



Executive Summary

Defense & Security Quarterly Report Second 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 JULY 1, 2004

As they begin their second term, Taiwan President Chen Shui-bian and the Democratic Progressive Party (DPP) face a number of challenges in ensuring Taiwan's defense and national security. Over the next four years, President Chen will seek to consolidate control over the country's national security and defense establishments, and to implement an ambitious force modernization and defense reform program.

Obstacles in his path include a highly divided domestic polity in which a large segment of the opposition is against significant additional investment into defense, a restrictive international environment that limits Taiwan's choices for procurement, a weak defense industrial base, and an economy that is becoming increasingly reliant on the mainland for growth. This quarter's defense and national security analysis examines the domestic political and economic environments that will help shape the direction of Taiwan's defense and national security policies. The report will also discuss defense policy issues - including defense and national security leadership transitions and other personnel shifts - as well as defense budget and procurement developments, it will then conclude with a discussion of U.S.-Taiwan defense relations.

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