The Taiwanese Defense Industry: Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016

Description: Product Synopsis
This report is the result of ICD Research / Strategic Defence Intelligence’s extensive market and company research covering the Taiwanese defense industry. It provides detailed analysis of both historic and forecast defense industry values including key growth stimulators, analysis of the leading companies in the industry, and key news.

Introduction and Landscape
Why was the report written?
The Taiwanese Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016 offers the reader insights into the market opportunities and entry strategies adopted by foreign original equipment manufacturers (OEMs) to gain market share in the Taiwanese defense industry.

What is the current market landscape and what is changing?
Taiwan is predicted to spend US$61.63 billion on its armed forces during the forecast period as the country looks to enhance the capabilities of its armed forces. Defense expenditure registered a CAGR of 0.65% during the review period and is expected to grow at a CAGR of 7.01% during the forecast period. Military expenditure is likely to be influenced by tensions with China and the acquisition of advanced defense systems during the forecast period, and overall defense expenditure is expected to correspond with the country's overall economic growth.

What are the key drivers behind recent market changes?
Taiwanese defense expenditure was primarily driven by factors such as a strained relationship with China and the acquisition of military hardware systems anticipated to drive the country's military spending over the next five years. Rapid defense modernization plans being pursued by China have also pressurized the Taiwanese Ministry of Defense into increase its military budget.

What makes this report unique and essential to read?
The Taiwanese Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2016 provides detailed analysis of the current industry size and growth expectations from 2012 to 2016, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides detailed understanding of emerging opportunities in specific areas.

Key Features and Benefits
The report provides detailed analysis of the current industry size and growth expectations from 2012 to 2016, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides detailed understanding of emerging opportunities in specific areas.

The report includes trend analysis of imports and exports, together with their implications and impact on the Taiwanese defense industry.

The report covers five forces analysis to identify various power centers in the industry and how these are forecast to develop in the future.

The report allows readers to identify possible ways to enter the market, together with detailed descriptions of how existing companies have entered the market including key contracts, alliances and strategic initiatives.

The report helps the reader to understand the competitive landscape of the defense industry in Taiwan. It provides an overview of key defense companies, together with insights such as key alliances, strategic initiatives and a brief financial analysis.

Key Market Issues
The growth of the Taiwanese defense industry is hampered by project delays associated with the global financial crisis, which have led to cost overruns and the cancellation of certain projects. Despite seeking to
increase its defense budget to 3.0% of GDP, the country's 2011 defense budget is estimated at just 2.0% of GDP, primarily due to the financial constraints faced by the country. As a result, certain acquisition programs have either been postponed or cancelled. All these factors discourage investors from entering the Taiwanese defense market.

According to existing regulations, domestically manufactured equipment can be sold in the international arms market, through either government-appointed or designated sales agents that participate in competitive bids or negotiate contracts through private arms dealers. However, a lack of sales agents makes it difficult for the country to cater to the global arms market. The country also established arms trading firm Taiwan Goal to promote domestic arms production, but it was dissolved when it was discovered that the country was involved in malpractice. A lack of exports restricts the growth of the domestic military industrial base.

Excessive corruption within the government's procurement process hampers the entry of foreign investors into the country's defense market. Some foreign investors have resorted to paying bribes in order to win a contract, which has discouraged foreign OEMs from entering the market. For example, in 1991 the French state-owned firm Elf Aquitaine was accused of paying bribes to Taiwanese government officials to win a contract for the sale of six Lafayette Class frigates.

Key Highlights
Taiwan's defense budget, estimated to be US$10.72 billion in 2012, has grown at a CAGR of 0.65% during the review period and is projected to grow at a CAGR of 7.01% during the forecast period, to reach US$14.05 billion by 2016. The country's military expenditure is expected to be driven by factors such as a strained relationship with China and the acquisition of advanced defense systems. Rapid defense modernization plans being pursued by China have also compelled the nation to enhance the capabilities of its armed forces.

The country's homeland security spending recorded a CAGR of 9.81% during the review period, and is expected to witness a CAGR of 7.01% during the forecast period. Cumulatively, Taiwan is expected to spend US$35.82 billion on its internal security over the forecast period. During the year 2012 the expenditure was US$ 6.23 billion, which is expected to increase to US$ 8.17 billion by 2016. The nation's homeland security budget is driven by an increase in human trafficking, the illicit drug trade, and maritime security threats.

Taiwan's domestic defense capabilities are relatively underdeveloped, as a result of which the country relies on foreign OEMs to fulfill its military requirements. At present, the Taiwanese military industry is capable of developing military aircraft, small arms, and ammunitions; the state-owned Aerospace Industry Development Corporation (AIDC) developed several aircraft for the Taiwanese Air Force during 1994–2000, but has not done so since. One of the most developed sectors of the country's military industry is the development of missile defense systems, and the government-owned Chung Shan Institute for Science and Technology (CSIST) has developed a range of anti-ship, air-to-air, and surface-to-air missiles over the past three decades.

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