7. Taiwan

Chih-cheng Lo*

I. Introduction

The Republic of China (ROC) on Taiwan is one of the world’s main arms-importing countries. Since the 1950s it has maintained sizeable armed forces to protect itself against the military threat from the People’s Republic of China (PRC). From 1949 to the 1960s, ‘armed liberation’ was the PRC’s main strategy towards Taiwan and it has not renounced the possibility of using force against Taiwan. Given the security threat the PRC posed, a strong and capable national defence is of the greatest importance for Taiwan. The purchase of arms to guard against any military attack from across the Taiwan Strait has been and continues to be the main concern of its national security policy. Defence in 1998 accounted for 22.4 per cent of government expenditure. In financial years (FYs) 1992–96, approximately 39 per cent of the annual defence budget was spent on arms procurement.

Despite its importance, the subject of arms procurement decision making has hardly been touched upon by scholars. Any discussion of the process of security decision making in Taiwan, particularly relating to arms acquisition, is exceptionally difficult because of the threat from the PRC. The protection of critical national security secrets from public access (and theoretically from enemies) is clearly justified. The need to withhold information relating to military operations, military personnel, weapon technology and arms procurement has rarely been questioned, particularly since the PRC continues to seek to cut off foreign


* The author gratefully acknowledges the help of Dr Hung Mao Tien for advising on and guiding the research for this chapter. It also draws extensively on 11 working papers commissioned for the SIPRI Arms Procurement Decision Making Project which were presented at a workshop in Taipei on 28 April 1997, in collaboration with the Taiwanese Institute for National Policy Research. The contribution made by these papers to the research is gratefully acknowledged. They are not published but are deposited in the SIPRI Library. Abstracts appear in annexe B in this volume.
arms supplies to Taiwan. However, unnecessary secrecy handicaps the public in knowing whether officials have engaged in any corrupt, illegal or improper conduct, and can impair good governance and decision making and even damage national security. Defence officials’ use of the excuse of secrecy in the interests of national security has hampered the rational formulation and effective implementation of arms procurement policies. It is believed that open debate and public scrutiny could produce better policy decisions. The process of democratization in Taiwan initiated in the late 1980s and numerous scandals in arms acquisition have generated greater public interest in opening the ‘black box’ of defence policy making in general and arms procurement decisions in particular.

After these procurement scandals, the general public expects greater openness and accountability on the part of government. Striking a satisfactory balance between the competing interests of military confidentiality and accountability is a part of consolidating democracy in Taiwan. A rationally designed and institutionalized arms procurement process which reconciles the values of democratic accountability and secrecy in the interests of national security should be a priority for Taiwan on its way towards a consolidated and secure democracy.

Sound policy recommendations cannot be made without a clear understanding of the existing process of arms procurement decision making. This chapter examines that process, with a focus on the following aspects: (a) the characteristics of the processes, the organizational structures, and the major actors and influences in making national security and arms acquisition decisions; (b) the defence budget processes and constraints; (c) the domestic research and development (R&D) and defence production capability; and (d) the limitations and deficiencies in the process that impair legislative oversight and accountability. Section II describes the organizational structures of national security, the actors involved and the influence of Taiwan’s predominant supplier of arms, the USA. Section III examines the procedures for arms procurement, section IV the process of defence budgeting, financial planning and audit, and section V the system of domestic R&D and the defence industrial base. Section VI looks at issues of democratic accountability and legislative oversight in Taiwan’s arms procurement decision making, and section VII presents conclusions.


6 See section III in this chapter.

II. Formulating the national security and defence strategy

Institutional structure, actors and processes

Taiwan’s national security policy and defence decision-making system operates within the National Security Council (NSC), functioning under the presidency, and the ministries under the Executive Yuan (the highest administrative organ of the state) such as the Ministry of National Defense (MND), the Ministry of Foreign Affairs (MOFA), and the Mainland Affairs Council (MAC). The NSC is the advisory body to the President and relies on its subordinate, the National Security Bureau (NSB), for the collection and analysis of intelligence. The President’s policy and strategy statements, prepared by the NSC, establish basic conceptual guidelines that assist the MND, the MOFA and the MAC in developing threat assessments and strategies. In accordance with the principle of civilian control, the MND is in charge of defence affairs and the Minister of National Defense must be a civilian. However, all defence ministers since 1949, with two exceptions, were serving officers immediately before they took office. The majority of officials in the MND are in fact also former military.

The MND is responsible for formulating military strategy, deciding on and carrying out military procurement, setting military personnel policies, devising draft and mobilization plans, defining logistics and supply policies, arranging for R&D of military technology, compiling data for the national defence budget and so on. The defence minister is the head of the military administration system and in charge of all defence policy decision making. For the military administrative system the Chief of the General Staff (CGS) reports to him and is therefore responsible to the Prime Minister; however, in the military command system and for operational matters he reports to the President.

The General Staff Headquarters (GSH), headed by the CGS, is in charge of: planning and supervision of joint war activities; political warfare; personnel; military intelligence; operations; education and training; logistics, organization and equipment; communications; military archive management; and medical services. In practice, it is the CGS who makes the final decision in deciding which arms are to be purchased and from which sources. (During a hearing in the Defense Committee of the Legislative Yuan in December 1993, Sun Jen, then Minister of National Defense, admitted that he had no control over arms procurement decisions. Very few arms procurement projects actually came to his office.) Under the GSH come the offices of the Deputy Chiefs of the General Staff for Intelligence (J-2), Operations (J-3), Logistics (J-4) and Planning (J-5), and the Military Intelligence Bureau (MIB), which have played a

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10 E.g., it is reported that the final decision in 1992 to buy the French Mirage 2000-5 was made not by the Minister of National Defense but by the CGS. Yann-huei Song, ‘Domestic considerations and conflicting pressures in Taiwan’s arms procurement decision-making process’, SIPRI Arms Procurement Decision Making Project, Working Paper no. 124 (1998), pp. 20–21.
particularly important role in threat assessment and joint capabilities planning in Taiwan.\textsuperscript{11}

\textit{Dual chains of command}

Tensions sometimes arose in the past in arms procurement decision making as a result of an inherent conflict between the military administrative system and the military command system. Ambiguous and sometimes contradictory legal arrangements of government control over the military created problems in arms procurement decisions. It is therefore important to understand the differences between the military command and military administration systems.

The MND has jurisdiction over defence policy and budget formulation but under Article 36 of the constitution the GSH is responsible to the President in the military command system and makes the final decisions on arms procurement.\textsuperscript{12} This dual and parallel system of control over the military was less problematic during the period of authoritarian rule since the supreme leaders controlled both lines of command. As Taiwan turns into a democratic polity, however, it has enabled some aspects of procurement to be kept secret and not encouraged transparency and accountability in arms procurement. Among the major difficulties that can arise as a consequence of divided government control over defence policy making are: (a) problems in the coordination of, or even confrontation between, the two lines of command; (b) inadequate interaction between the President and the Prime Minister, which can affect the role played by the military; and (c) the relative independence of the military in its command function from the Executive Yuan. This also limits checks and balances by the Legislative Yuan.

As a result, the Taiwanese Cabinet approved a National Defense Law and the revised Organic Law of the Ministry of National Defense on 26 August 1999. They identify four elements of the national defence system—the presidency, the NSC, the Executive Yuan and the MND. The President as Supreme Commander is now empowered to call the NSC, and in that capacity gives direct orders to the Minister for National Defense, who then entrusts the CGS with specific tasks.\textsuperscript{13}

\textbf{Taiwan’s defence strategy}

Preparing for any form of military attack from the PRC is the dominating principle guiding Taiwan’s defence planning. The assessment of the PRC’s military offensive capacities thus defines Taiwan’s national security goals and its military strategy for achieving those goals. The various elements and dimensions of the PRC threat define the national defence posture, which in turn decides arms acquisition priorities, the type of weapons to be acquired and the sources of

\textsuperscript{11} Cheng-yi Lin (note 3), p. 4.
\textsuperscript{12} Yann-huei Song (note 10), p. 20.
arms supply. The consolidation of Taiwan’s fighting capability and the maintenance of sufficient and credible deterrence have become the bedrock of its national security strategy.\textsuperscript{14}

Taiwan’s national defence strategy calls for the balanced development of the three armed forces, but naval and air supremacy have the priority. This is set out in the 1992 \textit{National Defense Report}, Taiwan’s first defence White Paper, which states that ‘the defence operations in the Taiwan area should firstly lay stress on air domination and sea control’.\textsuperscript{15} In short, Taiwan’s military build-up is based on three guiding principles: (a) to maintain air and naval superiority over the Taiwan Strait; (b) to maintain counter-blockade capabilities; and (c) to be able to win the fighting at the beachhead.\textsuperscript{16} In particular, Taiwan is concerned about improving its anti-submarine warfare (ASW) capability. It is therefore not surprising that the modernization of naval and air forces has been given priority in recent years and that the lion’s share of the defence budget has gone to procurement for them.\textsuperscript{17}

Taiwan has made great efforts to maintain its military deterrence by acquiring more advanced weapons and improving the quality of its human resources. Its defence strategy also involves the Ten-Year Plan for Restructuring of Defense Organizations and Armed Forces 1993–2003 (called the Chinshih Plan), prepared by the GSH, to restructure the armed forces, streamline levels of command, renovate logistical systems, merge or reassign military academies and senior staff units, and reduce the total number of men and women in uniform.\textsuperscript{18}

\textbf{Threat perceptions influencing force posture}

On 1 May 1991, the Taiwanese Government announced the end of the Period of National Mobilization for the Suppression of the Communist Rebellion. It recognized the PRC regime as an unfriendly political entity effectively governing the Chinese mainland and renounced the use of force as a means for settling cross-strait disputes. Taiwan now asserts that it and the PRC are two equal political entities. The possibility of armed conflict arising from China’s military


\textsuperscript{17} E.g., in FY 1996, out of a budget of NT$58.75 billion for procurement of major weapon systems, 36.85% was allocated to the purchase of aircraft, 49.86% for the purchase of naval vessels and 12.44% for missiles and air defence systems. Wen-cheng Lin, ‘Taiwan’s arms acquisition dependence and its effects’, SIPRI Arms Procurement Decision Making Project, Working Paper no. 120 [1998], pp. 4–5.

adventurism still overshadows the Taiwan Strait. Cross-strait tensions were heightened after Taiwanese President Lee Teng-hui’s semi-official visit to the United States in June 1995. They reached a peak in March 1996 when the People’s Liberation Army (PLA) fired four M-9 missiles into waters about 20–30 km off the coast of Taiwan. These exercises showed Taiwan’s vulnerability to missile attack from the PRC.

Taiwan’s leaders believe that the PRC may consider using force against it in the following circumstances: (a) if Taiwan declares independence; (b) if foreign powers intervene in Taiwanese security affairs; (c) if Taiwan continues for an extended period to refuse to negotiate for reunification; (d) if domestic chaos erupts on the island; (e) if Taiwan’s armed forces are found to be so far weaker than those of the PRC that they would be unable to withstand a PRC offensive; and (f) if Taiwan develops nuclear weapons. On various occasions the PRC leaders have stated their intentions to use force in the first three cases.

Security perceptions of the major political parties

The divergent attitudes of the major political parties towards the issue of reunification or independence have created somewhat different stances on national security, military objectives and arms acquisition policy. The official position of the long-ruling Kuomintang (KMT) is ‘one China with two political entities’. It seems that the KMT has taken a middle-of-the-road approach towards the issue of reunification or independence. Its leaders tend to believe that, so long as Taiwan does not declare independence, the USA will extend its assistance to the island if mainland China attacks. In contrast, the New Party (NP) stands very firmly for reunification. Although it does not agree with the PRC’s claim that Taiwan is part of the PRC, it does insist that Taiwan is part of China. It opposes independence for Taiwan in the strong belief that it would only bring disaster. The Democratic Progressive Party (DPP) has determined to seek independence and views mainland China as a hostile foreign country. It has a more provocative policy towards the PRC, believing that the USA will help defend Taiwan even if it declares its de jure independence.

Notwithstanding their divergent views in this respect, the three major political parties show no great difference in their positions on the actual military threat to Taiwan.

Some DPP legislators advocate introducing the Theater Missile Defense (TMD) system in Taiwan, believing that it will contribute to strengthening the country’s defence. The NP, on the other hand, believes that an arms race and provocative actions, such as introducing the TMD, would only jeopardize cross-strait relations. The KMT, which currently still dominates security and defence policy, takes a position somewhere between the two. The inputs of the

19 Wen-cheng Lin (note 17), pp. 2–4.
20 Wen-cheng Lin (note 17), p. 4.
22 This section is based on Chen (note 7), pp. 5–7.
opposition parties will increase as Taiwan democratizes further and as the KMT gradually loses its grip on power. Nevertheless, stronger ties with the USA and an effective deterrent force will remain the cornerstones of the island’s security.

**Guiding principles and approaches to arms procurement**

The general principles guiding Taiwan’s arms procurement policy as stated in its defence White Papers are the following. First, in relation to the operational requirements for weapons and equipment, and consistent with the Chinshih Plan, the decision-making process is required to include systematic analysis, compare force levels with those of the PRC, decide the types of weapons and equipment required, and then comply with the annual Administrative Plan of the MND. Second, arms procurement policy stresses the principle of multiple-purpose applications of equipment and ‘one system being utilized by three services of the armed forces’. Third, it takes into account the need to develop the country’s military R&D and arms industry. Whenever possible, the Taiwanese Government seeks to acquire manufacturing know-how along with arms purchased in order to build up the domestic defence industry and upgrade the country’s military R&D capabilities and achieve a certain level of self-sufficiency in weapons production and maintenance. Fourth, if weapons and equipment have to be purchased abroad, this should be done in accordance with the state’s external economic and trade policies. Fifth, procurement of arms from foreign sources should be made directly from the manufacturers. Sixth, sources of supply should be diversified as far as possible.

**The influence of the United States**

Outside the formal institutions of national security planning, the most important external actor capable of influencing Taiwan’s national security, military objectives and arms procurement policy is the United States. It has played the most important role in shaping the island country’s national security and arms procurement policy since the nationalist government fled to Taiwan in 1949. The USA’s need for strong partners in the Asia–Pacific region to contain the communist expansion allowed Taiwan to purchase high-quality tactical weapons at very reasonable prices.

Despite its ‘hands-off’ policy towards the civil war in China, the administration of President Harry S. Truman supplied Taiwan with vast quantities of arms for its defence. On the outbreak of the Korean War in June 1950, the USA decided to intervene actively in cross-strait affairs by dispatching the Seventh Fleet to the Taiwan Strait. In August 1950 arms valued at US$14 million under formal military assistance were delivered to Taiwan.

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Before 1954, the United States feared being drawn into a conflict not only by a possible PLA invasion of Taiwan but also by a Taiwanese offensive against mainland China. In exchange for the US security guarantee, Taiwan agreed not to take military initiatives against the mainland without US consent and changed its offensive policy, of attacking to regain mainland China, with the Mutual Defense Treaty with the USA of 1954. It was under US pressure that Taiwan renounced its ‘counter-attack the mainland’ strategy in 1962 and modified its policy to recovering the mainland through a strategy of ‘70 per cent politics and 30 per cent military’. After 1960 the USA gradually changed its method of arms supply to Taiwan from direct aid to Foreign Military Sales (FMS), and both aid and FMS were terminated when it broke off diplomatic relations with Taiwan in December 1978.

The question of arms sales to Taiwan was not a major barrier in the normalization of relations between the USA and the PRC during the 1970s. The enactment of the Taiwan Relations Act (TRA) in 1979 under the Carter Administration marked the most important milestone of the US–Taiwanese military relationship.

Events in 1982 diluted the effects of the TRA. The PRC threatened to downgrade its diplomatic relations with the United States if it continued to sell arms to Taiwan. The result was the Joint Communiqué of 17 August 1982, whereby the USA promised that ‘its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of arms supplied in recent years since the establishment of diplomatic relations’ between the USA and the PRC on 1 January 1979. The USA also expressed its intention ‘to reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution’. As a result of this communiqué, the USA reduced its arms sales to Taiwan every year and controlled the quality of weapons supplied so as not to exceed the level of 1979. However, in March 1983 the Reagan Administration announced that future arms sales to Taiwan would be indexed for inflation. This permitted the USA to claim that it was complying with the 1982 Joint Communiqué while still increasing arms sales to Taiwan. In September 1992 the PRC protested at the US decision to sell Taiwan 150 F-16 combat aircraft, stating that it violated the terms of the communiqué. In May 1994, the US Congress voted to increase US arms sales to Taiwan, and this was believed to have removed the restriction of arms sales to Taiwan provided in the 1982 Joint Communiqué.

There are several reasons for Taiwan’s concentration on arms purchases from the United States. First, the TRA guaranteed the provision of sufficient defensive weapons to Taiwan. Section 2(b) of the act states that ‘it is the policy of the United States to provide Taiwan with arms of a defensive character and to maintain the capability of the United States to resist any resort to force or other
forms of coercion that would jeopardize the security, or the social or economic system, of the people of Taiwan’. Second, the United States is the only country capable of defying PRC pressure. It also has major national interests on Taiwan because of the island’s strategic importance in the Western Pacific and strong economic ties with the USA. Third, the long-standing military ties with the United States make it very difficult to cut off the US logistical and supply systems. Taiwan and the USA were allies from 1954 to 1978. US advisers helped to restructure the Taiwanese military and formulate its strategy after 1949. Many senior officers in Taiwan were trained by or educated in the USA. They feel more comfortable using US weapons.

Despite dedicating significant resources to modernizing and increasing its military might, Taiwan still believes that it is not capable of defending itself alone from a PRC attack. If the PRC initiates military confrontation, and provided Taiwan has not provoked it by declaring independence, Taiwan hopes that the USA will come to its aid in accordance with the Taiwan Relations Act.

The implications of dependence on the USA

Taiwan’s dependence on the USA has significantly constrained rational calculation in arms procurement decision making. It can only buy from the USA those weapon systems that the USA is willing to sell. The USA is reluctant to sell the sophisticated high-technology systems that Taiwan badly needs, and there is almost no alternative: other countries are less able than the USA to withstand pressure from the PRC. The examples in table 7.1 illustrate the extent of Taiwan’s dependence on the USA in the period 1990–98.

Consequently, the military equipment acquired by Taiwan mainly reflects the USA’s global and regional strategic considerations. Their threat assessments and strategies for dealing with the threat are not always congruent or compatible. As far back as 1982, Taiwan’s Tien-ma (Sky Horse) project, which aimed to develop medium-range surface-to-surface missiles (SSMs) with a range of up to 1000 km, and thus capable of attacking cities on the Chinese mainland, was suspended under pressure from the USA. With the collapse of the Soviet Union and the end of the cold war, the international security environment has undergone tremendous change. With the disappearance of the common Soviet threat, the loose anti-Soviet alliance has become obsolete. US relations with the PRC were at a low ebb after the 1989 Tiananmen Square incident, but have improved, particularly with the summit meeting between US President Bill Clinton and Chinese President Jiang Zemin in October 1997. The two countries claim to have a strategic partnership. US policy on arms transfers to Taiwan has changed accordingly. Without doubt, US decisions to sell arms to Taiwan are based on its evaluation of the security environment in the region and its own economic and political considerations. Taiwan is apprehensive of any possible shift by the USA from its existing policy.

30 Wen-cheng Lin (note 17), p. 9.
31 Wen-cheng Lin (note 17), p. 11
Table 7.1. Select major arms orders by Taiwan, 1990–98

<table>
<thead>
<tr>
<th>Date of contract*</th>
<th>No.</th>
<th>Items purchased</th>
<th>Source</th>
<th>Value (US $m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990 10</td>
<td>S-70B/SH-60B Seahawk ASW helicopter</td>
<td>USA</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>1991 6</td>
<td>La Fayette Class frigates</td>
<td>France</td>
<td>2 400</td>
<td></td>
</tr>
<tr>
<td>1992 3</td>
<td>Knox Class frigates</td>
<td>USA</td>
<td>230</td>
<td></td>
</tr>
<tr>
<td>1992 150</td>
<td>F-16AM combat aircraft</td>
<td>USA</td>
<td>5 800</td>
<td></td>
</tr>
<tr>
<td>1992 60</td>
<td>Mirage-2000-5 combat aircraft</td>
<td>France</td>
<td>2 600</td>
<td></td>
</tr>
<tr>
<td>(1992) (960) MICA-EM AAMs</td>
<td>France</td>
<td>(part deal)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1992) (480) R-550 Magic-2 AAMs</td>
<td>France</td>
<td>(part deal)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992 26</td>
<td>Bell-206/OH-58D(I) combat helicopter</td>
<td>USA</td>
<td>367</td>
<td></td>
</tr>
<tr>
<td>1992 42</td>
<td>Bell-209/AH-1W combat helicopter</td>
<td>USA</td>
<td>(FMS deal)</td>
<td></td>
</tr>
<tr>
<td>1992 600</td>
<td>AIM-7M Sparrow AAMs</td>
<td>USA</td>
<td>(part deal)</td>
<td></td>
</tr>
<tr>
<td>1992 900</td>
<td>AIM-9S Sidewinder AAMs</td>
<td>USA</td>
<td>(part deal)</td>
<td></td>
</tr>
<tr>
<td>1993 (4)</td>
<td>C-130H Hercules transport aircraft</td>
<td>USA</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>1993 40</td>
<td>T-38 Talon jet trainer aircraft</td>
<td>USA</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>1993 4</td>
<td>E-2T Hawkeye early-warning aircraft</td>
<td>USA</td>
<td>760</td>
<td></td>
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<tr>
<td>1993 200</td>
<td>Patriot missiles</td>
<td>USA</td>
<td>1 300</td>
<td></td>
</tr>
<tr>
<td>1994 3</td>
<td>Knox Class Frigates</td>
<td>USA</td>
<td>230</td>
<td></td>
</tr>
<tr>
<td>1994 160</td>
<td>M-60A3 Patton-2 main battle tanks</td>
<td>USA</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>1996 300</td>
<td>M-60A3 Patton-2 main battle tanks</td>
<td>USA</td>
<td>223</td>
<td></td>
</tr>
<tr>
<td>1996 4</td>
<td>C-130H Hercules transport aircraft</td>
<td>USA</td>
<td>200</td>
<td></td>
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<tr>
<td>1996 1299</td>
<td>RMP Stinger SAMs</td>
<td>USA</td>
<td>125</td>
<td></td>
</tr>
<tr>
<td>1997 54</td>
<td>Harpoon anti-ship missiles</td>
<td>USA</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>1997 700</td>
<td>DMS Stinger SAMs</td>
<td>USA</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>1997 11</td>
<td>S-70B/SH-60B Seahawk ASW helicopter</td>
<td>USA</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>1998 2</td>
<td>Knox Class frigates</td>
<td>USA</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>1998 1000</td>
<td>Apilas anti-tank weapons</td>
<td>France</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>1998 728</td>
<td>DMS Stinger SAMs</td>
<td>USA</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>1998 58</td>
<td>Harpoon air-launched anti-ship missiles</td>
<td>USA</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>1998 9</td>
<td>CH-47SD helicopters</td>
<td>USA</td>
<td>486</td>
<td></td>
</tr>
</tbody>
</table>

Notes: *Or date of notice of contract. . . = Not available or not applicable. ( ) = uncertain data or SIPRI estimate. ASW = anti-submarine warfare; AAM = air-to-air missile; SAM = surface-to-air missile.


Although the TRA stipulates the provision of defensive arms and equipment to Taiwan, the quality and quantity of such weapons have been affected by the changes in the USA’s perceptions of its security interests and in its relations with the PRC over time.

Given these circumstances, Taiwan also has problems in negotiating arms sales prices or good offset deals. The prices it pays for the same or similar types of US arms have been much higher than those paid by other foreign buyers.32

32 Yann-huei Song (note 11), p. 15.
The compulsion to acquire its arms from the United States places Taiwan in a less favourable negotiating position.

**The USA–Taiwan arms transfer process**

A fairly formal and institutionalized arms procurement procedure is established between Taiwan and the USA, partly because of the long-standing arms transfer relationship. Under the TRA, technical sections form part of the representative offices in the respective capitals, Taipei and Washington. The technical section of the American Institute in Taiwan is responsible for assessing requests for arms acquisition from the Taiwan MND and forwarding the case to the US Department of Defense (DOD) and State Department for consideration. The technical section of the Taiwanese representative office in Washington (TECRO) then liaises with the DOD and the State Department. The proposed arms procurement list is presented at the annual unofficial defence meeting with the USA. The decisions on arms procurement made at this meeting are then referred back to the respective governments.

A similar procedure is followed by the Taiwanese military and French manufacturers with respect to supply of spare parts and logistical support for the French weapon platforms and systems which Taiwan has bought.

**The diversification strategy**

Diversification of foreign suppliers is an important principle of the arms procurement policy. The USA is still Taiwan’s most important arms supplier and security provider and continues to provide it with defensive weapon systems, but, particularly given the PRC’s relentless criticism of the US supplies of arms to Taiwan and its efforts to deny Taiwan access to the international arms market, diversification is only prudent. Ideally this would also give Taiwan greater bargaining power vis-à-vis the suppliers. The biggest problems arising from buying arms from different sources are *(a)* integrating them with the operational inventory of weapon systems, and *(b)* training personnel to operate and maintain weapons acquired from different countries with different operating manuals translated from different foreign languages into Chinese.\(^{33}\)

Taiwan has bought advanced weapon systems from European countries. Contracts were signed with France in 1991 for six La Fayette Class frigates and in November 1992 for 60 Mirage-2000-5 aircraft, and with a Dutch shipyard in 1981 for two Zwaardvis diesel-powered submarines after the USA repeatedly turned down Taiwan’s requests for submarines. Taiwan has also approached Australia, Singapore, South Africa, Sweden and East European countries. However, the PRC’s relentless efforts to sabotage its arms procurement plans have made diversification difficult. The Mirage-2000 deal was the last major French arms sale to Taiwan: under pressure from the PRC, France declared in

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\(^{33}\) See, e.g., Yann-huei Song (note 10), p. 20.
January 1994 that it would not authorize any further transfers to Taiwan. Only after great effort was an agreement on general logistics and support signed with France to ensure that it fulfils its obligation to deliver the arms purchased and continues to supply parts needed for maintenance and operational purposes.

So far, however, Taiwan’s efforts to diversify its arms sources have been in vain because countries have not been prepared to jeopardize their economic and political ties with mainland China. Taiwan’s dependence on the United States for arms is likely to continue in the future.

III. The arms procurement decision-making process

The officials in the armed services and in the MND play the most important roles in the arms acquisition process. They coordinate the armed forces’ needs, assess weapon acquisition programmes required by particular security considerations, evaluate possible alternatives, and identify budget needs and available resources. They serve as channels of information to the legislature and implement the projects approved.

**The principal organizational actors**

New weapons and equipment requirements are selected according to Taiwan’s strategic concepts and operational guidelines. There is a hierarchical structure consisting of several tiers of actors in the arms procurement decision-making process. The main organizations involved are shown in figure 7.1.

At the top in the first tier are the Executive Yuan and the Legislative Yuan. The former is responsible to the latter. The Prime Minister chairs the Cabinet meeting on policy and budget integration and the Speaker of the Legislative Yuan chairs the meeting to approve the defence budget.

The second tier is the GSH and the MND. The principal organization responsible for arms procurement in the GSH is the General Staff Department (GSD). Its J-5 department is the key department responsible for arms procurement functions and coordination. Also in this tier is the Military Procurement Bureau, created in 1995 (initially under the GSD) to integrate the purchasing units of the armed services and be responsible for the overall planning and purchasing of major weapon systems and equipment for the armed forces. In March 1998 it was placed directly under the MND as part of the reform of arms procurement procedure. Various military purchasing units were integrated into the Procurement Bureau, under which there are five departments, two sections and one foreign procurement unit stationed abroad.

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36 This section is based mainly on Yang (note 14), pp. 4–5.
38 See also below in this section. On the relationship of the Procurement Bureau to the departments of the GSD, see Yang (note 14), p. 5.
Figure 7.1. The organizations involved in security and arms procurement decision making in Taiwan

Table 7.2. The stages of arms procurement in Taiwan

<table>
<thead>
<tr>
<th>Stage</th>
<th>Body responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establishment of long-term procurement plan (from defence policy and 10-year force development plan)</td>
<td>Requirement Committees of the respective armed services</td>
</tr>
<tr>
<td>2. Review of long-term procurement plan</td>
<td>MND System Analysis Committee</td>
</tr>
<tr>
<td>3. Studies of operational, technical and financial aspects of weapon systems proposed</td>
<td>GSH, with assistance of CSIST</td>
</tr>
<tr>
<td>4. Compilation of request for funding</td>
<td>MND</td>
</tr>
<tr>
<td>5. Review of request for funding</td>
<td>MND Planning Committee</td>
</tr>
<tr>
<td>6. Drafting of annual defence budget</td>
<td>MND Accounting Bureau</td>
</tr>
<tr>
<td>7. National budget drafted</td>
<td>General Accounting Office of the Executive Yuan</td>
</tr>
<tr>
<td>8. Approval of budget</td>
<td>Legislative Yuan</td>
</tr>
<tr>
<td>9. Permission for procurement to go ahead</td>
<td>Cabinet</td>
</tr>
</tbody>
</table>

Note: CSIST = Chung Shan Institute of Science and Technology.

The third tier includes the acquisition planning offices of the armed services, which make the initial assessment of equipment acquisition plans and establish priorities. The procurement planning and acquisition offices of the respective armed services set up inspection teams to carry out foreign procurement. The fourth tier consists of the major defence manufacturing units and prime defence contractors, which are responsible for implementation of defence contracts. The fifth tier is made up of the defence manufacturers and R&D institutes that carry out R&D and production projects and programmes according to defence contracts. They are not involved in procurement decision making. This tier also includes the user services, which conduct trials and field tests and report the shortcomings of weapons under development. The first three tiers mainly deal with decision making, analysis and planning, the last two with manufacturing and R&D.

The formal procedures of arms procurement

In order to define responsibilities clearly and develop effective decision making, several committees were established in the MND for each stage in the process of arms procurement. They include the Requirement Committee, the System Analysis Committee, the Decision-Making Committee and the Acquisition Reviewing Committee. These committees team up to supervise the acquisition projects of critical weapons and equipment. The stages in the arms procurement process according to the new procedure are illustrated in table 7.2 and figure 7.2.

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39 The on-site inspection team consists of representative of the user organization, a PPAO officer, a technological adviser and a logistic engineer to monitor production schedule and pre-production tests and trials. Yang (note 14), pp. 11–12.
The Operating Procedure and Regulations on Reviewing Arms Acquisition and Major Engineering Constructions introduced by the MND in July 1995
involves two main stages. The process by which the procurement plans are incorporated in the defence budget and the national budget is described in section IV of this chapter.

Planning application

The first step is system analysis, which is done in the J-5 division of the GSH and in the respective headquarters of the three branches of service. When considering arms procurement projects, the Requirement Committee of each branch of service must first submit a procurement plan to be reviewed by the MND’s System Analysis Committee and ratified by the Policy-Making Committee. The latter is made up of various deputy chiefs of the general staff.

Next, on the basis of medium- and long-term weapon development programmes, the armed services formulate plans for arms procurement according to the type, specifications and quality of weapons and equipment required. The procurement planning office of each service then works out proposals for new weapons which define the purpose and main combat performance and technical specifications, and provide planning schedules and budget estimates. This is done after thorough studies have been carried out of the operational, technological and financial aspects by the GSH. While doing this, each service has to compromise between its operational requirement and technical and financial feasibility. The Chung Shan Institute of Science and Technology (CSIST) also has the responsibility to evaluate the operational, technological and financial feasibility of the plans submitted by the Acquisition Planning Offices.

An item of equipment or weapon is listed in the annual financial programme and funds allocated only if the system analysis report is favourable.

The next stage is requisition of the items selected.

Requisition, acquisition and execution

This is the most complex part of the procedure. It includes the following steps:

1. Evaluation of application. A team of experts from the relevant agencies examines the planning application for a particular weapon system to identify unsuitable or infeasible aspects or anything that might cause failure of the programme. If it identifies such possibilities, the units applying may be asked to explain or modify their plans. The application is also evaluated using nine main considerations: (a) the threat from the enemy; (b) consistency with the current defence policy; (c) consistency with the strategic plan and war-fighting principles; (d) the importance of the weapon to each force’s mission; (e) the readiness of the weapon system; (f) the possibility of technology transfer and

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40 The procedure and regulations are not published.
advantages to domestic production; (g) the available financial resources; (h) the time-frame and plans for phasing out the system which is to be replaced; and (i) cost-efficiencies. The services applying for procurement of a weapon system have to provide further information or modify their plans if requested. Only after the evaluation team has approved the plan can the project be included in the annual budget proposal for next year.

2. Contracting. Contracting can be divided into two types: (a) ‘commonplace’ or general purchases; and (b) foreign purchases. In the case of the former a standard form of contract is usually used. It includes clauses on ‘guarantee of durability’, penalties for damage or breach of contract, payment and so on, but can be modified to suit special situations. Legal advisers are usually consulted at this stage. When purchasing arms from the USA, the quotation documents issued by the US Government are generally used. Sometimes a special clause on warranty, penalties for delay in delivery, constant supply of spare parts and ammunition, and so on is added. The procedure for acquisition from European countries is less standardized. This may be part of the reason why corruption is much easier in Taiwan’s purchase of arms from European countries.43

3. Auditing supervision. If the price of a purchase is NT$50 million (US $1.5 million at 1998 rates of exchange) or over, according to Article 5 of the Supervision Rules on Governmental Constructions, Purchases, Ordering and Sales of Properties, officers from the Ministry of Audit will be asked to supervise the purchase. The procurement offices stationed in foreign countries are also bound by Article 28 of these rules and are required to send copies of their comparison of quotations, the results of the bidding and the contracts for verification by the auditing agencies concerned.

4. Delivery and acceptance. Once the item has been delivered, it is examined for compliance with the contract. Quality, quantity, delivery time and place are carefully checked before payment is made. If any part of the contract has not been properly carried out by the supplier, then the process of asking for a penalty is initiated.

Under the new system of arms acquisition, military hardware is procured by a centralized management system but authority to make a purchase can be delegated to lower echelons. For domestically produced items costing less than NT$50 million, the individual branches of service have the authority to make the purchase. If the price of a domestically produced item is over NT$50 million, the Military Procurement Bureau takes it over. In the case of foreign procurement, items costing under US$1 million can be purchased by each military service itself. When the price is more than US$1 million, the case is submitted to the Military Procurement Bureau, which then hands it over to its procurement office abroad.

43 Wu (note 42), p. 6.
Changes in the decision-making process in the 1990s

Before 1995, Taiwan’s major overseas arms procurement projects were handled by the various services of the armed forces, the Taiwanese Military Procurement Mission to the USA and the Division of Materials of the Combined Services Command. The system was replete with examples of improper decisions and misconduct on the part of officials, scandals, waste and cover-ups. For example, in April 1994 the naval chief, Admiral Chuang Ming-Yao, was forced to step down because of irregularities discovered in the navy’s arms procurement process. Eight retired senior military officers were censured by the Control Yuan in 1994 when a legislator from the opposition DPP accused them of tailoring a bid to favour Grumman in the procurement of aircraft. As democratization took root in Taiwan, the opposition parties began to criticize the arms procurement scandals and demand more openness in the management of defence programmes. In 1993, opposition members of the Legislative Yuan questioned the rationale of buying medium-sized rather than light tanks for Taiwan’s ground defence and stalled the original plan. Delivery was not completed until 1996.

The situation changed after the murder in 1993 of the former Director of the Navy General Headquarters Weapons Acquisition Office, Captain Yin Ching-feng, over a scandal related to the navy’s purchase of foreign-made minesweepers. In 1994, the MND began to study ways to correct the defects in the arms acquisition process and presented a report to the Legislative Yuan, entitled Review and Improvement on the Purchase of Military Hardware. In January 1995, eight study groups were called together to study the arms procurement process in depth with regard to personnel, education, purchasing, planning, political warfare, the audit function, the role of the judge advocate and administrative support. The Military Procurement Bureau was established in July 1995 under the GSH to institutionalize and professionalize the defence acquisition process and to make it as transparent and accountable as possible. In March 1998 the Bureau was placed directly under the MND as a measure of damage control in response to pressure from the Legislative Yuan and the general public after yet another procurement scandal was exposed in February 1998.
The Military Procurement Bureau is also responsible for recruitment and training of procurement officers and overall streamlining of the whole arms acquisition process. The purpose of the reorganization was to fine-tune the purchasing procedure and to professionalize the personnel responsible for arms acquisition. It is hoped that misconduct will be reduced as a result of the reforms. In order to prevent corruption, ideally, personnel who are responsible for arms purchase are to be rotated every three or four years, but there are practical difficulties in implementing this policy since most of the important weapon programmes are long-term ones and it is not easy for the armed forces to replace key personnel frequently without causing serious disruption to programmes under way. While J-3 is still responsible for drafting operational plans and operational requirements for arms procurement, the Military Procurement Bureau now has the responsibility to monitor implementation, for instance, by reviewing and assessing the qualifications of contractors. It presides over the bidding procedures and controls the payment process. Figure 7.3 shows the present organizational structure of the Military Procurement Bureau.

A Procurement Commission was also established in April 1997 for the consultation and evaluation of arms procurement operations. Its recommendations are limited to internal organizational reforms of the army.

The introduction by the MND of the 1995 Operating Procedure and Regulations was one of the most important achievements of the reform of arms pro-

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50 Wu (note 42), pp. 3–4.
51 See note 40.
curement. The ministry even published a handbook entitled *Questions and Answers on How to Participate in the Purchasing of Military Hardware* to help manufacturers and businessmen interested in doing business with the military, and an information centre has been set up to answer enquiries from manufacturers and businessmen.\(^{52}\) All these policy and procedural changes were introduced to meet the public demand for more openness and transparency in arms acquisition decision making.

IV. The budget planning and programming process

In the 1990s Taiwan has also undergone rapid social, political and economic change. Together with external changes resulting from the end of the cold war, these have had a significant impact on the political system in general and the MND in particular. However, budget constraints have been a major factor affecting all forms of government procurement. Taiwanese defence planners have to assess the impact of budget constraints when deciding on the choice of weapons and choice of sources. The military budget, no longer a sacred cow, has been trimmed to make room for welfare spending.

The defence budget has risen steadily in real terms over the past decade but has fallen consistently as a share of GDP and as a share of the government budget,\(^{53}\) and it has been increasingly opened up to public scrutiny. Before the 1970s, defence expenditure accounted for approximately 75 per cent of government spending. It dropped to 50 per cent in the 1970s, to below 40 per cent in 1981, and to less than 30 per cent in 1992.\(^{54}\) In the 1990s the government reduced defence expenditure to 21 per cent of the total national budget in 1999.\(^{55}\) Of the defence budget, 70 per cent is spent by the General Staff, 25 per cent goes to pensions, and only 5 per cent is under the control of the MND.\(^{56}\)

Budgeting covers not only immediate operational requirements but also the long-term development of national defence in the future. The budget items show size of force objectives, weapon systems, the actual situation of training, strength of logistics, and direction of integrated national defence force.

Financial planning and budgeting

The national defence plans consist of a strategic programme for long-term force building, usually covering 10–20 years, intermediate five-year programmes of arms procurement, and annual budgets.\(^{57}\) The defence budget is based on a comprehensive strategic analysis, which includes assessment of threats and

\(^{52}\) Chen (note 7), p. 9.


\(^{55}\) SIPRI military expenditure database.

\(^{56}\) Chen (note 7), p. 14.

resources, leading to an integrated political and military strategy, operational concepts, defence technology and industry, defence financial assessment and arms procurement options.

The units that apply for procurement have to present their procurement plans to the GSH based on the financial plan approved by the Legislative Yuan, hitherto usually in June, so that the budget needed for implementation does not exceed the allocations approved by the Legislative Yuan. A copy of the application plans should also be submitted to the Ministry of Audit, which comes under the Control Yuan, after being validated by the relevant agencies.

The defence budget is drafted concurrently with and derived from the national budget, which is prepared by the General Accounting Office of the Executive Yuan. The coordination work for drafting the annual defence budget is done by the Accounting Bureau of the MND. It submits the draft plan for defence expenditure to the General Accounting Office of the Legislative Yuan (the Executive and the Legislative Yuan have separate General Accounting Offices) which holds intensive consultations with other accounting agencies in various government departments. After general consensus has been reached the defence budget plan is sent to the Executive Yuan meeting for deliberation and finally to the Legislative Yuan for approval.

The system also allows the MND to formulate special budget plans for important procurement. This is given priority and special funding when overseas arms procurement deals are being confirmed. These special budget plans are formulated by the GSD and submitted to the Executive Yuan for decision. The Legislative Yuan then holds secret meetings to decide the special budget allocation.58

If funds allocated are not spent during the fiscal year concerned, they have to be returned to the Treasury. In 1996 one of the reasons for Taiwan’s decision to switch from purchasing French-made Mistral portable surface-to-air missiles (SAMs) to buying US-made Stingers was this time constraint.59 If money has to be returned, the MND has to fight for approval of the budget again for the same purchase the next year, and if it is approved again it affects other procurement planned for that year.

Inter-service competition for budget share is reflected in the balance of the defence budget. Taiwan’s defence strategy has changed from an offensive to a defensive doctrine, giving priority to air and sea defence over land defence in long-term force building. As a result, a larger share of the defence budget has been allocated for the air force and navy since the late 1980s, while the army’s force modernization programme has been modest in comparison. On completion of the major arms procurement programmes for the air force and the navy, it is expected in some quarters that the army’s share of the defence budget will be increased, as the MND is dominated by the army. However, it is likely still to be squeezed out by the purchase of combat aircraft and frigates.

58 Yang (note 14), p. 11; and Legislative Gazette, vol. 83, no. 32 (1994), pp. 102–48. The Dutch submarines which Taiwan has purchased, Mirage and F-16 combat aircraft, La Fayette Class frigates and Cheng Kung Class frigates (4100 tons) were all acquired under special budget plans.

Because of Taiwan’s strong economic growth and the increasing awareness of the military threat from the PRC, the MND’s combat aircraft and frigate procurement projects were supported and approved by the Legislative Yuan. A special budget was accordingly allocated for the purchase in the early 1990s.

**The Planning, Programming and Budgeting System**

Since 1975, the MND has used the US concept of the Planning, Programming and Budgeting System (PPBS), combined with basic concepts from the original budget system and standard budget laws. This system introduces objectivity to planning, programming and budget execution, and is linked with achieving Taiwan’s national defence strategy (see figure 7.4).

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60 This section is based mainly on Chin-chen Yeh (note 57), pp. 3–4.
The PPBS aims to integrate national security aims, military strategies and the objectives of the military force structure with the resources allocated in such a way as to use those resources efficiently. The procedure links strategic plans and war-fighting forecasts. The armed forces integrated build-up programme sets the objectives of integrated development of the armed forces and investment outline plans indicate the schedule and the priorities in the five-year administrative programme. Using this system, the Taiwanese military evaluates force options for different threat scenarios and develops an operational plan and an alternative plan. This system can be used in both war and peacetime.

**The audit process**

Article 60 of the constitution stipulates that ‘the Executive Yuan shall, three months after the end of each fiscal year, submit to the Control Yuan a final financial statement of the year’. Article 105 further states that ‘the Auditor General shall, within three months after submission by the Executive Yuan of the final financial statement, complete the auditing thereof in accordance with law and submit an audit to the Legislative Yuan’.

The Ministry of Audit comes under the Control Yuan. Its staff is small (40 in number), it does not have enough people with adequate professional knowledge to inspect and audit the defence spending, and it works under considerable time-pressure. It is difficult to imagine that it can function effectively in its professional scrutiny of the detail of government expenditure. In addition, even in the auditing stage, some ‘black’ budgets can be classified on national security grounds. The Ministry of Audit, in accordance with the Law of Audit, has the authority to audit procurement of arms and other military equipment, but it has largely failed to do so because the MND often does not submit the documentation on arms procurement projects, purportedly because it is classified. In addition, under Article 29 of the Statute for Inspection Procedures Governing Construction Works, Procurement of Products, and Disposal of Properties by Government Agencies, whenever considerations of confidentiality, ‘emergency’ or ‘ensuring the quality of military equipment’ are involved in the procurement process, military units are allowed to bypass certain requirements provided for in the law. However, the MND is required to submit afterwards the reasons for the purchase, which will then be checked by the audit agencies. It has used its own interpretation of the word ‘afterwards’ to keep arms procurement decisions secret for a period of time.

As a result, it is very difficult to meet the requirement of accountability in arms procurement. A legislator has complained that it is difficult for the legislators to gain access to defence budget information but, ironically, arms sales dealers have been able to acquire classified documents relating to arms procurement.61

The processes of audit and programme review that are internal to the MND are shrouded in secrecy. The most obvious weakness of the control mechanisms

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in general is that those who are responsible for supervising and those who are supervised are mostly military officers who may have connections or have worked together at one time or another.62 The traditions of ‘old boy’ connections and ‘mutual cover-up’ create strong group cohesion within this closed professional community.

Offsets and industrial cooperation

In recent years, Taiwan has been demanding offsets when negotiating arms sales deals with foreign contractors in order to develop its defence-related industries and reduce dependence on foreign weapon supply.63

In 1993 the Executive Yuan established the Steering Committee Office to direct industrial cooperation and offsets for arms acquisition contracts with the following objectives: (a) to develop strategies for industrial cooperation for military equipment around the possible procurement alternatives; and (b) to prepare and review the industry cooperation plan based on the development priorities of industry and technology to be acquired.64

A procurement project costing over NT$5 billion is required to include an industrial cooperation clause in the contract, which should be worth at least 10 per cent of the contracting price or negotiated price. Industrial cooperation can take the forms of: (a) cooperative production; (b) common investment; (c) technology transfer; (d) cooperation in R&D; (e) personnel training and education; and (f) other types suitable for the Taiwanese investment environment.

When arms are to be bought abroad, the Legislative Yuan directs the foreign supplier to submit offset plans such as technology transfer or co-production plans for spare parts. Examples of offsets are: (a) the automation project for weapon production machinery—industry cooperation is 35 per cent of the price of the contract; and (b) the project for procurement of a navy missile system; here industry cooperation is 30 per cent of the value of the contract.65

Recognizing the importance of offsets to the development of local industries, the Legislative Yuan retroactively demanded Taiwan’s first-ever offset from the US Lockheed Corporation in connection with the purchase of the 150 F-16s in 1992. Payments were to be stopped if Lockheed failed to provide Taiwan with technology and production contracts related to the aircraft. Under pressure, Lockheed signed a 10-year industrial cooperation agreement worth US$1.1 billion which ensures the production of some of the aircraft parts and the creation of maintenance depots in Taiwan.66

It seems that Taiwan’s efforts to negotiate offsets have borne some positive results. In June 1997 it was able to negotiate offsets worth US$24 million when

63 Projects such as acquisition of the Mirage 2000-5 aircraft and the Perry Class and Lafayette Class frigates have included 15–25% offset package in the contracts. Yang (note 14), p. 11.
64 Chin-chen Yeh (note 57), p. 20.
65 Huang Hui-Chia, ‘Promoting ways for industrial cooperative planning and implementation’, Taiwanese Industrial Development Bureau, Ministry of Economic Affairs, 1996.
66 See, e.g., Yann-huei Song (note 10), p. 28.
Table 7.3. Percentage of offsets in selected arms transfers, 1980–92

<table>
<thead>
<tr>
<th>Recipient country</th>
<th>Supplier country</th>
<th>Type of aircraft</th>
<th>Date of deal</th>
<th>Offsets (%) of price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>USA</td>
<td>F/A-18A</td>
<td>1980</td>
<td>58</td>
</tr>
<tr>
<td>Greece</td>
<td>France</td>
<td>Mirage-2000</td>
<td>1985</td>
<td>150</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>USA</td>
<td>E-3A Sentry</td>
<td>1981</td>
<td>35</td>
</tr>
<tr>
<td>South Korea</td>
<td>USA</td>
<td>F-16C</td>
<td>1981</td>
<td>30</td>
</tr>
<tr>
<td>Taiwan</td>
<td>USA</td>
<td>F-16AM</td>
<td>Sep. 1992</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>Mirage-2000-5</td>
<td>Nov. 1992</td>
<td>10</td>
</tr>
<tr>
<td>Turkey</td>
<td>USA</td>
<td>F-16C</td>
<td>1984</td>
<td>24</td>
</tr>
<tr>
<td>UK</td>
<td>USA</td>
<td>E-3D Sentry</td>
<td>1986</td>
<td>130</td>
</tr>
</tbody>
</table>


purchasing the M-3 amphibious bridging and ferry system at a cost of US$60 million from the German corporation EWK.\(^7\) In January 1998, three Taiwanese companies were able to produce helicopter components for the US-based Sikorsky under cooperative production agreements linked as an offset requirement to Taiwan’s earlier purchase of 10 Sikorsky S-70(M)-1 helicopters. However, the value of offsets it has achieved is low compared with those obtained by other major arms-importing countries. Table 7.3 compares the offsets negotiated by Taiwan and some other countries over the period 1980–92.

V. Defence technology and industrial considerations

Establishing and upgrading an indigenous weapon R&D and production capability has been a top priority in Taiwan’s arms procurement agenda, given the uncertain nature of foreign arms supply. Before 1975, state-controlled ordnance factories had acquired the capability to produce infantry weapon systems, artillery and various types of ordnance through technology transfers from the USA and European countries.\(^8\)

Indigenous R&D structures and process

Although Taiwan has achieved some significant results after three decades of effort, its reliance on domestic defence production has varied with the availability of foreign weapons. As access to foreign weapons and equipment became more difficult after 1982, the balance between indigenous development

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\(^7\) ‘German firm offers offset credit for arms contract’, Taiwan Central News Agency (in English), 12 June 1997, in Foreign Broadcast Information Service, Daily Report–China (FBIS-CHI), FBIS-CHI-97-163, 12 June 1997.

\(^8\) Yang (note 14), p. 2.
and import was inevitably tipped in favour of domestic production. Recognizing the need to enhance indigenous research and design capability for developing advanced weapon systems, the MND established the Aviation Industry Development Center (AIDC) and the CSIST (under the GSD) in 1969.

Before the CSIST was established, arms procurement decisions were made primarily on the USA’s recommendation. The CSIST’s role gradually became more significant as foreign suppliers, especially the USA, began to accommodate the objections raised by the PRC after the early 1970s. The CSIST focused on developing advanced technology weapons with multiple functions. It has four divisions: (a) the Institute of Mechanical Engineering; (b) the Institute of Chemical Engineering; (c) the Institute of Electrical Engineering; and (d) the Institute of Aeronautical Engineering. The Institute of Nuclear Energy Research was transferred from the CSIST to the civilian sector in 1980.69

The CSIST also has responsibility for technology and scientific assessment of R&D polices and decisions; for collaborating with other agencies for developing special advanced weapon systems such as missile technology, radar, communications and fire control systems; for material science and nuclear science research; and above all for weapon system integration. It is responsible for weapon upgrading, technology testing, design, type approval, trial production, test batch processing, and outlining policies, priorities and targets for the development of defence science, technology and manufacturing. The CSIST was put directly under the MND in April 1998, with the result that this very secretive institute is for the first time partly open to legislative scrutiny.

As mentioned, the CSIST carries out operational, technical and financial evaluations of arms procurement plans submitted by the Acquisition Planning Offices of the armed services.70 It employs over 12,000 scientists, engineers and support staff, of whom 80 per cent are ranking military personnel. Of the 6800 scientists and technicians, 90 per cent have a PhD in a specialized disciplines and many have years of experience in overseas defence industries.

Not all military R&D is managed by the CSIST. The AIDC was responsible for developing the Indigenous Defense Fighter (IDF); and R&D and production of the Cheng Kung Class frigate were carried out by the United Ship Design Center (USC), a government-financed institute established in 1971, and the China Shipbuilding Corporation (CSBC). However, most military R&D is done by the CSIST’s research institutes and the funding comes from the annual defence budget.

The Combined Services Command, which is part of the armed services command system, is responsible for design, development, procurement and manufacturing of weapon systems which use lower-level technologies. It is also responsible for ammunition and logistics support.

Table 7.4. Taiwan’s decentralized scientific R&D institutions and agencies

<table>
<thead>
<tr>
<th>Parent body</th>
<th>R&amp;D institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Science Council</td>
<td>1. Science-based Industrial Park Administration</td>
</tr>
<tr>
<td></td>
<td>2. Science and Technology Information Center</td>
</tr>
<tr>
<td></td>
<td>3. Precision Instrument Development Center</td>
</tr>
<tr>
<td></td>
<td>4. National Laboratories</td>
</tr>
<tr>
<td>Ministry of Economic Affairs</td>
<td>1. Industrial Technology Research Institute</td>
</tr>
<tr>
<td></td>
<td>2. Non-profit institutes of private organizations and state-run corporations</td>
</tr>
<tr>
<td></td>
<td>(AIDC, CSBC)</td>
</tr>
<tr>
<td>Ministry of National Defense</td>
<td>Chung Shan Institute of Science and Technology</td>
</tr>
<tr>
<td>Ministry of Transport and</td>
<td>1. Telecommunications Laboratories</td>
</tr>
<tr>
<td>Communications</td>
<td>2. Data Communications Institute</td>
</tr>
<tr>
<td></td>
<td>3. Research and Development Center of the Central Weather Bureau</td>
</tr>
<tr>
<td>Atomic Energy Council</td>
<td>Institute of Nuclear Energy Research</td>
</tr>
<tr>
<td>Department of Health</td>
<td>1. National Institute of Preventive Medicine</td>
</tr>
<tr>
<td></td>
<td>2. National Health Research Institute</td>
</tr>
</tbody>
</table>

Notes: AIDC = Aviation Industry Development Center; CSBC = China Shipbuilding Corporation.

Taiwan’s R&D institutions are shown in table 7.4. Billions of dollars have been allocated to them since the mid-1970s. The MND has used the National Defense Industrial Development Fund to assist public and private enterprises in cultivating qualified technical personnel, purchasing facilities, transferring advanced technology and developing a more sophisticated production base.

Taiwan’s collaborative R&D network

Apart from the agencies directly involved in weapon development, R&D on new weapons is occasionally based on cooperation between the military and civilian research organizations, notably the universities and special scientific institutes. The CSIST coordinates its R&D, System Manufacturing and Integration divisions with research academies and establishments and the various manufacturing entities. The technologies for the new type of missile-equipped corvette (the Kwang-hua III project), the IDF interceptor and guided missiles were developed with contributions from both civilian and military industries with different product specializations and R&D capabilities. Collaborative R&D has been carried out by subcontracting research projects to individual scientists or research teams.
The MND issued the Defense Science and Technology Development Plan in 1986 to strengthen cooperation between the academic and industrial sectors and, along with several cabinet-level institutions such as the National Science Council, the Ministry of Education, and the Ministry of Economic Affairs, has set up the Executive Committee for the Development of Defense Science and Technology. The indigenous development and production of the IDF, which became operational in 1995, the Cheng Kung Class frigate and Tien-Chien air-to-air missiles (AAMs) are notable examples of success.

‘Make or buy’ decisions

Arriving at a balance between foreign procurement and domestic production is critical in Taiwan’s arms procurement process. Operational urgency and the military’s preference for foreign weapons have often had a negative effect on the development of the domestic defence industry. After contracts were signed in September 1992 with the USA for the purchase of F-16s, and in November 1992 with France for 60 Mirage-2000-5s, fewer IDFs were produced by the AIDC for the Taiwanese Air Force.

Domestic defence industrial capacities

Table 7.5 shows the major weapon systems produced by the CSIST. Taiwan has produced the Ching-Feng (Green Bee, Lance-type, with a range of c. 75 miles, 120 km) anti-ship guided missile. The domestic defence industry is now able to produce a great variety of modern weapons including artillery, tanks, helicopters, tactical missiles and jet combat aircraft. With the joint efforts of the CSIST, the CSBC and other public- and private-sector factories, conspicuous results have been achieved.

The CSBC in Kaohsiung is capable of building frigates and fast attack craft. Under the Kwang-hwa I programme, the first of seven domestically produced Cheng Kung missile frigates, modelled on the US Perry Class, entered service in May 1993. The Kwang-hwa III programme is another indigenous project which aims to build 12 500-ton patrol boats.

Despite this progress, the Taiwanese defence industry still lags behind world standards. In fact, foreign technology, especially US technology, has been critical to those sophisticated weapon systems that are made in Taiwan. For instance, the Tien-Kung SAM, the Hsiung-Feng air-to-ship missile (ASHM; originally a ship-to-ship missile) and the Cheng Kung Class frigate all rely on foreign technology or sub-systems. The IDF was developed with the help of US companies. Taiwan’s dependence on foreign supplies will only increase over time.

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71 Chung Shan Institute of Science and Technology, The Thirty-Year Anniversary of the CSIST (CSIST: Taoyuan, 1999).
72 Lin Chi-Lang (note 41), pp. 7–8.
73 Wen-cheng Lin (note 17), p. 7.
### Table 7.5. Weapons produced by the Taiwanese CSIST, 1980–98

<table>
<thead>
<tr>
<th>Weapon</th>
<th>Use and principal parameters</th>
<th>Similar to</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT-3 jet aircraft</td>
<td>Training/attack jet; max. speed 1.05 mach; service limit 15 000 m.</td>
<td>F16/J79 (USA)</td>
</tr>
<tr>
<td>IDF jet aircraft</td>
<td>Air superiority combat aircraft; max. speed 1.8 mach; digital fly-by-wire; advanced 9-g cockpit</td>
<td></td>
</tr>
<tr>
<td>Ching-Feng</td>
<td>Surface-to-surface missile; range c. 160 miles (257 km)</td>
<td></td>
</tr>
<tr>
<td>Tien-Chien I missile</td>
<td>Infra-red guided short-range air-to-air missile; all-aspect; ‘fire and forget’</td>
<td>AIM-9L (USA)</td>
</tr>
<tr>
<td>Tien-Chien II missile</td>
<td>Advanced medium-range air-to-air missile with mid-course navigation and terminal guidance: multi-target engagement</td>
<td>AIM-120 (USA)</td>
</tr>
<tr>
<td>Hsiung-Feng I missile</td>
<td>Ship-to-ship missile; max. range 35–40 km; semi-active radar guidance system</td>
<td>Gabriel (Israel)</td>
</tr>
<tr>
<td>Hsiung-Feng II missile</td>
<td>Equipped with various-launched platforms; max. range 120–50 km; active radar homing system</td>
<td>Harpoon (USA)</td>
</tr>
<tr>
<td>Tien-Kung I missile</td>
<td>Surface-to-air missile; single-stage, dual-thrust solid-propellant rocket motor guided by mid-course inertial reference and radar in the terminal phase; max. speed mach 3.5; max. range 60 km</td>
<td>Patriot I (USA)</td>
</tr>
<tr>
<td>Tien-Kung II missile</td>
<td>Surface-to-air missile equipped with advanced active seeker; ‘fire-and-forget’; max. speed 4.5 mach; max. range 100 km</td>
<td>Patriot II (USA)</td>
</tr>
<tr>
<td>Kung-Feng 6 MLRS</td>
<td>MLRS, 117 mm calibre; range 1–15 km; 2.1 m long; 42 kg; solid-propellant rocket motor</td>
<td>Aegis [AN/SPY-1A] (USA)</td>
</tr>
<tr>
<td>Chang-Bei radar</td>
<td>Electronic scanning, multi-function phase-array radar; capable of target searching and tracking</td>
<td></td>
</tr>
<tr>
<td>CS/MPQ-78 radar</td>
<td>Mobile fire-control radar; can be incorporated with both gun and missile</td>
<td></td>
</tr>
<tr>
<td>CS/UPS-200C radar</td>
<td>Surface search radar; can be equipped with both TWS and IFF systems for surveillance missions</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** MLRS = multiple-launch rocket system; TWS = tracking-while-scanning; IFF = identification friend or foe.


Of the 1996 arms procurement budget, 73.7 per cent went to imports and 16.7 per cent to domestic development.\(^{74}\) This highlights Taiwan’s weakness in defence R&D and production capabilities. Even though it has put great effort...
into developing its own defence industries through technology transfer or offset agreements, its arms development and production projects, dubbed indigenous, are actually licensed copies of foreign systems or assemblies of imported components.  

The successes of the defence industrial sector have been mostly confined to machining components and light manufacturing. Taiwan’s indigenously produced weapons have high maintenance requirements and are of inadequate quality compared with those imported. Military users are not confident about domestically produced weapons and are not sensitive to their economic and political importance. Moreover, indigenous development slows down acquisition time. Experience indicates that it usually takes 10–20 years to develop a weapon system at home. Taiwan’s domestic R&D and manufacturing capacities therefore do not usually have the opportunity to demonstrate what they can do, especially when foreign supplies are easily available. Finally, the country’s indigenization efforts have been constrained by limited technical expertise, funding and domestic industrial infrastructure.

VI. Legislative and public-interest monitoring

The democratization of Taiwan has increased the influence of the political parties on national security policies and defence policy making. In addition, the increasing demand for the introduction of checks and balances is reinforcing the oversight power of the Legislative Yuan in the policy-making process. Still, the final decision is chiefly if not exclusively in the hands of the president and his institutional subordinates.

There is growing tension in Taiwan’s arms procurement between the demand for openness and transparency and the requirements of secrecy in arms acquisition deals. Information on defence policy-making processes has long been restricted, known exclusively to insiders. Before the 1990s there was no tradition of public debate on arms procurement. The public awareness resulting from Taiwan’s rapid democratization since the late 1980s created new pressure in the Legislative Yuan for greater disclosure of government information in regard to defence policy decisions.

During the period from 1949 to 1985, Taiwan did not function as a democratic country and the defence procurement decision-making process was a ‘black box’. Anti-communist concerns resulted in high levels of political and military secrecy, backed up by various domestic intelligence services with wide-ranging powers of arrest and detention. The political leaders used the all-encompassing martial law and the intelligence services to censor and control criticism of their performance, including in arms procurement. Defence procurement policy was largely unchecked by the legislative branch. Few legis-

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75 Yann-Huei Song (note 10), p. 27.
76 Jiefangjun Bao (Beijing), 10 Sep. 1999, p. 5.
77 Chen (note 7), pp. 14–15.
78 Chen (note 7), p. 2.
lators took the issue of the supervision of defence procurement seriously enough before the murder of Captain Yin Ching-feng in 1993.

Until very recently, the MND consistently ignored demands by the Legislative Yuan for the CGS and Commanders-in-Chief of the three branches of the armed forces to appear before the Defense Committee on the floor of the Legislative Yuan to report on defence affairs.

When the MND began to conduct studies on ways to improve the arms acquisition policy in 1994 and the Military Procurement Bureau was created in 1995, it was generally agreed that the Taiwanese military had made progress in terms of accountability and transparency in the arms acquisition process as a result of the MND reforms. However, the level of corruption revealed by the series of procurement scandals that broke out in early 1998 surprised the people. The public has begun to think that if the defence budget is to be put to better use then transparency and accountability will be indispensable, at the cost of confidentiality.

The legislative branch believes that more accountability and transparency of a nation’s arms procurement process leads to more rational choices. It also views these characteristics as necessary to prevent corruption. On the other hand, the executive branch believes it prudent to maintain a low profile in arms procurement in order to avoid interested parties exercising undesirable influence. It is encouraging that open debate on defence procurement processes has increasingly attracted public attention. In practice there is no absolute transparency in the country’s arms acquisition process. Enhanced bureaucratic accountability and well-developed legislative procedure and regulations for scrutinizing arms procurement are badly needed.79

Secrecy and accountability

No national defence White Paper was published until 1992.80 Although long overdue, it represented a significant move in the direction of transparency in defence policies. Of late, responding to requests by the legislators, the Legislative Yuan has held closed sessions to examine proposals for arms procurement. In general, however, the MND has demonstrated reluctance to admit, and even hostility towards, the public demand for greater openness on defence issues in general and arms procurement in particular.

The inclination of the government (or more precisely the MND) to withhold arms procurement decisions from the public on supposed national security grounds is theoretically and generally accepted by many people in Taiwan. The reasons for keeping weapon acquisitions secret are quite evident. The first is the PRC’s strategies, including economic and political strategies, to deter potential suppliers from selling arms to Taiwan and to compel existing suppliers to cut or stop their supply. Accordingly, in negotiations for more sensitive and high-

79 Chen (note 7), pp. 8, 13.
80 See note 15.
technology military purchases, confidentiality is deemed necessary. The second reason is the possibility of crisis or even a conflict between the two sides of the Taiwan Strait. The 1995 military exercises by the PRC and missile tests showed how serious the security dilemma is. The government is thus bound to protect defence secrets of which the disclosure could threaten national security.

The third reason is that public participation in decisions on arms procurement will not self-evidently produce more rational decisions. It is difficult for the general public to understand and compare the technical merits of rival weapon systems. Not even the legislators can assess different procurement programmes. In addition, open debate on and public scrutiny of defence procurement could prolong the process of decision making and transactions, and would therefore increase the economic and political costs for Taiwan. It is therefore argued by some that there is a legitimate need for secrecy in the arms procurement process in order to ensure its efficiency.

Proper access to official records and government information is critical to the idea of public accountability. Without adequate information, government cannot be properly scrutinized or held accountable, whether legally, politically or financially. Nevertheless, arms procurement decisions in Taiwan are usually claimed to fall into the category of secrecy for national security.81

Evidently, defence officials sheltering behind the argument of secrecy for national security have hampered the rational formulation and effective implementation of arms procurement policies. Such attitudes in the long term may even harm national security interests—the very element secrecy is intended to protect. Secrecy is maintained at the expense of accountability and responsibility. Scandals and reports of waste in military budgets imply that the current mechanisms of internal audit and programme review have failed to achieve the goal of making arms procurement more responsible and accountable.

Institutional limitations

Some problems can be easily identified with regard to the existing institutional framework for arms procurement decision making in Taiwan. The existing institutional design is biased in that there is an information asymmetry as between the executive and legislative branches, with the latter in a very disadvantageous position. The executive branch (or, more specifically, the MND) has enjoyed exclusive discretionary authority to decide on the classification or disclosure of information. Without any statutory foundation for classification of documents, the legislature and the general public simply have no ways to oversee or scrutinize the decisions and conduct of defence officials and therefore cannot ensure that officials in government are answerable for their actions.

Without sufficient knowledge and information, the public and the legislators simply have to accept the decisions made by the military elite. The Legislative Yuan does not have the capability to monitor the arms procurement procedure

81 Chih-cheng Lo (note 4), p. 1
either. It can approve the budget sent by the Minister of Defense, but the Ministry of Audit is responsible for the auditing of the budget. The Legislative Yuan can only obtain information from the reports provided by the Minister of National Defense and by the Ministry of Audit. The reports do not mention the details of the implementation of arms acquisition decision or any inadequacies identified. It is therefore extremely difficult for members of the Legislative Yuan to scrutinize acquisition programmes.

Additionally, the Ministry of Audit is not capable of supervising arms acquisition activities. Its Second Department is responsible for the auditing of the defence budget, but there are not enough staff in this department to evaluate the more than 400,000 projects per year. Professional expertise is needed in several fields, and it is next to impossible for the department to send officers to each of those 400,000 projects and conduct careful auditing. As a result, again, most of the auditing jobs end up as mere paperwork.

An organizational culture of ‘follow the order’ and ‘obey the superior’ may also contribute to corruption. In Taiwan it is very difficult for a military officer to resist pressure from a superior. Because of the prevailing culture, many months of professional assessment by an evaluation team can be easily reversed by an ad hoc judgement of a high-ranking officer.82

The involvement of organized crime is yet another factor that works against transparency. As arms sales involve huge profits, they become a natural field for organized crime. The secrecy requirement serves as a perfect cover for illegal activities. Organized crime has apparently penetrated into the arms procurement process in Taiwan. On 18 March 1998, the Combined Services Command reported that a lieutenant-colonel and a major-general (a former director-general of the CSF Public Construction Service) had been kidnapped and intimidated by gangsters. According to the news report, they were forced to sign contracts with companies that are controlled by the gangsters. The murder of Captain Yin Ching-feng in 1993 may also have been the result of the involvement of organized crime.83

Constitutional limitations

There is no doubt that the legislative branch should play the central role in ensuring the political and financial accountability of the executive. Among the constitutional limitations to accountability in Taiwan the first is the predominance of the executive and its power of discretion over legislative checks and balances.

As regards political accountability, Article 3 of the Additional Articles of the constitution stipulates that ‘the Executive Yuan has the duty to present to the Legislative Yuan a statement on its administrative policies and a report on its

82 During the ROC Navy’s assessment for the purchase of a 2nd-generation battleship, the South Korean Waisan emerged as the front-runner. However, the decision was reversed in favour of the French La Fayette Class frigate after a Taiwanese admiral visited France. It is believed that changing this decision cost Taiwan billions of dollars without comparable increase in its security. Wu (note 42), p. 9.

83 See note 46; and Wu (note 42), p. 9.
administration. While the Legislative Yuan is in session, its members shall have the right to interpellate the president of the Executive Yuan and the heads of ministries and other organizations under the Executive Yuan.\textsuperscript{84} Additional Article 3 states that ‘should the Executive Yuan deem a statutory, budgetary, or treaty bill passed by the Legislative Yuan difficult to execute, the Executive Yuan may request the Legislative Yuan to reconsider the bill. Should the Legislative Yuan not reach a resolution within the said period of time, the original bill shall become invalid’; and ‘the Legislative Yuan may propose a no-confidence vote against the president of the Executive Yuan’ but if that fails it may not initiate another no-confidence motion against the same president of the Executive Yuan for at least a year.

For the executive branch to be held accountable for its policies, examination of public officials appears to be the only tool the legislators can use. Other mechanisms, such as votes of no-confidence or overriding the executive veto, are scarcely feasible in Taiwan’s current political setting. The use of the constitutional powers of the Legislative Yuan to oversee the work of the executive through questioning ministers and cross-examining the relevant officials is not seen as feasible in Taiwan at present. Without the power of impeachment, censure, appropriation and auditing, the Legislative Yuan is very much like a dog barking at the train.

The Control Yuan is Taiwan’s watchdog agency, which has the authority to investigate and indict officials. However, its efforts at examining arms procurement decision-making methods are in most cases not as successful as they ought to be. According to Additional Article 7 of the constitution, it ‘shall be the highest control body of the State and shall exercise the powers of impeachment, censure, and audit’. Article 95 further stipulates that ‘in exercising its power of control, the Control Yuan may request the Executive Yuan and its ministries and commissions to make available to it any orders they have issued and all other relevant documents’. It appears that the transparency of government decisions is ensured, since the Control Yuan may request ‘all relevant documents’ which it considers necessary. However, in practice, because of the absence of any statutory foundation to the security classification system, the executive branch has the exclusive authority to decide what information can be disclosed.

In the area of financial accountability, the legislative branch is also handicapped in holding the executive answerable for the defence budgets. Article 59 of the constitution stipulates that ‘the Executive Yuan shall, three months before the beginning of each fiscal year, submit to the Legislative Yuan a budgetary bill for the following fiscal year’. Article 70 states that ‘the Legislative Yuan shall not propose any increase in the budget estimates submitted by the Executive Yuan’. Given the shortness of the time available to them, it would be extremely difficult for the legislators to examine the proposed defence budget thoroughly. While the MND has a large staff to work on compiling the data and

\textsuperscript{84} Yann-huei Song (note 10), p. 20.
proposing the budget, the Defense Committee of the Legislative Yuan has no research staff to analyse the defence budget. As a result, faced with an uncooperative or even a hostile attitude on the part of the MND, legislators sometimes have to rely on ‘whistle-blowers’ to uncover the hidden budgets or scandals in arms procurement decisions. Once the budget bill is passed, the Legislative Yuan, without appropriation power, simply has to wait for the Auditor General’s report.

Opportunities for waste, fraud and abuse

Lack of accountability opens the door for corruption and abuse. The military has been charged with numerous irregularities in arms procurement.

The Chief of the General Staff and the Commanders-in-Chief of the three armed services are exempted from appearing in the Legislative Yuan to answer questions raised by the legislators. The armed forces are authorized by law to decide not to submit arms procurement projects to the Ministry of Audit for inspection and audit for a certain period of time if they consider it necessary to keep a purchase secret. In addition, retired senior officers and relatives of active-duty high-ranking officers have been able to exert influence on arms procurement in exchange for payments or personal interests.85 Because of these practices, there have been irregularities in Taiwan’s arms procurement process. In exchange for favours, active-duty officers have in the past leaked confidential arms procurement documents to arms dealers. In other cases, retired senior military officers taking advantage of their connections and experience have started new careers in influential positions in defence-related industries and engaged in influence peddling. The ‘old boy’ network extends to the MND and agents representing arms manufacturers in Taiwan and other countries. In addition, relatives of the active-duty high-ranking officers working for foreign defence contractors have engaged in activities which helped their firms obtain contracts.86 The costs of these irregularities are very high.

The corruption problem has been so serious that it not only results in the waste of valuable public resources but also seriously undermines Taiwan’s security and damages public trust in the military and the government. These defects in the arms procurement decision-making processes can be attributed to structural as well as human factors. Without first identifying and clarifying these major and, more importantly, interlinked causes, any suggestions for improving the defence acquisition decision-making process will prove fruitless.

Taiwan relies very heavily on advanced weapon systems purchased from foreign countries. Diversification of arms supply has meant reliance on agents for information and connections, some of whom will try all methods, including bribes, to win contracts. Former Prime Minister Hau Pei-Tsun has argued that Taiwan’s purchases of weapons from European countries are more likely to be problematic because such transactions are not adequately overseen by govern-

85 Yann-huei Song (note 10), pp. 22–23.
86 Yann-huei Song (note 10), p. 23.
ment agencies. Most of the recent arms scandals in Taiwan had to do with purchase from European countries. The lack of transparency leads to inadequate scrutiny mechanism and poor monitoring and management of arms procurement decision making.

The processes of internal audit and programme review in the MND are still shrouded in secrecy. Because the reports of these reviews need not be made public, their application remains at the discretion of MND officials. The most obvious and serious weakness of the supervision mechanism is that those who are responsible for supervising and those who are supervised are mostly military officers who may have connections or have worked together at one time or another. The traditions of ‘old boy’ connections and ‘mutual cover-up’ create a strong group cohesion within this closed professional community. Without independent scrutiny and external check on the executive branch’s arms procurement, the supervision mechanisms which it introduces are not likely to achieve any significant results.

**Possible remedies**

External checks and balances might be made more effective by restructuring the current institutional framework. This would involve improving the capacities of the Ministry of Audit to scrutinize the arms procurement reports and strengthening the Legislative Yuan’s capability to supervise the arms procurement process. It would also mean facilitating access to information other than that available from the executive branch. All government organizations have a distinct tendency to control access to information they possess and this attitude is particularly strong in the defence field. The MND enjoys much greater discretionary authority than other state agencies in withholding information from the public. There is therefore a compelling need to review the present constitutional provisions that give the executive branch arbitrary power to decide on government secrecy. This is the key to producing more open and accountable arms procurement decision-making processes.

Any proposal for appropriate freedom of information legislation should therefore be welcome. There should be clear and strict rules ensuring that information is released except where disclosure would cause harm to a limited number of specific national security interests. Such legislation on government secrecy could also control the current problem of information leaks, which are inherently liable to political abuse and manipulation.

Given the unimpressive record of the legislature, it is difficult to be optimistic about the chances for legislative action in this area. There have been attempts by opposition legislators to initiate legislation on public access to government information through the regulated release of information on budget details and arms procurement decisions, but the executive branch and the military have been resistant to such reforms.

VII. Conclusions

Arms procurement decisions in Taiwan have long been made in a very protective and secret process. Given the tremendous military and diplomatic threats from the Chinese mainland, the Taiwanese authorities have political and security justifications for keeping arms acquisitions confidential. The absence of open debate and public scrutiny of arms procurement methods and processes has resulted in a lack of accountability of the military and the misuse of defence resources. The current institutional framework of Taiwan’s defence decision-making processes has created difficulties in ensuring the legal, political and financial accountability of the defence community. Attempts to initiate procurement reforms have encountered resistance from the military and some defence officials.

After the recent arms procurement scandals and the resultant public outrage, the MND did seek to improve its acquisition process within its internal administrative structure. The current mechanisms of internal audit and programme review have, however, failed to make arms procurement processes more rational and accountable. Without independent professional capacities for scrutiny and institutionalized external checks on the executive branch’s arms procurement activities, the corrective mechanisms initiated by the MND will only produce very limited results. Significant changes in the arms procurement decision-making process are not likely to occur unless changes in the political framework take place—for instance, a shift of power from the ruling to the opposition parties or a strengthening of the legislative branch.

In reality there are many difficulties in the way of Taiwan’s achieving an institutional framework which incorporates both the values of democratic accountability and secrecy in the interests of national security. The PRC’s strangulation of foreign arms supply to Taiwan has created enormous constraints on the rationality and efficacy of Taiwan’s arms procurement decisions. Selling countries’ own political, economic and security considerations always condition its arms procurement from foreign sources. In most cases the weapons Taiwan needs most, even when proposed after comprehensive security assessment, are either late or under-supplied. The general prospects for diversifying sources are not bright. Understanding fully the risk of relying on a single source for arms purchase, Taiwan has made great efforts to improve domestic arms production and to expand the pool of supplier states. This has achieved some results. More importantly, the uncertainty of and fluctuations in foreign arms supply have had a significant negative impact on the development of Taiwan’s arms industry.