



Executive Summary

Defense & Security Quarterly Report Second 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.

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QUARTERLY DEFENSE & SECURITY ANALYSIS

PUBLISHED JULY 1, 2005

Well into his second term, Chen Shui-bian and the Democratic Progressive Party (DPP) continues to face a number of challenges in ensuring Taiwan's defense and national security. With less than three years remaining in his term, President Chen is seeking to consolidate control over the country's national security and defense establishment, and implement an ambitious force modernization and defense reform program.

However, a number of obstacles stand in the way of the Chen Shui-bian Administration's successful pursuit of its defense and national security agenda. Perhaps the most significant is the DPP's inability to ensure passage of an extra-budgetary funding request for weapon systems that are considered central to Taiwan's force modernization program.

This quarter's defense and national security analysis examines the special budget issue in detail, including how the special budget issue has evolved, and the domestic political and economic environment that has for so long been preventing its passage.

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