



Executive Summary

Defense & Security Quarterly Report Third Quarter, 2007

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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 OCTOBER 1, 2007**

The summer and early fall of 2007 saw what could be the start of a slow-brewing crisis of sorts, stemming from responses by both Beijing and Washington to Taipei's reinvigorated interest in regaining membership in the United Nations (UN). The movement towards applying for UN membership under the name Taiwan has significant popular support in Taiwan. Fueled by election-year politics, it has taken on real momentum and has attracted not only the attention but also the ire of both the United States and China. In fact, the U.S. reaction has been such that there are real concerns about its potentially lasting impact on U.S. policy regarding defense sales to Taiwan.

This quarterly report examines the major developments in Taiwan's political environment during July, August, and September of 2007, an environment that both defines and limits focus in the defense and national security arena. The report continues our survey of the national security platform of each of the two principal candidates in the 2008 presidential election, examines their views on Taiwan's future defense and foreign policies and on cross-Strait relations, and offers an overview of their respective decision-making circles. Finally, also included are the usual review of the status of defense policy matters, the defense budget, U.S.-Taiwan security cooperation, and major procurement programs.

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