

Deputy minister to lobby US for sensitive technology

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Deputy Minister of National Defense Chang Guan-chung (張貫眾) is to lobby US officials for sensitive technology at the US-Taiwan Defense Industry Conference, which opened on Sunday in Annapolis, Maryland, a source said.

Despite Taiwan obtaining industrial cooperation credit for technology transfers, the nation's preferred mode of offset arrangements and protection of trade secrets remain obstacles to the acquisition of technology, defense officials said, speaking on condition of anonymity.

The US Department of Defense defines defense industry offsets as a "range of industrial compensation arrangements required by foreign governments as a condition for the purchase of defense articles and services from a non-domestic source."

The Taiwanese military has made plans that would drastically change the way technology and trade secrets are protected, an issue that had hitherto given US officials and contractors pause in exporting the technologies that are crucial for Taiwan's armament plans, the source said.

On paper, the Ministry of National Defense's policy is to negotiate offsets prior to making an order.

However, the ministry has made offsets after issuing letters of order and acceptance (LOA) — a practice known as post-LOA offset — in 18 out of 21 cases from 2003 to 2015, a Control Yuan report for 2016 said.

Post-LOA offsets, insufficient protection of trade secrets and external limiting factors have often frustrated Taiwan's acquisition of technology, the sources said, adding that rectifying the problems is high on Chang's agenda.

Chang on Wednesday last week told the Legislative Yuan in Taipei that the ministry is prioritizing acquisitions and reforms that would allay US misgivings about the transfer of sensitive technology.

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US defense contractors have advised the ministry to introduce comprehensive safeguards to prevent the theft or unauthorized transfer of defense technology secrets, he said.

The ministry confirmed that Chang is negotiating to establish an early evaluation process for offsets and itemizing individual offset requirements, while seeking opportunities in research and development, manufacturing and technology acquisition.

Democratic Progressive Party Legislator Tsai Shih-ying (蔡錫山) said that a majority of the military's foreign procurement programs negotiate offsets post-LOA, in which case US assent to export the desired technology is not assured.

In contrast, South Korea and Japan, which conduct pre-LOA offsets, have obtained concessions that allow South Korea to make spare parts and Japan to assemble complete pieces of equipment, he said.

Taiwan should adopt pre-LOA offsets in structuring defense contracts and explore the possibility of using pre-LOA offset to buy M1A2 Abrams main battle tanks, he said.

An unnamed source in Taiwan's defense sector said the government should do more to help the nation's defense industry to enter the global supply chain and allay US fears by implementing security systems for trade secrets.

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