



Executive Summary

Defense & Security Quarterly Report Annual Review, 2006

©2007 US-Taiwan Business Council

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

Council@us-taiwan.org

www.us-taiwan.org

**QUARTERLY DEFENSE & SECURITY ANALYSIS
PUBLISHED JANUARY 1, 2007**

Despite some notable progress, 2006 was largely a year of continued frustrations in Taiwan's national security policy arena, a situation fueled by partisan feuds, political scandals, and turmoil. As the year drew to a close, however, a number of early but potentially promising signs did begin to emerge, although it remains to be seen how the expected consolidations within the major political factions in 2007 will impact Taiwan's defense and national security endeavors.

This report provides a brief overview of significant developments in the defense and security arena in Taiwan during 2006, and offers some perspectives on the larger environmental factors that have, and will continue to, influence Taiwan's national security-related activities in the coming year.

REPORT TABLE OF CONTENTS

| | |
|----------------------------------------------------------------------------|----|
| Letter from the President | 1 |
| About the Council | 3 |
| Defense & Security Analysis | 5 |
| Introduction | 5 |
| The Taiwan Political Environment | 5 |
| <i>Politics in 2007</i> | 6 |
| <i>Economic Considerations</i> | 7 |
| Cross-Strait Relations | 7 |
| <i>China's Military Buildup</i> | 8 |
| Taiwan Defense Policy Issues | 8 |
| <i>MND Personnel Changes</i> | 9 |
| Defense Budget and Procurement Issues | 10 |
| U.S.-Taiwan Defense Relations | 12 |
| Status of Select Programs | 14 |
| Conclusion | 15 |
| Glossary of Terms | 17 |
| Taiwan's Military Equipment & Personnel | 25 |
| Air Force | 25 |
| Army | 26 |
| Navy | 28 |
| Taiwan Government Contact Information | 33 |
| United States Government Contact Information | 41 |
| Suggestions of Sources for Defense Information | 45 |
| Defense Headlines – Fourth Quarter 2006 | 47 |
| Appendix I | 49 |
| Late-Breaking Personnel Updates | 49 |
| Appendix II | 51 |
| Organization Chart, Procurement Bureau, Ministry of National Defense | 51 |
| Organization Chart, Defense Procurement Division (TECRO) in the U.S. | 51 |
| Structure of Taiwan's National Defense Organization | 52 |
| Organization Chart, Chung Shan Institute of Science & Technology | 53 |
| Organization Chart, Armaments Bureau | 54 |