



## **Executive Summary**

# **Defense & Security Quarterly Report First Quarter, 2005**

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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](http://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](mailto:Council@us-taiwan.org)**

**[www.us-taiwan.org](http://www.us-taiwan.org)**

**QUARTERLY DEFENSE & SECURITY ANALYSIS  
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In the wake of its failure to attain a majority in the December 2004 Legislative Yuan (LY) elections, the first quarter of 2005 was marked by a deepening of political divisions between the ruling Democratic Progressive Party (DPP) and the Kuomintang (KMT). A number of events this quarter have created a tense and emotional atmosphere, with significant implications for the future of Taiwan's national security and cross-Strait stability.

This quarterly report reviews Taiwan's security environment, including the Chinese Anti-Secession Law, the détente between the DPP and opposition People's First Party (PFP), and the KMT's cross-Strait initiative. This report then examines the implications of the environment on today's key defense policy issue – the Chen Shui-bian administration's NT\$480 billion (US\$15.29 billion) special budget request for diesel electric submarines, PATRIOT PAC-3 missile defense systems, and P-3C maritime patrol aircraft. Finally, we provide an update on key Army, Navy, and Air Force issues.

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