PRINCIPAL RISK INTELLIGENCE

Three Percent on Paper

Will the Legislative Yuan fund Lai's NT$1 trillion defence line before the November locals?

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Will the Legislative Yuan Fund Lai's NT$1 Trillion Defence Line Before the November Locals?

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A budget read on Taiwan's autumn: a 2027 defence aggregate of NT$1.1225 trillion whose published ratio of 3.01 percent of GDP is being set beside a 2026 ratio computed on a different year's denominator, so that the same budget can be made to look like a cut or like a surge;^1,2 a Legislative Yuan that has never passed a general budget by the statutory deadline;^5,54,55,56 a deadline at the end of November that falls two days after the local elections of 28 November;^35 and a ten-day window between the two national days in which the strait's own summer base rate says far less will happen than the calendar implies.^20

Executive Dashboard

Taiwan's Cabinet approved a 2027 defence aggregate of NT$1.1225 trillion on 20 August 2026, the first Taiwanese defence total above NT$1 trillion, and reported it at 3.01 percent of GDP against 3.32 percent for 2026.^1,3 Those two ratios are computed on different denominators and cannot be compared: the 3.01 percent uses projected 2027 GDP of NT$37.3 trillion, the conventional own-year basis, while the 3.32 percent used a base of NT$28.6 trillion the same budget documents put two years earlier.^1,2 Reading 3.32 against 3.01 as a cut is an artefact; moving the 2027 budget onto the older base to get 3.93 percent and calling it a surge is a different artefact in the opposite direction. What survives every choice of denominator is the money, which rises 18.2 percent.^1,4 The aggregate is also a five-component figure on a method Taiwan's own news agency describes as mirroring NATO's, and the ministry's general budget alone, NT$691.9 billion, is 1.86 percent of projected 2027 GDP.^1 The money must now pass a chamber the opposition controls, which cut the NT$1.25 trillion special defence budget to NT$780 billion on 8 May 2026 and which, like every Taiwanese legislature in the datable record, has never passed a general budget by the statutory deadline.^5,7,54,55,56 Polling day is 28 November 2026 and the deadline is two days later.^35

Assessment · Moderate Confidence. The 2027 defence line will almost certainly not be funded before the 28 November locals, is more likely than not to be unresolved at 31 December, and the strait window between the two national days is more likely to be quiet than loud. Rationale: no Taiwanese general budget in the four datable cycles met its statutory deadline and only one of the four cleared by 31 December of the pre-fiscal year, and the summer PLA air series contains no day at the threshold the October question turns on.^20,54,55,56

NT$1.1225tn 2027 defence aggregate approved on 20 August 2026, the first above NT$1 trillion^1,3 **Up 18.2% in money** from NT$949.5bn to NT$1,122.5bn, the one comparison no choice of GDP base can move^1,4 **0 of 91** published daily reports from 11 June to 9 September 2026 with 30 or more PLA sorties in Taiwan's ADIZ^20 **1 of 4** datable general-budget cycles passed by 31 December of the pre-fiscal year; none met the deadline^5,54,55,56

Thesis

Taiwan's 2027 defence budget is being read through a comparison that is not one. The published 3.01 percent is computed against a projected 2027 denominator, the 3.32 percent it is set beside against a denominator two years older, and no direction of travel can be drawn from the pair.[1,2] The correction is not to move the 2027 budget onto the older base, which yields the most flattering of four available ratios, but to state which basis each ratio uses and to rest the direction on the money, which rises 18.2 percent whatever denominator is chosen.[1,4] That does not settle the political question, because the chamber that votes this money votes on line items, not aggregates, and its behaviour across three 2026 divisions has been to redirect defence money toward United States foreign military sales with signed paperwork and away from multi-year domestic programmes it regards as unspecified, while imposing annual caps and annual review.[7,8,11]

Assessment · Moderate Confidence. The subtitle's question, whether the Legislative Yuan funds the line before the 28 November locals, resolves to no, and the reason is procedural rather than ideological. Third reading on or before 27 November 2026 is very unlikely, of the order of 0.02 on the analyst's own judgment: it would require committee review, cross-caucus negotiation and three readings inside ten weeks in which members are campaigning, when no datable cycle has cleared even the deadline and the 2026 bill did not reach committee until eight months after submission. The subtitle's question and the forward claim below, which asks about 31 December, are therefore two different propositions and both are priced. Rationale: four datable cycles, none inside the deadline, and no first plenary, transmission, referral or third-reading date in any source read.[5,18,19,54,55,56]

Recommendation · Moderate Confidence. Price the 2027 defence line as a December-to-first-quarter negotiation rather than a November event, and price the October window from the air series rather than from the national days. Rationale: one of four datable cycles cleared by 31 December and the two most recent cleared in January and August respectively, while the base rate for the air question is zero of 91 published reports.[5,20,54,55,56]

Key Statistics

NT$1.1225 trillion the 2027 central government defence aggregate approved on 20 August 2026, US$35.3 billion, within a total budget of NT$3.9266 trillion.[1,3] **NT$691.9 billion** the Ministry of National Defense general budget alone, 61.6 percent of the aggregate, the balance being special budgets NT$218.2 billion, non-profit special funds NT$60.7 billion, military pensions NT$103.8 billion and the Coast Guard Administration NT$47.9 billion. The 2026 comparator for this line is UNKNOWN.[1] **Four ratios from one budget** 3.01 percent on projected 2027 GDP of NT$37.3 trillion, 3.93 percent on the 2025 base of NT$28.6 trillion, 1.86 percent for the ministry general budget alone against 2027 GDP, and 2.73 percent for the aggregate less military pensions.[1,2] **18.2 percent** the rise in the aggregate in money, from NT$949.5 billion to NT$1,122.5 billion, the only comparison here that no choice of denominator can move.[1,4] **1 of 4** datable cycles that cleared third reading by 31 December of the pre-fiscal year: FY2020 on 20 January 2020, FY2024 on 19 December 2023, FY2025 on 21 January 2025, FY2026 on 14 August 2026. None met the deadline.[5,54,55,56] **266 days, or 257** the 2026 delay past deadline as reported by CNA and as computed from an end-November 2025 deadline; two Taipei Times pieces call it a record.[5,58,59] **NT$780 billion against NT$1.25 trillion** the special defence budget ceiling enacted on 8 May 2026 against the Cabinet's request, a cut of NT$470 billion on a vote of 59 to 51.[7,8] **NT$607.6 billion** the supplementary budget approved on 3 September 2026, US$19.12 billion, framed as a response to that cut; its named defence lines total NT$128.6 billion.^10 **0 of 91 published reports** from 11 June to 9 September 2026 with 30 or more PLA sorties entering Taiwan's ADIZ; the maximum was 26, on 3 July 2026, mean 4.40 and median 3.^20 **28 November 2026** polling day in 22 executive races, two days before the end-November statutory deadline for the 2027 general budget.^35,5,15

Scope and Method

Open-source intelligence only, every source named at the Source Registry. Primary and official: the Republic of China Ministry of National Defense daily report "PLA activities in the waters and airspace around Taiwan" and its named press releases, the Legislative Yuan, the Executive Yuan, the statistical office, the United States Defense Security Cooperation Agency, and the Central Election Commission as reported by Taiwan's Central News Agency. Allowlisted press and institutions: Focus Taiwan and the Chinese-language Central News Agency, the Taipei Times, Taiwan News, the Institute for the Study of War with the American Enterprise Institute, the Global Taiwan Institute, the Jamestown Foundation and the globalsecurity.org mirrors. The collection date is 9 to 10 September 2026; every fact was read from its cited source on those days unless the citation carries an earlier publication date. Analytic judgments are Aegean's and forward probabilities the analyst's own calls, not the output of any model. No client-attributable material is used.

The air series. Ninety-one published daily reports from 11 June to 9 September 2026, one per calendar date with no duplicate and no missing date, keyed on publication date because the ministry occasionally mislabels the window header.^20 Two defects are disclosed rather than smoothed and mean the 91 reports cover at most 90 distinct windows: the 22 and 23 June pages carry an identical header and identical numbers, so the 22 June row is not independent and one window is absent, and the 5 and 6 August pages carry the same header with different numbers. Neither touches the base-rate finding, both pairs sitting far below the threshold, and seventeen rows were re-read against source with zero transcription errors.^20

Timeliness and shelf life. A CURRENT brief, running to 11 October 2026 for the air question and 31 December 2026 for the budget question. A first plenary date, a Premier's report on the 2027 budget, a committee referral of the defence chapter, a named PLA theatre exercise, or a United States arms-sale congressional notification each triggers an update.

What this brief extends. Aegean's second political-risk brief of the current cycle and its first on Taiwan. It carries forward the method of After the Duma (PMR-2026-0916-RUS-001) and the framing of The Two-Front Corridor (PMR-2026-0728-MEAST-001), that the operative constraint on a system is often a procedural gate rather than a physical closure.^51,52 The Critical Mineral Export Control Stack (PMR-2026-0603-GLBL-005) carries the firm's standing judgment on semiconductor supply-chain choke points, which is adjacent to the exposure discussed here and which nothing in this brief resolves.^61

What is UNKNOWN and why. Three blind spots are load-bearing. No KMT or Taiwan People's Party statement on the NT$1.1225 trillion figure dated on or after 20 August 2026 was reachable, Taipei Times deep links returning HTTP 403, so every opposition position below pre-dates the 2027 figure and carries its own date; because the sources in which such a statement would appear are the ones that could not be read, this is a blind spot and not an observation. Whether any United States arms-sale congressional notification for Taiwan was made in 2026 is UNRESOLVED, not zero: such posts moved to state.gov under Executive Order 14383 and that page returned HTTP 403 to every attempt, so this brief says only that none was found in the sources reached.^38,39 Nominal GDP levels were not obtained from the statistical office, the NT$37.3

trillion and NT$28.6 trillion figures coming from press reporting and a further attempt for this revision failing on a certificate error and a robots restriction, which is why Key Judgment 2 carries the year attribution at moderate confidence and the year of the NT$33.5 trillion estimate is UNCONFIRMED.^4,45 Also UNKNOWN and not filled in anywhere: the 2026 Ministry of National Defense general-budget figure, so the brief can say what the aggregate did and not what the ministry's line did; the exact Legislative Yuan seat split by party, published by the Central Election Commission and the legislature's member directory and reached by neither, a collection failure rather than a considered choice; the 2027 budget's transmission date;^1,3 the first plenary and Premier's report dates;^15,16,17 the date the supplementary budget goes to the legislature;^10 how either party is framing defence spending on the stump; and any Taiwan sovereign spread, quoted daily in markets this collection did not reach and therefore a collection gap rather than a finding. Two quantities a modelled base rate would have supplied remain unavailable: the class-matched frequency of named PLA theatre exercises in a ten-day window and a modelled hazard rate for third reading by calendar date. The forecasts are explicitly judgmental where those quantities would otherwise contribute.

Source inconsistencies. Five are carried rather than resolved, each reported at the point of use and staged as a gap: Fu Kun-chi's 1.689 percent against his 98.4 percent, neither consistent with the other nor with the reported totals;^5,6 CNA's 266-day delay against 257 days from an end-November deadline and an op-ed's 351 days from submission;^5,59 the 2026 submission date of 31 August against 29 August 2025;^5,59 race ratings whose category labels do not match the localities named, where the localities are counted instead;^36 and a 60 to 50 vote in a 113-seat chamber leaving three members unaccounted for.^11

Key Judgments

1. **High confidence.** The published ratios of 3.32 percent for 2026 and 3.01 percent for 2027 are computed against different years' GDP and are not comparable, so no direction of travel can be read from the pair. The 3.01 percent uses projected 2027 GDP of NT$37.3 trillion, the conventional own-year basis and the one NATO's method uses; the 2026 figure of NT$949.5 billion at a published 3.32 percent back-solves to NT$28.6 trillion, which is not the NT$37.3 trillion the 2027 ratio uses. Non-comparability follows from that arithmetic alone and does not depend on which year either denominator belongs to, an attribution this brief carries as UNCONFIRMED. Moving the 2027 budget onto that older base gives 3.93 percent, the most flattering of the four available ratios and not a corrected comparison but a second distorted one. What survives every choice of denominator is the money: the aggregate rises 18.2 percent, from NT$949.5 billion to NT$1,122.5 billion. Every ratio reconciles exactly to its stated numerator and denominator.^1,2,4

2. **Moderate confidence.** The NT$28.6 trillion base is a 2025 GDP figure and the own-year reconstruction that follows is indicative rather than established. The Chinese-language report of the Cabinet approval names the baselines by Republic of China year, putting NT$28.6 trillion at calendar 2025 and NT$37.3 trillion at 2027, but that attribution rests on one source, the English-language report of the same day calls NT$28.6 trillion "this year's GDP", and the statistical office's nominal tables were not obtained on the collection run or on this revision. The year of the NT$33.5 trillion figure used in a 2 August 2026 budget preview is likewise UNCONFIRMED, so the own-year 2026 ratio of 2.83 percent computed from it is illustrative and printed as such. Confidence is moderate, not high, because the attribution is single-sourced against a conflicting second source with the primary tables unread.^1,2,3,4

3. **High confidence.** The NT$1.1225 trillion is a five-component aggregate on a method the reporting describes as mirroring NATO's, counting special budgets, non-profit special funds, military pensions and the coast guard alongside the defence ministry's general budget, and the five sum exactly to the published aggregate. Strip to the ministry general budget alone, NT$691.9 billion, and the ratio against projected 2027 GDP is 1.86 percent; remove military pensions alone from the aggregate and it is 2.73 percent, below the 3 percent commitment. A reader who does not know which numerator and denominator a quoted ratio uses will misread this budget in either direction, and that objection applies to the 3.93 percent as much as to the 3.01 percent.^1
4. **Moderate confidence.** The Legislative Yuan will not fund the 2027 defence line before the 28 November local elections, and more likely than not will not pass the general budget in calendar 2026 either. Four cycles are datable: FY2020 passed 51 days past deadline, FY2024 19 days past, FY2025 52 days past, and FY2026 on 14 August 2026, reported as 266 days past and computing to 257 from an end-November deadline. None met the deadline and one of four cleared by 31 December of the pre-fiscal year. This chamber has two of those cycles, not one, and the 2026 delay is described by two Taipei Times pieces as a record rather than a norm. Passage before 27 November is very unlikely, of the order of 0.02; passage by 31 December is priced at 0.15 below. Confidence is moderate because the sample is four, only two cycles are from this chamber, and the first plenary, transmission and Premier's report dates are UNKNOWN.^5,54,55,56,58,59
5. **High confidence.** A threshold of 30 PLA sorties in Taiwan's ADIZ on a single day was not reached in any of the 91 published daily reports from 11 June to 9 September 2026. The maximum was 26 on 3 July 2026, also the maximum total-sortie day at exactly 30; the mean was 4.40 and the median 3; 27 reports recorded none in the ADIZ at all; four reached 20 or more and 14 reached 10 or more. The 91 reports cover at most 90 distinct 24-hour windows, because the 22 and 23 June pages duplicate one window and the 5 and 6 August pages carry a conflicting header, and both defects sit far below the threshold. Seventeen rows were re-read against source with zero transcription errors, and an independent August count of 125 on the narrower median-line definition is consistent with this brief's 128 on the wider one.^14,20
6. **Moderate confidence.** Reaching 30 sorties in the ADIZ inside the 1 to 10 October window would require a named theatre exercise rather than routine patrolling, and none appears in any source read. The largest announced patrols of the quarter, on 2, 8 and 30 July 2026, produced full-day ADIZ counts of 26, 20 and 22, while the only recent precedent above 30 is Strait Thunder-2025A at 37 median-line crossings on 1 April 2025. The observation window is out of season: a secondary compilation records 111 aircraft on 14 October 2024 during Joint Sword-2024B, in ROC national-day week, and roughly 130 sorties over two days in December 2025, so the summer rate is a floor for October rather than an estimate of it, which is why the claim is priced above the observed zero. The window also carries PRC National Day on 1 October, the mobilisation law taking effect the same day, and ROC National Day on 10 October.^14,20,23,24,29,60

Section 01 · The Number

Four Ratios, One Budget. *A five-component aggregate on a NATO-style method, and a published pair of ratios computed on different years' GDP that can be made to show a cut or a surge depending on the base chosen.^1,2*

On Wednesday 20 August 2026 the Executive Yuan approved the central government general budget proposal for fiscal 2027: total expenditure NT$3.9266 trillion, US$123.133 billion, with revenue and expenditure balanced, reported as the first substantive zero net borrowing in 78 years, and a defence aggregate of NT$1.1225 trillion, US$35.3 billion, the first Taiwanese defence total above NT$1 trillion.^1,3 The Cabinet expected to submit by the end of August 2026; the actual transmission date is UNKNOWN, no source read giving it.^1,3

The aggregate has five components: the Ministry of National Defense general budget NT$691.9 billion, 61.6 percent of the total; special budgets NT$218.2 billion, 19.4 percent; non-profit special funds NT$60.7 billion, 5.4 percent; military pensions for veterans NT$103.8 billion, 9.2 percent; and the Coast Guard Administration NT$47.9 billion, 4.3 percent.^1 Those five sum to NT$1,122.5 billion exactly, and the method is described as mirroring the method used by the North Atlantic Treaty Organization.^1 The 2026 comparator for the ministry general-budget line is UNKNOWN, so this brief can say what the aggregate did year on year and cannot say what the ministry's own line did.

The ratios are where the reading goes wrong, and they go wrong in both directions. Four are available, each arithmetically correct on its own basis.

RATIO	NUMERATOR	DENOMINATOR	BASIS	VALUE
2027 aggregate, own-year	NT$1,122.5bn	NT$37.3tn, projected 2027 GDP	Conventional, and the one the government used	3.01 percent^1,2
2027 aggregate, older base	NT$1,122.5bn	NT$28.6tn, the base the 2026 ratio used	Denominator two years before the budget year	3.93 percent^1,2
2026 aggregate, as published	NT$949.5bn	NT$28.6tn	Denominator one year before the budget year	3.32 percent^1,4
2027 ministry line, own-year	NT$691.9bn	NT$37.3tn	Numerator narrowed to the general budget	1.86 percent^1

The 3.01 percent is the conventional figure, because the ordinary convention, NATO's included, measures a defence budget against the GDP of the year it is spent in.^1,2 The anomaly in the published pair is therefore the 2026 number, not the 2027 one: a 2026 budget measured against a base the budget documents place in 2025, which this brief establishes by back-solving NT$949.5 billion divided by 3.32 percent.^1,4 Set 3.32 against 3.01 and the budget looks like a cut, an artefact of the mismatch. Move the 2027 budget onto the older base to get 3.93 percent, set that against 3.32, and it looks like a surge of 61 basis points, a second artefact running the other way and the most flattering of the four. If the NT$33.5 trillion estimate used in a 2 August 2026 budget preview is a 2026 figure, which is the only plausible reading of a number sitting between the other two but is established in no source read, the own-year pair is 2.83 percent for 2026 against 3.01 percent for 2027, a rise of about 18 basis points.^4 That row is illustrative because the year attribution is UNCONFIRMED, and the same caution attaches to the NT$28.6 trillion base, which rests on one Chinese-language report and is contradicted by an English-language report of the same day.^2,3

Two things follow that depend on none of this. The money rises 18.2 percent and no choice of denominator can move it.^1,4 And the government has not gamed its denominator: NT$37.3 trillion against a NT$28.6 trillion 2025 base implies 30.4 percent nominal growth in two years, a demanding assumption, and a demanding denominator makes a 3 percent commitment harder to clear, not easier.^1,2

The counter-framing on the numerator must be carried with the same care. The 3.01 percent clears the commitment by nine hundredths of a point, and clears it only because the aggregate counts military pensions, a civilian coast guard, non-profit special funds and borrowing-financed special budgets alongside the ministry's general budget: NT$103.8 billion is a veterans' entitlement that procures nothing, and NT$218.2 billion sits outside the general budget and has already been cut 37.6 percent for 2026 to 2033 by the chamber that will now vote on this one.^1,7,8 Remove military pensions alone and the aggregate is 2.73 percent, below the commitment; narrow the numerator to the ministry general budget and it is 1.86 percent.^1 This is not a charge of misrepresentation: NATO's own definition includes military pensions, the components sum exactly, and the method is disclosed. It is a statement about what the headline tells a reader who wants to know what Taiwan is buying, and it is why the Decision table treats the exposure as a composition and delivery question rather than a ratio question. President Lai's stated goal is expressed on the aggregate basis, so a reader tracking it on the ministry line would conclude something entirely different.^3 One competing composition was found and is not used: a trade outlet of 10 August 2026 gives the ministry core line as NT$806 billion, contradicting the NT$691.9 billion breakdown.^49

Assessment · High Confidence. Quote no ratio from this budget without naming both its numerator and the GDP year in its denominator, and rest any statement about direction on the money rather than on a ratio. The 3.93 percent widely available as a corrective is the 2027 budget on the NT$28.6 trillion denominator and is not a correction. Rationale: every ratio above reconciles exactly to its stated numerator and denominator, the five components sum exactly to the published aggregate, and the money comparison requires no denominator at all.^1,2,4

Section 02 · The Chamber

Two Precedents, Not One, and a Record That Is Not a Norm. *A legislature that has never met a budget deadline, an opposition bloc whose lever is composition rather than headline size, and a 2026 cycle its own press calls a record.^5,54,55,56,58*

The 11th Legislative Yuan has 113 seats. The 2024 elections produced divided government, the DPP winning the presidency and the KMT a plurality but not a majority, after which the KMT formed a governing coalition with the Taiwan People's Party.^11,33 The exact seat split by party is UNKNOWN in this brief and should not have been: the Central Election Commission and the legislature's member directory publish it and this collection reached neither. What is known is the working strength on the floor: two 2026 divisions carry recorded tallies, 59 to 51 on the special defence budget on 8 May and 60 to 50 on the drone procurement act on 27 August, each with 110 members voting and three of 113 unaccounted for, both putting the opposition side at 59 to 60 of those voting.^7,11 The composition is stable: 31 KMT legislators faced recall votes across two rounds in 2025 and none was removed.^33,34

The budget record is longer than the 2026 cycle and does not say what a single observation says. Four cycles are datable from Central News Agency reporting: FY2020 passed 20 January 2020, 51 days past an end-November 2019 deadline; FY2024 passed 19 December 2023, 19 days past and inside the pre-fiscal calendar year; FY2025, the first handled by this chamber, passed 21 January 2025, 52 days past; and FY2026 passed at 6.08 p.m. on Friday 14 August 2026.^5,54,55,56 No cycle met the statutory deadline, one of the four cleared by 31 December of the pre-fiscal year, and this chamber has handled two of them, not one. The correction matters because FY2025, under the same divided control, ran 52 days past deadline rather than eight months, and because that bill was then sent back: the Executive Yuan requested reconsideration and the Cabinet went on to the Constitutional Court, the template for what a contested passage looks like after third reading.^57

The 2026 delay is a record and should be read as one. A Taipei Times editorial of 17 August 2026 calls it "a new record for the tardiest passage of a general budget", and an op-ed of 21 August 2026 measures 351 days from submission and calls it a record in the country's constitutional history.^58,59 The interval and the submission date are both contested, and this brief prints CNA's figures as reported with the alternatives beside them: 266 days past deadline against 257 computed from an end-November 2025 deadline, and a submission of 31 August 2025 against the op-ed's 29 August.^5,59

One point of Taiwanese practice bears on how hard the deadline binds, and the brief's own sources supply it: under the Budget Act the previous year's budget continues in force in a deadlock, so Taiwan has not experienced the kind of large-scale shutdown seen in the United States.^59 A missed deadline in Taipei is a governance failure and a procurement delay, not a fiscal cliff, which is why it is missed every year and why the planning case for 2027 is an unpassed budget running into the new fiscal year rather than a crisis.

What the 2026 cycle did to the money is the better guide to composition. Lawmakers did not begin the review until 14 April 2026, with committee review from 21 April, seven and a half months after submission.^18,19 As passed, approved expenditure was NT$2.9869 trillion, a cut of NT$48 billion from the NT$3.034 trillion proposal, with military equipment and facilities cut 2.5 percent while the NT$63.4 billion drone development and procurement line passed uncut after the KMT dropped a threatened 70 percent cut.^5,6

The special defence budget is the sharper case, because there the chamber rewrote the substance. Against a Cabinet request of NT$1.25 trillion over eight years covering 2026 to 2033, financed by borrowing outside the general budget, the legislature on 8 May 2026 passed the opposition version instead, a ceiling of NT$780 billion, by 59 votes to 51: a cut of NT$470 billion, 37.6 percent, in two phases of up to NT$300 billion and up to NT$480 billion.^7,8,10 What was stripped is the point: domestic asymmetric defence systems, anchor orders for more than 200,000 domestic drones, loitering munitions, a US$2 billion joint Taiwan-United States drone procurement and research line, and peacetime munitions production, leaving a bill that on that account focuses exclusively on the purchase of United States weapons systems.^8

The pattern held in August. On 27 August 2026 the legislature passed the opposition-led Act on Strengthening Defense Autonomy and Developing the Unmanned Vehicles Industry by 60 votes to 50, capped in principle at NT$240 billion, US$7.56 billion, over six years at NT$40 billion a year raisable with legislative approval and running through the annual general budget rather than a special budget, so the ceiling is reachable only if all six annual budgets pass on time and at the cap, against a ministry plan to spend NT$42.1 billion on drones in 2027.^11,12 The Cabinet's answer came on 3 September 2026: a supplementary budget of NT$607.6 billion, US$19.12 billion, framed explicitly as a response to the May cut, of which the named defence lines total NT$128.6 billion, about a fifth of the package. The date it reaches the legislature is UNKNOWN.^10

Assessment · Moderate Confidence. Treat the opposition bloc as a constraint on composition and timing rather than as an opponent of a 3 percent target, and treat lateness as the norm rather than as this cycle's signal. Its demonstrated instruments are redirection toward United States sales with signed paperwork, the stripping of domestic and joint-development lines, and annual caps with annual review; its demonstrated tolerance on headline size is a 2.5 percent cut to military equipment in a general budget. The negative half of this reading is weaker than the positive half: no KMT or TPP statement on the 2027 aggregate dated on or after 20 August 2026 was reachable, so this brief cannot say whether the opposition contests the headline share, and the one datable position on size, the chair's October 2025 opposition to a 5 percent target, cuts the other way. Rationale: the Letter of Offer condition, the objection to unclear line items, the May stripping and the August annual cap point one way, and the reachable evidence on headline size is thin in both directions.[7,8,11,12,30,31,32]

Section 03 · The Calendar

Three Days Between the Ballot and the Deadline. *A session running to the end of December, a deadline at the end of November, and polling day on 28 November in 22 executive races on which both party leaderships' positions turn.[15,35,36]*

The Legislative Yuan holds two sessions a year, with statutory meeting periods from February to the end of May and from September to the end of December.[15] An item page read on 10 September 2026 carries the header identifying the 11th Legislative Yuan, 6th Session, confirming the autumn session is under way.[17] The first plenary date is UNKNOWN: the Chinese news list was unreachable, the meeting-forecast page served stale content, the English press release list carries no autumn entry, and no reporting dating it was found. One advocacy source states 1 September 2026 was the session's first day; it is a single unverified source and is not relied on.[50] The date of the Premier's report on the 2027 budget is likewise UNKNOWN and appears in no source read: the Executive Yuan index still shows the 24 February 2026 report to the fifth session as its most recent entry, and its cadence points to the second half of September without establishing the instance.[16]

The statutory passage deadline is one month before the fiscal year begins, the end of November; its application to 2027 is inferred from the rule as stated in the reporting on the 2026 bill, no source read giving the 2027 date explicitly.[5,15] On the four cycles set out in Section 02 it has never bound.[5,54,55,56]

The election calendar sits across it. The Central Election Commission announced on 31 October 2025 that the local elections would be held on 28 November 2026, covering the six special municipalities and 16 other counties and county-level cities, which is 22 executive races.[35] The field was set when candidate registration closed on 4 September 2026, so campaigning runs through the October window and November, and polling day falls two days before the deadline expires.

That two-day interval is the brief's analytical hinge, and it is why the subtitle's question and the forward claim below are two propositions. Passing the budget before polling day would need committee review, negotiation on the defence chapter and three readings inside ten weeks of campaigning, against the record in Section 02; no first plenary date, Premier's report, committee referral or third-reading timetable exists in any source read.[5,18,19,54,55,56] What the interval does instead is remove, on 29 November, the incentive Section 02 identifies as the reason for delay. Once the election is decided both leaderships' positions are settled, holding the aggregate as a campaign issue buys nothing, December is a full month of statutory session, and the

FY2024 cycle shows a December third reading is a thing a Taiwanese legislature does, though that instance was a different chamber under a governing majority.[15,55]

What is at stake in those races is why the incentive runs that way. On the reading of a named expert writing in late August 2026, the cycle is structurally hard for the KMT, which is defending ten open seats against three DPP-held ones, and the opposition alliance held together on nominations with no blue-white splits in any county-level executive race.[36] Counting the localities he names rather than the category labels he prints, which do not match, his ratings put three races safe KMT, three likely KMT, six leaning KMT, two toss-ups, four leaning DPP, three likely DPP and one leaning independent, and both leaderships have their positions decided on 28 November. How the parties are framing defence spending on the stump is UNKNOWN: no dated campaign statement by either was found.

Assessment · Moderate Confidence. Plan on the defence line being unfunded on polling day and negotiated afterwards: passage before 28 November would be without precedent in a record where the deadline itself has never been met, and the incentive to delay expires the day after, which points to December and, on the two most recent cycles, to the new year. Confidence is moderate because the first plenary, transmission and Premier's report dates are all UNKNOWN, so the procedural clock cannot be timed from a first sitting, and because the one December precedent comes from a different chamber under a governing majority. Rationale: the four-cycle record in Section 02, and an election that removes the stated reason for delay on 29 November.[5,15,36,54,55,56,58]

Section 04 · The Strait

What the Daily Report Has Not Said Once. *Ninety-one published daily reports with zero days at 30 sorties in the ADIZ, a maximum of 26, and a precedent above 30 that is a named theatre exercise rather than a patrol.[20,24]*

The Ministry of National Defense publishes a report titled "PLA activities in the waters and airspace around Taiwan" every day, covering the 24 hours to 6 a.m. UTC+8, posted on its own site and mirrored on globalsecurity.org.[20] It counts sorties rather than airframes, so one aircraft flying two missions inside a window is two sorties, and this brief and the forward claim below both score sorties. The report carries two aircraft numbers and only one is the ADIZ count: the total, phrased as a number of "sorties of PLA aircraft ... operating around Taiwan were detected", and the subset, phrased "N out of M sorties entered Taiwan's ... ADIZ" or "N out of M sorties crossed the median line of the Taiwan Strait and entered Taiwan's ... ADIZ".[20,21,22] Both wordings of the subset appear and both are counted by the ministry as ADIZ entries; on days with no aircraft the sentence is omitted entirely. A third number is neither of these: during large patrols the ministry issues separate same-day press releases whose figures are the snapshot at time of issue and not a full-day total.[23] Any claim on this series must name which number governs and which window.

Across all 91 published daily reports from 11 June to 9 September 2026, one per calendar date with no duplicate and no missing date, the ministry reported 30 or more PLA sorties entering Taiwan's ADIZ on zero of them; those 91 reports cover at most 90 distinct 24-hour windows, for the two reasons set out in Scope and Method, and both affected pairs sit far below the threshold at issue.[20] The maximum was 26, on 3 July 2026, which was also the maximum total-sortie day at exactly 30. The mean ADIZ count was 4.40 a day and the median 3. Twenty-seven of the 91 reports recorded no aircraft in the ADIZ at all and 20 recorded no PLA aircraft around Taiwan at all. Four days reached 20 or more in the ADIZ: 3 July at 26, 9 July at 20, 23 July at

20 and 31 July at 22. Fourteen reached 10 or more. Naval and coast guard presence was by contrast continuous: PLAN ships averaged 7.3 a day in a range of 1 to 13 and official ships 4.0 a day in a range of 0 to 11, with no balloon line on any day.^20 Read against total sorties detected rather than the ADIZ subset, the base rate is one day in 91 rather than zero, that same 3 July at exactly 30.^20 The wording of a claim therefore selects between a base rate of zero of 91 and one of 91.

The independent check is consistent rather than confirmatory, because it counts a narrower thing: the Institute for the Study of War and the American Enterprise Institute report 125 aerial incursions in August 2026 against Aegean's 128, theirs median-line crossings only and this brief's all ADIZ entries, so the three-entry difference is a plausibility check and not an agreement. They read the trend as a reversion since the start of 2026 to numbers similar to the pre-2024 baseline, an adjustment in coercion strategy rather than seasonal fluctuation.^14,20

The patrol days make the threshold concrete. The ministry announced joint combat readiness patrols on 3 June, 2 July, 8 July and 30 July 2026, each reporting 21 or 22 sorties at issue with 14 to 20 crossing the median line into the ADIZ, and each appears in the following morning's 24-hour report at a higher total: 30 sorties and 26 in the ADIZ on 3 July, 28 and 20 on 9 July, 27 and 22 on 31 July. Even on the largest announced patrol days of the quarter the full-day ADIZ count peaked at 26, four short of 30.^20,23 The only recent precedent above 30 is of a different kind: Strait Thunder-2025A ran on 1 and 2 April 2025, and in the 24 hours from 06:00 on 1 April the ministry recorded 76 aircraft with 37 crossing the median line, alongside 15 PLAN ships and four coast guard vessels, the Eastern Theater Command stating purposes including joint blockade and precision strike.^24 Nothing of that character has occurred in the collection window. The window is also out of season for it: the PLA's largest recorded air days fall in the autumn and winter, and a secondary compilation carried here as unverified records 111 aircraft on 14 October 2024 during Joint Sword-2024B, in ROC national-day week, and roughly 130 sorties over two days in December 2025.^60

The window's context cuts both ways. No PLA Eastern Theater Command announcement of an exercise around 1 to 10 October 2026 was found in the indices or cross-strait sections read or in the ISW and AEI updates of 28 August, 1 and 4 September 2026, an absence of evidence in the sources reached rather than evidence of absence.^12,13,14 China's revised National Defense Mobilization Law takes effect on 1 October 2026, the window's first day and PRC National Day, with no source read linking the two beyond the coincidence of date; the ROC National Day closing the window on 10 October is carried as a fixed statutory date rather than from a source page.^29

Assessment · High Confidence. Price the October air question from the series and not from the dates: zero of 91 published reports reached 30 sorties in the ADIZ, the maximum was 26, and the largest announced patrols of the quarter topped out at 26, 20 and 22 on the full-day count. A YES on the 1 to 10 October threshold requires a named theatre-level exercise of the Strait Thunder-2025A kind, not routine patrolling or a national-day gesture. The mechanism carries at high confidence; the rate does not, because the observation window is out of season for the PLA's largest air days, so the summer rate is a floor for October rather than an estimate of it, which is why the forward claim is priced above the observed zero. Rationale: every row is sourced to the ministry text day by day and seventeen were re-read against source without transcription error, an independent monthly count on a narrower definition is consistent with it, and the only recent precedent above 30 is a named two-day exercise that produced 37 median-line crossings.^14,20,23,24,60

Section 05 · The American Variable

A Budget Gated on Paperwork That Has Not Arrived. *An opposition condition tied to United States Letters of Offer and Acceptance, a December 2025 package of US$11.1 billion, and no 2026 notification found in the sources reached, which is not the same as none existing.^30,37,38,39*

The last confirmed round is December 2025. On 18 December 2025 the State Department approved and announced eight Foreign Military Sales cases for Taiwan totalling US$11.10 billion, led by a HIMARS package at US$4,050 million and 60 M109A7 howitzers at US$4,030 million, with ALTIUS loitering munitions, a Tactical Mission Network, Javelin and TOW missiles and two support cases making up the balance; the eight sum to US$11,105.4 million, which reconciles to the published headline.^37 The December systems are precisely those the enacted NT$780 billion first phase funds, and the NT$8.81 billion first annual instalment passed on 29 May 2026 covered five of them, clearing third reading without opposition two days before a payment deadline for the HIMARS.^7,9

For 2026 the record is a gap this brief will not convert into a zero. No 2026 Taiwan notification was found through 9 September 2026: the Defense Security Cooperation Agency's page lists notifications from 20 January to 6 February 2026 with no Taiwan entry and states that under Executive Order 14383 such posts move to the State Department's website, the Forum on the Arms Trade tracker shows no 2026 entry, and the State Department's own page returned HTTP 403 to every attempt and was not read.^38,39 The question is UNRESOLVED. What is on the record about the gap is reporting of 28 February 2026 that the administration had delayed announcing a package valued in the billions, including air-defence missiles and at an advanced stage, to avoid upsetting Beijing before a planned presidential trip, after senior lawmakers of both parties approved it on informal review in January 2026.^40 Later statements are consistent with a decision held rather than abandoned: the Secretary of State said on 4 June 2026 that the proposed sale was under review and not paused, and the president said on 6 June 2026 that a sale was under consideration.^13,42

This matters to the budget through the KMT's stated condition, that the special budget be approved only after a formal Letter of Offer and Acceptance, with an initial NT$380 billion covering the December 2025 packages and a further NT$400 billion if a second round issued.^30 If no second round has occurred, that gate has not opened, and the same logic is available in the 2027 general budget review.

Delivery proceeds slowly in parallel. The first two F-16V Block 70 aircraft departed the United States on 17 August 2026 and were reported en route on 19 August, after production delays; HIMARS delivery dates are UNKNOWN, the only marker being the May 2026 payment deadline.^41,53 The leader-level track sits across the window. On a state visit to China from 13 to 15 May 2026 the president said arms sales to Taiwan "depends on China" and called them "a very good negotiating chip", while Beijing's readout emphasised that the Taiwan question is the most important issue; those renderings come from an institutional account, not an official readout, no primary readout from either government having been read for this brief.^42 A further meeting is expected at the White House in late September 2026, unconfirmed by either government in any source read, the figure of 24 September tracing to a single presidential remark on 6 July 2026 reported by a wire service.^43,44 If it occurs it falls in the week before the October window, and the February 2026 reporting establishes a pattern of Taiwan-related decisions being timed around these meetings.^40

Assessment · Moderate Confidence. Treat the absence of a 2026 arms-sale notification as an open question with budgetary consequences rather than as an established fact: if no second round of Letters of Offer and Acceptance has issued, the opposition's stated gate for a second defence tranche has not opened, and the same condition is available to it in the 2027 review. Confidence is moderate because the State Department page was unreachable and the absence is therefore UNRESOLVED, and because the meeting's date and agenda are unconfirmed. Rationale: the December 2025 package maps onto the enacted first phase, the KMT's second tranche is explicitly gated on a second round of Letters, and the one detailed account of the 2026 delay attributes it to summit timing.^30,37,38,39,40

Decision matrix. The following actions translate the budget and cross-strait indicators into pre-authorised operating choices.

DECISION	OWNER	TRIGGER	PRE-AUTHORISED ACTION
United States arms-sale delivery risk on Taiwan programmes	Head of defence-programme and counterparty risk	A congressional notification for Taiwan published on state.gov, or its continued absence past 31 December 2026; any action on the second NT$480 billion phase	Model deliveries against the annual appropriation cycle, not the special budget ceiling: Taiwan's largest purchases run through a special budget cut 37.6 percent and rewritten to foreign systems, an annual budget that has never met a deadline, and a drone act capped below the ministry's own 2027 requirement, and the 29 May 2026 instalment cleared two days before a HIMARS payment deadline. Plan on a general-budget line clearing between mid-December and late January on the datable record, with an eight-month tail as the recorded worst case rather than the norm; do not treat the absence of a 2026 notification as established until state.gov is read^7,8,9,12,38,39,54,55,56
Taiwan sovereign spread and duration exposure	Head of sovereign and emerging-market risk	Third reading of the 2027 general budget, or its absence at 31 December 2026; a defence aggregate cut below NT$1.0 trillion; any published Taiwan credit-default-swap level	Treat an unpassed budget into the new fiscal year as the base case, since under the Budget Act the previous year's budget continues in force and no cycle in the record has met the deadline; obtain a Taiwan spread series before pricing the dispute either way, since none was read for this brief and its absence is a collection gap and not a finding. Do not read the macro record as a control: growth was revised to 11.05 percent for 2026,

DECISION	OWNER	TRIGGER	PRE-AUTHORISED ACTION
			August exports set a record at US$82.4 billion and the TAIEX closed at its second-highest level on 7 September, and an eleven percent growth year would conceal a fiscal dispute of any size, so the absence of an identified market reaction to the 8 May 2026 cut shows nothing either way^5,45,46,47,48,54,55,56,59
Semiconductor contingency planning for the October window	Head of supply-chain continuity, semiconductor exposure	An Eastern Theater Command announcement of a named exercise; a single-day ADIZ count at or above 20 on the ministry's own report; a China Coast Guard action beyond the Kinmen and Pratas pattern	Hold contingency posture at the observed rate rather than the calendar, while treating that rate as a floor: zero of 91 published summer reports reached 30 sorties in the ADIZ and the maximum was 26, but the largest recorded PLA air days fall in October and December; escalate on a named exercise announcement, not on a national day^14,20,23,24,60

Outlook

Three Scenarios, to 31 December 2026. *Construction confidence reflects analytical quality, not probability. Each scenario carries a signal to watch for the question this brief tracks: whether the Legislative Yuan funds the 2027 defence line, and when.*

Baseline · The Budget Slips Past the Ballot. Construction confidence: High · Velocity: Gradual. The Premier reports in late September or October and the defence chapter goes to committee without a passage timetable; the opposition presses the Letter of Offer and Acceptance condition; polling day passes with the line unfunded and the deadline two days later with the budget unpassed; the negotiation runs into December and, on the two most recent cycles, into the new year; and the October window closes without a named PLA theatre exercise. SIGNAL TO WATCH: A COMMITTEE REFERRAL WITHOUT A PASSAGE TIMETABLE; NO THIRD READING SCHEDULED BEFORE 28 NOVEMBER; DAILY ADIZ COUNTS REMAINING BELOW 20.^5,6,20,35

Deterioration · Coercion Meets Gridlock. Construction confidence: Moderate · Velocity: Rapid. A named theatre exercise is announced in or around the October window, on the Strait Thunder-2025A pattern and in the season in which the PLA's largest recorded air days fall, with a single-day ADIZ count above 30 and the mobilisation law supplying its framing; the budget hardens rather than accelerates, with the opposition treating the aggregate as leverage; the 2026 gap in United States notifications extends, leaving the second NT$480 billion phase's gate shut; and a third reading, if it comes, is followed by a request for reconsideration on the FY2025 template. SIGNAL TO WATCH: AN EASTERN THEATER COMMAND EXERCISE ANNOUNCEMENT; A MINISTRY SAME-DAY PRESS RELEASE ABOVE 30 SORTIES; AN EXECUTIVE YUAN REQUEST FOR RECONSIDERATION.^8,10,24,29,30,57,60

Stabilisation · A December Passage. Construction confidence: Moderate · Velocity: Event-driven. The incentive to hold the budget as a campaign issue disappears on 29 November and the chamber does in December what the FY2024 cycle shows a Taiwanese legislature can do: a third reading inside the pre-fiscal calendar year at or near the Cabinet's aggregate, because the opposition's demonstrated instrument is composition rather than headline size and no general budget on the record has been cut anywhere near the 15.3 percent reduction required across the votable components after the stated carry-forwards. The equivalent cut against the headline aggregate is 10.9 percent. A United States notification, if it lands, opens the KMT's stated second-tranche gate rather than being a precondition. SIGNAL TO WATCH: A PUBLISHED THIRD-READING TIMETABLE IN THE FIRST HALF OF DECEMBER; A CROSS-CAUCUS AGREEMENT ON THE DEFENCE CHAPTER; A TAIWAN CASE PUBLISHED ON STATE.GOV.^5,11,30,39,55

Forward claims. Two claims are proposed for the firm's public Scorecard, in the words in which they will be recorded. Both probabilities are the analyst's own judgment, not the output of any model. Neither is the subtitle's question: third reading on or before 27 November 2026 is priced separately in the Thesis at the order of 0.02 and is not proposed as a claim because its resolution is subsumed by C2.

POL-2-C1: "The Republic of China Ministry of National Defense reports at least 30 sorties of PLA aircraft entering Taiwan's Air Defence Identification Zone on a single reporting day between 1 and 10 October 2026 inclusive." Analyst probability: 0.12. Resolution by the ministry's daily reports at mnd.gov.tw, with the globalsecurity.org mirror as the named mirror, by 11 October 2026. The governing number is the ADIZ subset in the "N out of M sorties" clause, not the total sortie count and not the same-day patrol snapshot. The base rate is zero of 91 published daily reports, maximum 26 on 3 July; the probability is set above that observed zero because the window is out of season, the PLA's largest recorded air days falling in October and December, and because the only recent precedent above 30 is a named theatre exercise, not from the presence of two national days.^20,24,60

POL-2-C2: "The Legislative Yuan passes the 2027 central government general budget with the defence aggregate at or above NT$1.0 trillion on or before 31 December 2026." Analyst probability: 0.15. Resolution by ly.gov.tw with Focus Taiwan as mirror, with the event cutoff at 31 December 2026 and a component-resolution window through 31 January 2027. Passage means third reading. The probability decomposes as the chance of third reading by 31 December, 0.15 to 0.20 against a base rate of one of four datable cycles clearing by that date, times the chance the aggregate survives at or above NT$1.0 trillion given passage, about 0.85 because clearing the threshold downward requires a 15.3 percent cut across the votable components after the stated carry-forwards; the equivalent cut against the headline aggregate is 10.9 percent, against a deepest recorded defence-line cut of 2.5 percent.^5,54,55,56

Indicators that would move the read. The first plenary date and the date of the Premier's report;^16,17 the transmission date and any committee referral of the defence chapter;^1,18 any KMT or TPP statement on the

NT$1.1225 trillion figure;^30,32 a Taiwan case published on the State Department's congressional-notifications page;^39 the handling of the NT$607.6 billion supplementary budget;^10 daily ADIZ counts against the 20 and 30 lines;^20 any Eastern Theater Command exercise announcement;^14 China Coast Guard activity near Kinmen and Pratas;^14,25 the 28 November result against the race ratings;^36 and any Executive Yuan request for reconsideration after a third reading, on the FY2025 template.^57 The class-matched frequency of named PLA theatre exercises in a ten-day window and a modelled hazard rate for third reading by calendar date remain unavailable; both probabilities are therefore explicitly judgmental where those quantities would otherwise contribute.

Assessment · Moderate Confidence. Baseline is the path to plan against: no Taiwanese general budget in the datable record has met its deadline, only one of four cleared by 31 December of the pre-fiscal year, and the 2027 bill has not reached committee in any source read, while the air series gives no support to a loud October. Stabilisation is a live path rather than a remote one, because the reason for delay expires on 29 November and one of the four cycles did clear in December, which is why the forward claim is priced at 0.15 rather than lower. Deterioration arrives with one exercise announcement. Rationale: the four-cycle record, the two-day interval between polling day and the deadline, and a complete set of published daily reports with zero days at the threshold.^5,20,35,54,55,56

Scorecard

No prior Aegean claim resolves in this brief. It advances one: CLM-2026-248 holds that there is no PRC blockade, quarantine or sustained fires against Taiwan on or before 15 October 2026. The evidence collected here is consistent with that claim holding and does not resolve it. PLA air activity in 2026 is running at roughly half the 2025 level: the 91 published daily reports to 9 September record a mean of 4.40 sorties a day in the ADIZ, a median of 3, a maximum of 26 and 27 reports with none at all, while an independent count puts August 2026 at 125 incursions on a narrower definition, less than half the August 2024 and August 2025 totals.^14,20 Nothing in the window resembles a blockade, a quarantine or fires. What is elevated is the maritime and law-enforcement line: a Pratas coast guard standoff from 23 May 2026, the sixth such incursion, renewed on 5 June; four China Coast Guard incursions near Kinmen and one near Pratas in August alone; a first foreign-navy exercise east of Taiwan on 12 August; and a presidential order of 26 June for stronger maritime resilience after a tabletop exercise simulating quarantine-style coercion.^14,25,26,27,28 Two cautions attach: the observation window closes on 9 September and is out of season, and CLM-2026-248 resolves on 15 October, five days after this brief's own air window closes. Its resolution belongs to 15 October 2026 and is not scored here. One further firm judgment is advanced rather than scored: The Critical Mineral Export Control Stack (PMR-2026-0603-GLBL-005) holds a standing view on semiconductor supply-chain choke points, which sits adjacent to the delivery and composition exposure set out in the Decision table and which nothing collected here resolves.^61 The two claims proposed above and the three Outlook scenarios enter the ledger OPEN, with revisit dates of 11 October 2026 and 31 December 2026.

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Aegean Intelligence Group. Publishable Market Research. Timeliness: CURRENT. This is a budget and calendar watch on a live legislative cycle: the 2027 defence aggregate, the ratios computed from it and the daily PLA activity counts are dated to their reporting day and will move. A first plenary date, a Premier's report on the 2027 budget, a committee referral of the defence chapter, a named PLA theatre exercise, or a United States arms-sale congressional notification each triggers an update or supersession. Classification: PUBLIC. Prepared on open-source intelligence verified against primary and allowlisted sources; nominal GDP levels are taken from press reporting of the budget rather than from the official statistical tables and are flagged as such where they are load-bearing; analytic judgments are Aegean's and forward probabilities are the analyst's own. contact@aegeanintel.com · aegeanintel.com