**Topic: Why Has Taiwan’s Defense Spending Fallen as China’s Has Risen?**

Over the past 20 years, the military balance between the People’s Republic of China and Taiwan has rapidly shifted. As China’s defense budget has grown annually at double-digit rates, Taiwan’s has shrunk. These trends are puzzling, because China’s rise as a military power poses a serious threat to Taiwan’s security. Existing theories suggest that states will choose one of three strategies when faced with an external threat: bargaining, arming, or allying. Yet for most of this period, Taiwan’s leaders have done none of these things. In this talk, I explain this apparent paradox as a consequence of Taiwan’s transition to democracy. Democracy has worked in three distinct ways to constrain rises in defense spending: by intensifying popular demands for non-defense spending, introducing additional veto players into the political system, and increasing the incentives of political elites to shift Taiwan’s security burden onto its primary ally, the United States. Together, these domestic political factors have driven a net decline in defense spending despite the rising threat posed by China’s rapid military modernization program. Put simply, in Taiwan the democratization effect has swamped the external threat effect.