



Executive Summary

Defense & Security Quarterly Report Annual Review, 2002

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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.

US-Taiwan Business Council
1700 North Moore Street, Suite 1703
Arlington, Virginia 22209

Phone: (703) 465-2930

Fax: (703) 465-2937

Email: Council@us-taiwan.org

www.us-taiwan.org

QUARTERLY DEFENSE & SECURITY ANALYSIS
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The stability of U.S., China, and Taiwan relations constituted one of the relatively bright spots in the world in 2002, particularly given the turbulence and anxiety with which the year began in the aftermath of the horrific events of September 11th.

There were no major domestic political crises impacting relations among the three, no severe national disasters or domestic disturbances to challenge the leadership in any of the three countries, and no serious international incidents threatening to throw the cross-Strait region into conflict.

Domestically, each economy placed greater emphasis on their economic challenges and internal political developments, while internationally the U.S.-led global war on terrorism drove the agenda. Cross-Strait political bickering took a back seat to increasing economic and social interactions, and the military components in the relationship – China’s steady military modernization and accompanying training and exercise program, Taiwan’s ongoing military reform, and the U.S.’s continuing provision of arms and defense services—took a back seat to the greater imperative economic development.

Within this context, this report reviews the major developments in China, in the U.S.-China and U.S.-Taiwan military relationships, cross-Strait dynamics, and, finally, the key arms sales programs during 2002.

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