Executive Summary

Defense & Security Quarterly Report
Annual Review, 2004

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INTRODUCTION

The US-Taiwan Business Council is committed to providing our members with tactical and strategic advice on how to succeed in the Taiwan market. As part of a suite of information products distributed to our members, the Council publishes several analysis reports each year. These reports are published each quarter, with an expanded report in the fourth quarter that covers the entire previous year.

The Defense & Security report focuses on defense and national security issues as they relate to Taiwan, and provides up-to-date analysis of developments during each quarter. Each report also contains contact information valuable in initiating and maintaining a relationship with Taiwan private and government entities, as well as other useful information including organization charts and a glossary.

The US-Taiwan Business Council’s Defense & Security Report has been published since the first quarter of 2001. Although these reports are distributed exclusively to members and to U.S. government employees, this executive summary provides some insight into the focus and contents of the report.

For more information, please contact us directly at the below address, or visit us online at www.us-taiwan.org.

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In the wake of Taiwan’s legislative elections in December 2004, Chen Shui-bian’s Democratic Progressive Party (DPP) administration is grappling with a range of domestic and international challenges to safeguard Taiwan’s defense and national security. Over the past year, President Chen - having overseen a major transition in defense leadership during the first month of his second term and failing to secure a legislative majority in December - is trying to consolidate control over the country’s national security and defense establishments and trying to implement a far reaching force modernization and defense reform program.

However, a number of obstacles continue to slow progress. First, a highly divided domestic polity in which the opposition is using defense issues as a bully pulpit to further political agendas continues to stymie his efforts to develop a force capable of standing up to the growing threat from the People’s Republic of China (PRC). Taiwan continues to suffer from limited choices in its force modernization plan, an issue that is further complicated by an inefficient defense industrial infrastructure. This defense and national security analysis reviews the key events of 2004, assesses the results of the December 2004 legislative elections, and examines developments in Taiwan’s defense budget and procurement programs.
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