



Executive Summary

Defense & Security Quarterly Report Third 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

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The stalemate over the Chen Shui-bian Administration's request for funding three key weapon systems through special extra-budgetary means within Taiwan's Legislative Yuan (LY) has been a significant disappointment for the United States and its defense industry. The special budget has also become a frustration to President Chen Shui-bian, whose popularity is at a record low, to the Democratic Progressive Party (DPP), and to the Ministry of National Defense (MND).

The question asked by a senior United States government representative during the recent U.S.-Taiwan Business Council Defense Conference in San Diego is legitimate. If Taiwan is not willing to properly invest in its own self-defense, why should the United States continue to provide for it? The special budget has indeed become a domestic "political football," and could be viewed as a symbol of Taiwan's commitment to defend itself. It is true that national defense should be above partisan politics, and that the people of Taiwan should hold their politicians to similar standards. It is legitimate to ask how much should be sacrificed by the U.S. for the security and democracy of others.

The United States has a vested interest in a Taiwan that is able to maintain a sufficient self-defense capability; is stable, democratic, and economically viable; plays a constructive role in promoting political, economic, and military stability in the Taiwan Strait and the Western Pacific; has a professional, civilian-controlled defense establishment that is modern, joint, and able to function effectively should it be required to defend itself; and enjoys a political leadership that possesses the security and confidence to engage in a political dialogue with the People's Republic of China (PRC) to achieve peaceful resolution of differences in a manner acceptable to the people of Taiwan.

With this in mind, this report attempts to address Taiwan's security and commitment to its own defense. What are the conditions that have resulted in the current impasse? Is the special budget truly a symbol of Taiwan's commitment to its defense? If the special budget does ultimately fail, what are the implications for the United States and U.S. defense industrial interests? Are there lessons that could be drawn in order to further U.S. national interests and those of the U.S. defense industry? If one assumes that Taiwan is an emerging yet still evolving democracy, what role could the United States and its defense industry play in assisting Taiwan through its growing pains?

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