



Executive Summary

Defense & Security Quarterly Report Third Quarter, 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.

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QUARTERLY DEFENSE & SECURITY ANALYSIS

PUBLISHED OCTOBER 1, 2004

As Taiwan enters a politically sensitive period preceding highly contested legislative elections in December, Chen Shui-bian's Democratic Progressive Party (DPP) administration is traveling along a bumpy path to guarantee Taiwan's defense and national security. President Chen, having overseen a major transition in defense leadership during the first month of his second term, is consolidating 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 strategic and rational approach to force modernization is complicated by a highly divided domestic polity in which the opposition is using defense issues as a bully pulpit to further its political agenda. Second, Taiwan continues to suffer from limited choices in its force modernization plan, an issue that is only further complicated by an inefficient defense industrial infrastructure. This quarter's defense and national security analysis examines the domestic political and economic environment in the lead-up to the December 2004 legislative elections, defense budget and procurement developments, and provides an update on key procurement programs.

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