



Executive Summary

Defense & Security Quarterly Report First Quarter, 2001

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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

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Typically, coverage of Taiwan in general - and of US-Taiwan military matters in particular - is sparse and infrequent. Who could have foreseen therefore the combined effects of the EP-3E incident and the surprisingly detailed public dissemination of the Bush Administration's US-Taiwan Arms Sales Talks decisions? As a result of these virtually consecutive but quite coincidental events, US-Taiwan military ties, US-PRC relations and the overall security situation in the Taiwan Strait area and Western Pacific suddenly have received an unprecedented amount of coverage in all forms of public media.

The year 2001 dawned with the Taiwan political and military leadership, and Taiwan's supporters in the U.S., hoping that the incoming Bush administration would be an improvement over the preceding eight years of what many believed had been lukewarm support, particularly in the area of critically needed arms sales. There had been no major arms sales released for Taiwan since the outgoing Bush I administration had approved the sale of 150 F-16s in 1992.

On April 25, 2001, at the 20th annual US-Taiwan Arms Sales Conference, they got a clear and unmistakable answer. The new administration reportedly approved release of 4 ex-USN Kidd Class destroyers, 12 P-3C Orion ASW aircraft, M-109A6 SP howitzers, AAV-7 amphibious assault vehicles, CH-53 mine sweeping helicopters, other equipment, technical support and training, and agreed, after more than two decades of emphatic turn-downs, to assist Taiwan in obtaining up to eight diesel-electric submarines.

Although AEGIS destroyers, the priority request of greatest long-term importance for Taiwan, were again deferred, this is being described as the largest - potentially valued at close to \$5 billion -- arms sales package since the F-16 sale. However, in terms of the number and significance of the major weapons systems included in the decision, it is arguably the largest arms talks approval since diplomatic de-recognition in 1979. President Bush characterized the approvals as "the right package for this moment," and made it clear that his administration would continue to ensure that Taiwan's defensive needs would be met in the face of a growing threat from China. He also indicated that the annual arms sales conference with Taiwan would be phased out, and that in the future, Taiwan's defensive arms requirements would be addressed as needed on a case-by-case basis.

And, as icing - sweet or bittersweet, depending on one's perspective -- on the cake, President Bush stated categorically during a nationwide television interview a few days later that the United States would come to Taiwan's aid in the event of an attack from the People's Republic with "whatever it takes." The verdict is still out as to whether this was an inadvertent slip and that "strategic ambiguity" is still alive and well - the president modified his statement the following day and administration officials insisted that US policy had not changed. But, slip up or not, taken in context with Candidate Bush's campaign rhetoric, the EP-3E incident, the arms talks decisions, and the reported contents of Secretary of Defense Rumsfeld's strategic review, it appears that the U.S. relationship with Beijing is shifting to one of strategic competition. And, relations with Taiwan, while still unofficial, are moving towards closer cooperation, particularly in the military arena.

Given the size, significance and context of this arms sales package, it deserves closer examination. Specifically, attention needs to be focused on what reportedly was approved; what was deferred or disapproved; what was decided in conjunction with the Talks; and what the implications are for Taiwan and the US.

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