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**民主進步黨**  
Democratic Progressive Party, Taiwan

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## How Budget Cuts Impact Taiwan's Defense Readiness

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On January 23, Premier Cho Jung-tai stated that the Executive Yuan (EY) has not yet received the final version of the 2025 Central Government Budget from the Legislative Yuan (LY). **Once the final numbers are received, the EY will review the situation and consider requesting the LY reconsider the budget.** In light of the substantial budget cuts, the EY has decided to reassess various subsidy projects and budgets, freezing 50% of local government subsidies unrelated to welfare policies for vulnerable groups.

One of the most affected areas is the Ministry of National Defense (MND), with a **budget of NT\$476 billion (US\$14.5 billion) for the year**. The LY has approved **cuts of NT\$8.45 billion (US\$258 million) and freezes totaling NT\$89.95 billion (US\$2.7 billion)**. Below are the key freezes and cuts, along with their potential impact:

### ■ Key Budget Freezes:

- **Submarine Program Frozen by 50% (NT\$1 billion / US\$30.5 million):** The freeze on the submarine budget raises significant concerns about the timeline for the submarine production program.

If the budget remains frozen and cannot be successfully unfrozen, it will delay the submarine production schedule, including impacts on equipment contract payments, challenges in obtaining foreign government export permits, reduced willingness from manufacturers to cooperate, and a loss of shipbuilding expertise. This freeze will delay Taiwan's ability to modernize its submarine fleet, weakening national defense capabilities.

- **Operational Expenses Frozen by 30% (NT\$74.4 billion / US\$2.27 billion):** The freeze on the MND's operational budget threatens Taiwan's combat readiness, including delays in essential military training and key combat equipment maintenance. This could weaken Taiwan's ability to respond to gray-zone security threats and diminish its overall defense readiness. Furthermore, the freeze's dependency on plenary approval to unfreeze makes the process uncertain, potentially prolonging the disruptions to military operations.
- **UAV Industry Park Frozen by 50% (NT\$35 million / US\$1 million):** The freeze on funding for the UAV industry park will delay the development of Taiwan's unmanned aerial vehicle (UAV) technology, hindering advancements in asymmetric warfare capabilities and reducing Taiwan's strategic resilience. The risk here lies in the uncertainty surrounding the unfreezing process, which could further postpone cutting-edge UAV technological advancements.
- **Drones Procurement (獵鴉專案) Delay:** The decision to delay the procurement of new loitering munitions, including the Switchblade 300 and the Altius 600M-V, will postpone the necessary updates to Taiwan's weapon inventory until 2026, affecting the overall defense capability and readiness.
- **Bulletproof Armor Steel Plate Frozen by 10% (NT\$7.64 billion / US\$233 million):** This freeze on the purchase and maintenance of military unit equipment and spare parts will delay upgrades to essential military gear, affecting Taiwan's ability to properly maintain and repair its military assets.

### ■ Key Budget Cuts:

- **Military Equipment and Facilities Cut by 3% (NT\$5.1 billion / US\$155 million):** These cuts will delay Taiwan's weapon system development and defense planning, impacting the procurement of critical spare parts for military aircraft, ships, armored vehicles, and

tanks. This will hinder Taiwan's ability to keep up with equipment maintenance.

- **Public Awareness and Recruitment Campaign Cut by 60% (NT\$30 million / US\$916,800):** These cuts will impact Taiwan's ability to promote national defense awareness and recruit military personnel. The Ministry of National Defense is responsible for educating the public on defense issues under the mandate of the All-Out Defense Education Act, and cuts to recruitment promotion will reduce the effectiveness of these efforts.
- **Special Allowance Cut by 60% (NT\$3 million / US\$91,680):** These cuts will limit the resources available for critical defense leadership activities, affecting the smooth operation of the Ministry of National Defense and its strategic functions.
- **Overseas Travel and Training Expenses Cut by 15% (NT\$240 million / US\$7.3 million):** These cuts will impact Taiwan's ability to train its personnel on new military equipment and participate in vital military exchanges with allied countries. This will reduce Taiwan's opportunities to stay updated on military best practices and deepen relationships with international defense partners.
- **Domestic Travel Expenses Cut by 20% (NT\$200 million / US\$6.1 million):** Reduced funding for domestic travel will limit the Ministry's ability to attend critical national meetings and defense-related events, further disrupting Taiwan's ability to maintain strategic oversight and coordination across military sectors.

*(Note: Our 1/22 email mislabeled KMT-TPP's 30% freeze on the MND's operational expenses; the correct amount is NT\$74.4 billion. The 100% cut in subsidies for Taipower is NT\$100 billion.)*

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