really is. And I went through and I only found one thing that I disagreed with -- and we think it's a translation issue -- on page 21, the document says that the PLAN "possesses the ability to impose a partial blockade on Taiwan..." I think that's true, "...and to conduct anti-access area denial operations in certain areas..." -- quote -- "...which can deny U.S. intervention in the Taiwan Strait." And I don't think that is the case -- although, as we looked into this, the Chinese, it makes clear that this is an aspirational capability, something that the PLA Navy maybe is trying to develop. But I don't think they have it now.

Part of the game when the U.S. does QDRs, or any strategic document, is everybody wants to make sure there's some language in there that supports their own particular programs, their own particular systems, their pet priorities and programs. And I see -- and that's sometimes a weakness, that you have a strategic document that's a consensus document, and it covers everybody's particular pet interests, and it winds up not setting as clear priorities as you might want. And I'll come back to that in a moment.

But this one, I think, does have a very frank assessment of the security environment, the threat posed by the PRC, and what the PLA military is doing, the ways that environment is changing, and the challenges Taiwan faces in dealing with that. It also has a frank assessment of the things Taiwan can do. And there's lots and lots of good ideas in here, especially in the area of innovative and asymmetrical approaches, which are things that are affordable for Taiwan, things that Taiwan can often do using its own resources and its own defense industry -- with a little bit of outside help -- and that, I will argue, really could make a strategic difference.

Just to come through on that point, I had the good fortune to travel to Taiwan with Richard Bush on a Brookings delegation, and talk to a number of the drafters of the QDR, and a number of people in the national security establishment in Taiwan, and I came away from that trip with a good sense of

what is the real thinking there about deterrence. And a lot of that is reflected in the report, but there are one or two elements that are not. So let me try to sketch that very quickly.

I think one piece is good relations with the mainland. This increases the actors in the PRC who have a stake in good, peaceful cross-strait relations, because they're making money, or they're benefitting in various ways. It also provides Beijing with the hope that someday there could be peaceful unification, if the PRC is persuasive enough. So I think that good cross-strait relations is part of the deterrence calculus, because it raises the cost of the PRC using force, and it provides at least the hope of an alternative way for Beijing to get what it wants without using force.

I think the second piece, pretty clearly, is not providing the PRC with an excuse to use force -- not providing anything that Beijing can point to that justifies this, because an unprovoked attack by China would greatly raise the international costs of a PRC use of force. And I think that's part of the Taiwan deterrence calculus. And I think the QDR speaks to that, in particular, when it talks to the part about conflict avoidance through a variety of means, to make sure that the Taiwan military is not the one accidentally setting off a conflict. And those things make a great deal of sense. Taiwan, I know, has tight rules of engagement, and very effective command-and-control. So I think that's a second piece -- not providing an excuse.

The third piece is to keep the possibility of outside military intervention alive -- something that PRC planners, or PLA planners and PRC leaders have to keep in mind. Part of that is having a good political relationship with the United States, which is one of the few countries that has the military capability to intervene. And part of it is Taiwan having its own military capabilities to hold out long enough for the United States to get there. And the political part requires Taiwan to be seen to be doing enough for its own defense -- not only that it can hold out, but that it's committed to its own defense. And I think that's a politically important part.

And that means that PRC leaders and PLA planners have to plan in the possibility of U.S. intervention. And that greatly raises the costs and risks of conflict.

And then, finally, is Taiwan's own military capabilities, the things it can do to raise the costs and risks of a PRC blockade or invasion.

So, let me turn to the third part, and talk a little bit about how the QDR speaks to these in this kind of deterrence framework.

One thing, I think it's very clear about what the main military threat is. It says it's the PRC, it says that flatly, and that's what the military has to plan against. And it talks about a variety of things that the Taiwan military can do.

One thing I noticed, though, is it also talks about a range of other, diversified security challenges, including threats to Taiwan's sovereignty over islands in the South China Sea, the need to be prepared for disaster relief, both on the island and off, and the need for protection of sea lanes and counter-blockade operations. And I think, there, one of the concerns that I have is the potential for a loss of focus -- trying to do too many missions with limited resources.

I think the document is very smart in thinking about the ways in which disaster relief -- which, as Andrew knows, because we've done some things together -- there's always natural disasters happening in Taiwan, and the military plays an important role in responding to them. And I think it's smart in thinking about how you can use that to test your mobilization capability, your command-and-control, to build support for defense spending, and, in that sense, it's politically astute. But, again, I see these diversified missions, and the potential for a loss of focus.

A second thing is the focus on survivability, hardening, mobility, resilience -- all of these important for Taiwan to have the ability to hold out long enough for the United States to intervene. I'll make the point that this needs training to be effective. It's not enough just to have missiles that you can move around, you have to practice that, you have to train doing that. And I think there's a lot of specific recommendations in the report for ways of increasing the mobility, the hardening, the resilience, and the survivability of the force. Those are really important to contribute to deterrence.

There is, as has been said by Deputy Minister Yang, by the presentation, a lot of emphasis on asymmetrical and innovative approaches, a number of things specifically identified in the report, including mine capability, including cruise missiles, including multiple rocket launchers -- a number of things, good ideas that I think can be implemented. For reasons of security, they're not all fully spelled out in an unclassified report, but a lot of good ideas there that reflect hard thinking in the Taiwan military, good modeling, to really explore these things, and, I think, good advice from the United States and U.S. experts.

But I also note there are also calls in there for a range of conventional systems. And I just was doing a little math, but new fighters, new ships, new submarines, a new type of tank -- a whole range of conventional systems. And this may be the QDR syndrome of every service needs to get its priority into the document. But, to me, it raises the question of how are you going

to spend your limited resources to get the most bang for the buck? What's the relative priority of acquisitions, and will they be funded?

Another thing that was mentioned in the presentation is the focus on the potential role of the Taiwan defense industry in meeting some of these challenges -- ways things can be done with dual-use technology, technologies that Taiwan can build itself. And the document says that ought to be the first priority, if we can do it here. And I think that makes sense in terms of a self-reliant Taiwan, but also one where there is a defense industry which is creating jobs in districts of which there are Legislative Yuan members. So I think that's also speaking to sort of the political foundations of defense spending, which I think this report does think about.

But this brings me to the last question. I think it's long been a perception -- and, to some degree, a frustration of U.S. defense officials -- that a lot of the thinking in Taiwan is focused on purchases of high-end U.S. systems; that that's not only the answer in terms of building Taiwan defense capability, but it's also a political symbol of U.S. support. And that sometimes has meant that there's a focus on F-16s or some particular system which is seen as the answer.

And I think you can make a case that these asymmetrical, innovative approaches can also be thought of as strategic systems. They have the potential to raise military questions that the PLA doesn't have good answers for. And I think that's the mental picture we want to have when PRC civilian officials are thinking, "Well, should we use force or not against Taiwan?" If they can ask PLA planners, "Well, how are you going to deal with those multiple-rocket launchers?" "Can you really clear the minefield?" "How are you going to have the sea-lift to get all the way across the Taiwan Strait with a Taiwan military that can shoot at you every step of the way?" These are strategic questions.

And it's been, I think, a frustration of the U.S. defense officials that sometimes the message we here from Taiwan is, well, if you only agree to sell us this system, the legislature will find the money, we'll do a special budget, and we'll add defense resources. I think, for some of these asymmetrical approaches, you need to have the same mindset. These are things that could be game-changers, that really could be strategic systems that contribute greatly to Taiwan's defense -- and deterrence of an attack, which rightly is at the foundation of your strategy.

So, think about -- I think, not just Andrew, who I know has thought long and hard about this, but these are questions for political leaders, both in the executive branch and in the Legislative Yuan, to think about how they can fund

things that really will make a big difference for Taiwan's security, and contributing to stable, effective deterrence for a long time to come.

DR. BUSH: Thanks to both Colonel Chen and Phil Saunders for those thoughtful and comprehensive presentations. Andrew has joined us at the table here. Do you have some immediate comments you'd like to make? You don't have to, but –

MINISTER YANG: I just want to say Phil's recommendations, suggestions, you know, are very much our current approach. And I think that you will see more in the near future that we are making our efforts to cope with some of the issues you raised in your remarks. Thank you.

DR. BUSH: In a previous job, I was involved tangentially in the production of the first U.S. QDR. And I can attest to the fact that these are not easy to do. Particularly, they're not easy if it's a new item on the agenda of the defense establishment, because every part of that defense establishment is worried about protecting its equities in the text -- as Phil suggested. And so, I think the progress that has been made from the first Taiwan QDR to the second one is worthy of note.

So, now we have about 25 minutes for questions from you. And, as before, please wait for the mic, then identify yourself. And if there's a particular person on the panel you have a question for, please note that. So, I saw the gentleman right here first, and then we'll go to Eric.

QUESTION: Thank you. Akira Chiba, of the Japanese Embassy. My question for Dr. Chen is a hypothetical one, concerning the island issue mentioned in relationship with Japan.

Suppose Tokyo agrees to Taipei's viewpoint, and suppose Tokyo hands over the islands to Taipei, what do you think would be the reaction from Beijing? Would they commend Taipei for recovering territory? Or would they just send PLA vessels and take it from Taipei, in which case, what is your defense plan?

DR. BUSH: Anybody want to answer that question?

MINISTER YANG: It would be very difficult for Colonel Chen to answer these highly sensitive political questions.

This is my personal view. I think it would be wise for Beijing, later, to keep quiet, or to be mute about this handover of the Diaoyutai to ROC's domain. I think that the less they said about anything about it, the better.

DR. BUSH: I would only add that, as a Congressional staffer and a diplomat, I learned you never answer a hypothetical question. So, Andrew is more courageous than I was.

Eric McVadon.

QUESTION: Yes, Eric McVadon, the Institute for Foreign Policy Analysis. Phil, you brought up the issue about on page 21. I have to confess, I haven't read the QDR, so I don't know if it covers it elsewhere. I would have had further objections. You said that U.S. would not -- or that it needed to -- that there was a threat to U.S. intervention against an invasion or a blockade. And it mentioned, specifically, the Taiwan Strait.

I'd broaden both of those, and say "an attack on Taiwan" -- and, of course, a Taiwan conflict, or a broader area.

What I mean by this, for example, is if you're going to specify something like a blockade, I think it is just as feasible to look at the threat and directly address it, and realize you have to deter it, of an attack that consists of ballistic and cruise missiles, and cyber warfare, and so forth, that might not include an invasion.

So I'm suggesting, when you are attempting to deter something, it is appropriate to define it carefully, and maybe I would have raised that objection to the wording you mentioned.

DR. BUSH: I agree. Next question. Back there?

QUESTION: Jeffrey Lin. I'm a student with George Washington University right now. So, my question essentially is concerning how much room would the Taiwanese budget have in the future to expand, because, obviously, the proposals in the QDR, namely volunteerism and the asymmetrical capabilities, they can't be cheap. And, well, by some estimates, the PLA now spends more per soldier than the ROC military does per soldier by some estimates. So, how can Taiwan work to sort of address, not only quantitative, but also financial disadvantage?

MINISTER YANG: Well, in terms of defense modernization and defense transformation, everybody knows it's not coming cheap. But, I have to emphasize one thing, is that, as I mentioned earlier, that we're not competing with Beijing, in terms of military balance or any military buildup here. What we are focusing on is to strengthen our self-defense and defense transformation in accordance with our own plan.

So, I think that with regard to resource allocation, certainly we are asking adequate and sufficient input to support our program, and also enable the Ministry to implement the current all-volunteer system, and to make our future young generation who join our forces, with the kind of professionalism we are expecting them to develop.

DR. BUSH: Any other comments? Phil?

DR. SAUNDERS: And I should just add that I am speaking in a scholarly capacity, so these are not U.S. government views.

I think there are challenges for Taiwan to spend enough on defense, and I'm not personally sure that they're currently doing that. That is part of keeping the possibility of U.S. intervention alive -- that if Taiwan is not doing enough for its own defense, I think that has a corrosive effect on its support here in Washington. So it's important to do that.

And then the second challenge is to make sure that the funds you do have available you're spending on the right things that really produce the most strategic effect, in terms of capability and in terms of deterrence. And I think the QDR was an effort to think that through. As I suggested, it includes a lot of things in here that would be very smart uses of defense money. It includes other things that seem to me would be a challenge to be affordable.

DR. BUSH: Phil, you'd agree that all of your remarks are your personal views?

DR. SAUNDERS: Yes.

DR. BUSH: I would just add that one theme that runs through the QDR that I was struck by is the observation that within the Taiwan public there's a certain complacency about the nature of the threat environment, and the need to do public education that is balanced and realistic about the challenges that Taiwan faces, and perhaps change the political environment from which budgets emerge.

Who has the next question? We'll go here, and then here.

QUESTION: Stan Weeks, Naval War College. My question is for Andrew. We've had a number of missions in the maritime area mentioned here -- counter blockade, sea-lane protection, surveillance. You were instrumental last year in reestablishing a central Taiwan role in the international sea-lanes study group, and, hopefully, institutionalizing that.

So I'd like to, just, if you could, give us a brief perspective on how you see the development of Taiwan's naval forces. And, secondly, given that

some of your maritime forces, of course, are not under your ministry, how you see the state of cooperation with the Taiwanese coast guard?

MINISTER YANG: I think that the first question, it's briefly mentioned in line with the QDR report, is that we are focusing on developing the naval force in terms of can simultaneously conducting our joint war-fighting capabilities to deter the enemy's threats to conduct amphibious landing operations. I think that's important. So we are having very clear missions for the future naval operations, as well. So, the developments, in terms of acquisition or the training will be focusing in that regard.

Secondly, we are working very closely with the coast guard units, not only in terms of protecting our fisheries, but also in terms of regulating the maritime regions, which is part of our sovereignty defined by our maritime policies, as well. Currently, we have conducted very close collaboration in terms of protecting our fishery activities surround Taiwan, and even including some of the areas near Senkaku and Diaoyutai Islands.

Same goes for the activities to cope with our Spratley Islands position there. And there were units, there's a unit set up by the coast guard to regulate these Spratleys. And we conduct our regular supply missions to support the coast guard units on the island, as well.

So, navy and coast guard units are working very closely together.

DR. BUSH: The gentleman right here.

QUESTION: Yes, gentlemen -- Byron Callan, Capital Alpha Partners.

I wonder if you can talk a little about the institutions to promote asymmetric capabilities, innovation, in Taiwan. In the United States, we think of DARPA in the Department of Defense, and the engagement in maybe smaller, more innovative companies, General Atomics in drones, for example, and the rise of that capability.

So, do you have the existing institutions in place to push this forward? Do you need to create new institutions within Taiwan?

MINISTER YANG: Well, the institutional arrangements to promote asymmetrical capability is very much a responsibility of the Department of Integrated Assessments -- we call it DIA. It's not in USDIA, it's our DIA. And the director of the DIA is sitting next to you, actually.

So, his department is the sole responsibility agency to implement and to facilitate asymmetrical capability building. And, in addition, we have a defense think-tank attached to the DIA, and it will be a linkage to integrated efforts from our side, particularly with regard to the academic or debates, to come up with ideas to reinforce our asymmetrical capability.

QUESTION: Hello, I'm Chantelle Frazier, from the Maxwell School of Syracuse University. Colonel Chen mentioned the low birth rate being a particular challenge for Taiwan. I wanted to know if you could speak a little bit more about how that factors into your defense strategy, and what Taiwan is doing to face this issue of the changing population demographics.

MINISTER YANG: Well, the demographic changes in Taiwan, it's a long-term concern for our volunteer system, in terms of -- particular with regard to recruitments, because you have smaller new, young generational populations in the future, and you're facing more steep competition with the private sectors. And so you're probably facing less and less willingness to join the armed forces.

So it will be a challenge for our selections. So we are looking at the demographic changes in that respect, because you have fewer younger generations population in the future, so making your selection more difficult. So that's the aspect we are addressing.

DR. BUSH: Yes, the gentleman back there.

QUESTION: Okay, thank you very much. I'm Zongyi Liu from Shanghai Institute for International Studies, now I'm a visiting fellow at CSIS -- Taiwan is not my focus. But I wonder if Vietnam invades Taiping Island in South China Sea, what's the reaction of Taiwan? Thank you.

MINISTER YANG: Well, I'll follow Richard's advice. I will not answer the hypothetical question this time.

DR. BUSH: And worst-case questions, too. Any final -- Richard Shin. And then we'll come here.

QUESTION: This is follow-up on Richard Bush's comment about how the QDR is stressing public awareness, and trying to build a consensus for support for military spending and preparedness against the People's Republic of China.

So, the question is, you know, you mentioned specifically these few items about media and other things, and I was wondering how much budget you have set aside, really, and what type of mechanism have you put in place to go out and do this public kind of opinion warfare?

And the second question, related to that, is the PRC doing anything to counter that? That is, you know, trying to -- I mean, obviously, the economic relations and the integration is going to cause a lot of public sentiment to be less -- or become more complacent. And so the question is, you know, how do you balance that, and how do you fight that?

MINISTER YANG: Well, our effort is to provide the evidence, or the proof to our domestic audiences, so that they can come up with a better interpretation about the efforts we made, and certainly supporting our efforts. I think the priority goes for the solidarity. So once we can achieve confidence and solidarity and support from our domestic societies and constituencies, I think that will be a very important and strong deterrence towards the psychological intimidation launched by the other side.

It's difficult to calculate how much resources of the budget being allocated into it, but I think that once you achieve more solidarity and confidence in your own indigenous efforts, then you will create a more stable society and a more stable economy in that regard.

DR. BUSH: Okay, you have a follow-up?

QUESTION: It seems that the premise is that if you show China's aggression, and potentially, you know, the threat, that the people will come together and become supportive. But that's where I am a little bit -- I have a little doubt. That is, you know, the more threat that China has, the people may turn the other way. And so I was trying to figure out, you know, what is the message that you're sending out to the public, rather than just saying that China is a threat, and they really have an intention to invade us -- versus, you know, what is the consequence to the public of that invasion? Are you going to be better off or worse off, and for what reason, and how? And so I was trying to get that kind of sense.

MINISTER YANG: Well, if you face that kind of worst-case scenario, I mean, the only concern is your own survival. So, I think that everybody is work together. Unless you unite everybody together, and to find a way to support your own survival, you have no other options. So I think that the public will come up with a consensus to support that effort.

DR. SAUNDERS: To add to that -- part of the reason I spoke a little bit about the broader pieces of deterrence, including the efforts to engage the mainland and improve ties there, is I think they are related. And what Taiwan

does to maintain its own military security, and raise the costs of using force, I think strengthens the Taiwan leadership's hand in dealing with the mainland. So there is a tension there between saying "We want to have better relations with the mainland, but we also need to prepare." But I think that's an apparent tension. And if you think about it, with all the aspects, it does make a lot of sense, and there is a relationship to how those things hang together. It's sometimes a challenge to explain it to the general public, though.

DR. BUSH: Yes.

QUESTION: Thank you. My question is for Mr. Yang. I'm Roland Coleman from American Enterprise Institute. My question is regarding the intangible combat initiatives, developing a strong national identity. What concerns or issues do you foresee in developing that national identity, without provoking a negative response from the mainland?

MINISTER YANG: I think we already are making efforts to educate or to provide the foundation for the constituencies and general public to see the future lies in the efforts to support the constitutional arrangements for our country. I think that identity has to be closely attached to the constitutional framework, abiding by the due process. And I think that that takes a lot of -- that requires a lot of efforts, through education, as well.

So I think that in broader sense, the more stronger consensus to reinforce the constitutional identity, the better for the management of the stability and peace in the Taiwan Strait area. That's our strongest buffer of protection.

DR. BUSH: One last question? Richard Fisher. I was waiting for you to raise your hand.

QUESTION: Thank you, Richard. And thanks to all the panelists for this very interesting discussion. I'd just like to tempt the Minister with a nicer hypothetical question.

At the end of the recent U.S.-Philippines Balikatan exercise, there was a conference on responding to disaster relief, at Camp Aguinaldo, and it's my understanding that the PLA sent representatives. In the next RIMPAC exercise, there is also a disaster relief event -- perhaps a conference, I'm not sure what -- but it's my understanding that the PLA is also invited.

Taiwan, as we know, has earned, at great cost, an enviable reputation in the area of responding to disaster relief. Has Taiwan been invited to participate in future conferences of this manner for disaster relief? Or would Taiwan welcome such an invitation to participate in these conferences -- even if it was at a sub-optimal level of, let's say, an NGO? Thank you.

MINISTER YANG: Well, I haven't got any information about the invitation in the first place, so I can understand your question whether we've been invited or not.

But, I think it's been clearly described in our QDR report that we are committed to strengthening the efforts of disaster relief operations -- actually, we demonstrated we possess the capability and experiences of disaster and humanitarian relief operations in the past.

So I think that, given the policy, and based upon the experiences we have accumulated, we certainly hope that we have the opportunity to participate in the international joint efforts of any disaster relief operation. That is part of our contribution to the community, and to the region, as well -- also demonstrating our desire, and the ability to provide our contribution to whoever's in need. This is not an issue for political, you know, consideration, or making political advantage. It's pretty much based upon the common values that everybody should share with each other.

DR. BUSH: On that note, I think we'll bring this to a close. But I want to thank several people -- first of all, folks on my staff, Kevin, Aileen, and Jennifer. Kevin, in particular, did a lot of work on our various activities on Taiwan's QDR.

(Applause)

Then, our friends at CSIS -- Bonnie, and Chris Johnson, and Brittany Billingsly, and Nicole White, thank you very much.

Phil mentioned the trip we did to Taiwan in December, and MND was very essential in facilitating that visit, and we appreciate that very much.

Finally, please join me in thanking our two presenters, Colonel Chen and Dr. Saunders, and to Andrew for doing double-duty. So, a very good session.

(Applause)

* * * * *