

An hourglass-shaped graphic with a globe in the top bulb and another globe in the bottom bulb. The hourglass is light blue and has a dark blue top and bottom. The globe in the top bulb is dark blue, and the globe in the bottom bulb is light blue. The text is centered within the hourglass.

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*Taiwan: Annual Arms Sales Process*

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**Abstract.** This report discusses the annual process that the Administration has used in determining arms sales to Taiwan, which are governed by the Taiwan Relations Act. The discussion is based on interviews in 1998 and 1999 with U.S. and Taiwan observers as well as U.S. and Taiwan news reports.

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# CRS Report for Congress

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## Taiwan: Annual Arms Sales Process

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### Summary

This CRS Report discusses the low-profile annual arms talks process that successive Administrations used from the early 1980s to 2001 in determining arms sales to Taiwan, which are governed by the Taiwan Relations Act. The discussion is based on interviews in 1998 and 1999 with U.S. and Taiwan observers as well as U.S. and Taiwan news reports. This report on the process will not be updated. (On April 24, 2001, President George W. Bush announced that he would drop this annual arms talks process in favor of one with considerations on an “as-needed basis.” See also CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990.*)

### Unofficial Talks Under the Taiwan Relations Act

The Taiwan Relations Act (TRA) (P.L. 96-8) has governed arms sales to Taiwan since 1979, when the United States recognized the People’s Republic of China (PRC) instead. Sec. 3(a) states that “the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.” Sec. 3(b) stipulates that both the President and the Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan. The TRA set up the American Institute in Taiwan (AIT), a nonprofit corporation, to handle relations with Taiwan. AIT implements U.S. policy, with direction from the Departments of Defense and State as well as the National Security Council (NSC) of the White House, and organizes the meetings on arms sales in Taipei or Washington. Successive Administrations used a process in determining arms sales to Taiwan that became institutionalized as annual rounds of talks with Taiwan authorities consisting of several phases leading up to final meetings usually in April. In 1999, U.S.-Taiwan arms sales talks took place on April 27-28, in Washington, and the Clinton Administration confirmed that a Taiwan military delegation was still in Washington on April 29, 1999.<sup>1</sup>

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<sup>1</sup>“Taiwan Envoy Blasts Beijing Over Arms Issue,” *Central News Agency* (Taipei), April 30, 1999; in FBIS, April 30, 1999; State Department, press briefing, April 29, 1999.

## Annual Arms Sales Talks: Pros and Cons

On the positive side, the process used in determining arms sales to Taiwan has evolved over the last two decades into a routine, rather than *ad hoc*, one where Taiwan's evolving defense needs can be expected to be considered carefully every year by the United States at a high level. Official Taiwan media say that in the last 20 years, Taiwan's armed forces have procured "a lot of defensive weapons and equipment" from the United States.<sup>2</sup> Quoting a Taiwan military source, a Taiwan newspaper reports that the military there believes the Pentagon, rather than the State Department, is "quite supportive" of Taiwan's needs, and the situation is thus "favorable."<sup>3</sup> This regular process allows for more predictable planning by Taiwan authorities in charge of the defense budget and potentially reduces the chance that developments in U.S. relations with the PRC could influence arms sales to Taiwan. Moreover, Taiwan could send senior military delegations to Washington. Through the 1990s, the arms talks were low-profile, reducing the opportunities for greater U.S.-PRC friction. Indicating security benefits of arms sales for Taiwan, China objects to the TRA and argues that Washington is not observing the August 17, 1982 U.S.-PRC communique (on reducing arms sales to Taiwan).<sup>4</sup> Testifying before the Senate Foreign Relations Committee on August 4, 1999, Deputy Assistant Secretary of Defense Kurt Campbell declared that the TRA "has been the most successful piece of legislative leadership in foreign policy in recent history."

Indeed, despite the unofficial nature of relations, U.S. arms sales to Taiwan have been significant. From 1991 to 1998, arms deliveries (primarily U.S.) to Taiwan totaled \$20 billion — the second highest (after arms transfers to Saudi Arabia).<sup>5</sup> Contracts are signed under the Foreign Military Sales (FMS) program, with notification to Congress as required by the Arms Export Control Act. Moreover, beginning after tensions in the Taiwan Strait in 1996, the Pentagon, under the Clinton Administration, is said to have quietly expanded the sensitive military relationship with Taiwan to levels unprecedented since 1979. The broader exchanges reportedly have increased attention to "software," including discussions over strategy, military thinking, and plans in the event of an invasion.<sup>6</sup> In September 1999, to enhance cooperation, a Pentagon team visited Taiwan to assess its air defense capability and make recommendations on upgrading it.<sup>7</sup>

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<sup>2</sup> "Military Procurement Under TRA Outlined," *Central News Agency (Taiwan)*, March 16, 1999; in FBIS, March 16, 1999.

<sup>3</sup> "Arms Procurement Policy To Turn 'Pragmatic'," *China Times* (Taipei), August 21, 1998.

<sup>4</sup> See CRS Report RL30341, *China/Taiwan: Evolution of the "One China" Policy — Key Statements from Washington, Beijing, and Taipei*, by Shirley A. Kan.

<sup>5</sup> CRS Report RL30275, *Conventional Arms Transfers to Developing Nations, 1991-1998*, August 4, 1999, by Richard F. Grimmer.

<sup>6</sup> Mann, Jim, "U.S. Has Secretly Expanded Military Ties with Taiwan," *Los Angeles Times*, July 24, 1999.

<sup>7</sup> "U.S. Military Team Arrives in Taiwan for Visit," *Lien-Ho Pao (United Daily News)*, Taipei, September 19, 1999, translated in FBIS. The visit was originally scheduled for July, but the Administration postponed it after Taiwan's President Lee Teng-hui said on July 9, 1999 that cross-strait relations are "special state-to-state ties." On July 21, 1999, President Clinton confirmed that

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Criticisms within the United States of the arrangements in determining arms sales might include observations on the lack of a strategic, longer-range U.S. approach, rather than currently looking at Taiwan's defense needs narrowly on a year-by-year, weapon-by-weapon fashion, that has involved intense inter-agency differences. Some defense industry observers say that the arms sales talks have "generally ended in disappointment for Taiwan because its requests for diesel submarines, long-range surveillance radars, and other defensive items have been rejected in deference to Beijing."<sup>8</sup> In 1999, some in Congress introduced the Taiwan Security Enhancement Act (S. 693, Helms; H.R. 1838, Delay), arguing that "pressures to delay, deny, and reduce arms sales to Taiwan have been prevalent since the signing of the August 17, 1982 communique."

Other comments both within and outside the Administration criticize a perceived traditional overemphasis on selling military equipment. Some would prefer greater attention to diplomatic solutions, including efforts to ease tensions in the Taiwan Strait. In 1998, former Assistant Secretary of Defense for International Security Affairs Chas. Freeman argued that increasing military tensions in the Taiwan Strait "call for a reevaluation of arms sales to Taiwan."<sup>9</sup> Susan Shirk, Deputy Assistant Secretary of State for East Asian and Pacific Affairs, is quoted as saying in a speech on April 14, 1999, that "neither the PRC or Taiwan would be served by overemphasis on military hardware, while neglecting the art of statesmanship."<sup>10</sup> Others who urge greater support for Taiwan's military have called for more attention to "software," including absorption of new equipment, military contacts, training, and advice for Taiwan's military, especially broader training programs on C4I, combined arms, and joint warfare operations — rather than narrow training tied to particular weapon systems.<sup>11</sup>

Some critics are concerned that the White House might secretly negotiate with Beijing over arms sales to Taiwan. An authoritative weekly magazine reported that, during the June 1998 summit in Beijing, the PRC requested a U.S. promise to deny theater missile defense (TMD) technology to Taipei, in return for a PRC pledge not to provide missiles to Iran; but no agreement was reached.<sup>12</sup>

Finally, some on Capitol Hill contend that successive Administrations have neglected a congressional role in determining arms sales as outlined in the TRA, and some Members

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<sup>7</sup> (...continued)

he delayed the visit because the timing was not appropriate, since he did not want to provoke either side or "imply that a military solution is an acceptable alternative."

<sup>8</sup> "Give Taipei The Tools" (Commentary), *Defense News*, May 3, 1999.

<sup>9</sup> Freeman, Chas. W., "Preventing War in the Taiwan Strait: Restraining Taiwan — and Beijing," *Foreign Affairs*, July/August 1998.

<sup>10</sup> Opall-Rome, Barbara, "U.S. Readies \$1.7 Billion Package for Taiwan," *Defense News*, May 3, 1999.

<sup>11</sup> Fisher, Richard D., Jr., "China's Arms Require Better U.S. Military Ties with Taiwan," *Heritage Foundation Background*, March 11, 1998; "Arms Procurement Policy to Turn 'Pragmatic,'" *China Times* (Taiwan), August 21, 1998, in FBIS, August 26, 1998; Barbara Opall-Rome, "Will Boost C4I Focus, Slow Arms Purchases" and "U.S., Taiwan Mull Expanded Training," *Defense News*, November 30-December 6, 1998 and December 7-13, 1998.

<sup>12</sup> Lawrence, Susan V., "Magic Words," *Far Eastern Economic Review*, July 16, 1998.

are seeking to increase their say. Representative Gilman, Chairman of the House International Relations Committee, wrote President Clinton on April 19, 1999, to urge approval for the sale of long-range early warning radars to Taiwan. He also wrote Secretary of State Albright on April 22, 1999, saying that if the Administration did not approve the sale, he would introduce legislation to do so.<sup>13</sup> In the end, the Clinton Administration decided in principle to sell early warning radars to Taiwan (see below).

## Annual Arms Talks Process

The process for arms sales talks between Washington and Taipei generally has included four stages, culminating in an arms sales meeting in Washington each April.

**1. Pre-Talks.** Taiwan's various military services request items for procurement to be decided by their Ministry of National Defense (MND). The MND decides on an official list of about 5-15 major items to request from the United States. The list may include hardware, technical assistance, and professional military education courses. This list is usually presented to the U.S. side towards the end of each year.

In recent years, Taiwan has requested items such as P-3 anti-submarine reconnaissance aircraft and AIM-120 Advanced Medium Range Air-to-Air Missiles (AMRAAM).<sup>14</sup> For the 1999 talks, Taiwan's request reportedly totaled \$1.7 billion and included:<sup>15</sup>

- ! four Aegis-equipped destroyers (or technology);<sup>16</sup>
- ! 6-10 diesel-electric submarines (including training, technical assistance, and logistical support possibly for assembly in Taiwan);<sup>17</sup>
- ! two Patriot Advanced Capability (PAC)-3 missile defense systems;<sup>18</sup>
- ! two AN/BOND long-range, early-warning radars for missile defense;<sup>19</sup>

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<sup>13</sup> Representative Gilman's letters; Bill Gertz, "House Member Urges Radar Sales to Taiwan," *Washington Times*, April 27, 1999.

<sup>14</sup> Glashow, Jason, "U.S. Lawmakers Cite China in Push for Arms to Taiwan," *Defense News*, January 15-21, 1996; Barbara Opall-Rome, "U.S. To Deny Taipei Subs, Missiles," *Defense News*, April 20-26, 1998.

<sup>15</sup> Opall-Rome, Barbara, "U.S. Readies \$1.7 Billion Package For Taiwan," *Defense News*, May 3, 1999.

<sup>16</sup> Pomfret, John, "Taiwanese Seek U.S. Destroyers," *Washington Post*, December 2, 1998; "U.S. Agrees to Transfer Aegis Warship Technology," *Chung-Kuo Shih-Pao (China Times)* (Taipei), April 6, 1999; in FBIS, April 13, 1999.

<sup>17</sup> "Paper Says Taiwan To Acquire Diesel Submarines From U.S.," *Lien-Ho Pao (United Daily News)*, January 18, 1999; in FBIS January 18, 1999.

<sup>18</sup> "New Military Chief Vows To Seek More Anti-Missile Weapons," AFP, February 1, 1999; in FBIS, February 1, 1999; "Military To Persuade U.S. To Sell It Submarines," *Tzu-Li Wan-Pao (Independent Evening News)*, February 22, 1999; in FBIS February 28, 1999.

<sup>19</sup> "Negotiations with TMD With U.S. Team Discussed," *Tzu-Li Wan-Pao (Independent Evening News)*, Taipei, February 22, 1999; in FBIS, February 26, 1999; "Defense Official Welcomes Sales

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- ! satellite early-warning reconnaissance.<sup>20</sup>

**2. Working-Level Talks in Taiwan.** At the beginning of the following year, a few small working-level teams organized by AIT travel to Taiwan to collect information and discuss the request in greater detail with Taiwan's military. Composed mainly of Pentagon staff, the teams may visit various sites in Taiwan to obtain a better understanding of its defense needs.

After the visits, the Office of the Assistant Secretary of Defense for International Security Affairs (ISA) formulates the Pentagon's position, including the views of the various services and the joint staff. Meanwhile, the State Department and NSC formulate their own positions on the requests from Taiwan. The agencies may formulate decisions based on different priorities involving several factors, including:

- ! implications for regional stability;
- ! military balance in the Taiwan Strait (including assessments of the PRC threat against Taiwan and prospects for a peaceful resolution of the Taiwan question);
- ! U.S.-PRC relations;
- ! U.S. policy on technology transfer;
- ! offensive vs. defensive capabilities of the items;
- ! the value of arms called the "bucket."<sup>21</sup>

**3. Resolution of Disagreements Within U.S. Government.** From March to April, U.S. policymakers work to resolve any disagreements with the Defense Department's position at the level of the Under Secretary of Defense for Policy, Under Secretary of State for Arms Control and International Security Affairs, and the Deputy National Security Advisor at the NSC. If disagreements persist, they are then elevated to the highest levels at the various agencies. For example, in the case of the 1999 decision on early-warning radars, top policymakers at the NSC, State Department, and the Pentagon reportedly agreed to approve the sale, overruling mid-level NSC and State officials who opposed the sale out of concerns that it might provoke the PRC and increase already heightened tensions between Washington and Beijing.<sup>22</sup>

**4. Annual Talks.** The talks between Washington and Taipei on U.S. arms sales to Taiwan take place every year, usually in April. The U.S. side, as represented by AIT

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<sup>19</sup> (...continued)

of Early-Warning Radar," *Chung-Yang Jih-Pao*, Taipei, April 29, 1999; in FBIS, April 29, 1999; Shenon, Philip, "U.S. Plans to Sell Radar to Taiwan to Monitor China," *New York Times*, April 30, 1999.

<sup>20</sup> "Negotiations with TMD With U.S. Team Discussed," *Tzu-Li Wan-Pao (Independent Evening News)*, Taipei, February 22, 1999.

<sup>21</sup> The "bucket" is the value of annual arms sales to Taiwan, with calculations that the State Department argue is reduced every year (according to the 1982 Communique). See: Opall-Rome, Barbara, "Unofficial Instrument Drove Sale to Taiwan," *Defense News*, September 7-13, 1998.

<sup>22</sup> Shenon, Philip, "U.S. Plan To Sell Radar To Taiwan To Monitor China," *New York Times*, April 30, 1999.

and the Defense Department, presents the final decisions on the requested items. A military delegation from Taiwan usually visits for a few days of scheduled meetings and social functions. The formal meetings on approved sales may take place on one day. There may also be trips outside of Washington to visit military bases, inspect pilots from the Taiwan Air Force training to fly F-16 fighters, and watch demonstrations of equipment for possible acquisition.

During the April 1999 talks, the State Department, which prefers to avoid public discussion of the talks, nonetheless confirmed that a Taiwan delegation was in Washington at the end of April. It also confirmed that, in providing defensive weapons and services to Taiwan under the TRA, “periodic consultations take place that include Taiwan military representatives” and that there was a “frank and broad exchange of views on issues related to Taiwan self-defense needs, but both sides agreed not to discuss the details of this process.”<sup>23</sup>

On the sale of long-range early-warning radars to Taiwan urged by some in Congress, the State Department spokesperson confirmed that the United States agreed on the request in principle and acknowledged that under the TRA, “the President and Congress determined which defense articles and services Taiwan needs.”<sup>24</sup> The Pentagon spokesperson also confirmed that the United States “agreed to work with the Taiwanese to evaluate their early warning radar needs, and that will take place over the next year or so, but there is no specific agreement on a specific type of radar, specific sale, or specific terms of sale at this time.”<sup>25</sup>

## Participants

For the 1999 talks, Taiwan’s military was reportedly represented by its new Vice Chief of General Staff, Lieutenant General Teng Tzu-lin, accompanied by deputy defense ministers in charge of intelligence, operations, logistics, and planning.<sup>26</sup> The director of the Taipei Economic and Cultural Representative Office (TECRO), Stephen Chen, also participated in the talks.<sup>27</sup> The U.S. side, sponsored by AIT, was said to include the Deputy Assistant Secretary of Defense (International Security Affairs) on Asian and Pacific Affairs. This representative was apparently accompanied by those from the Defense Security Cooperation Agency (DSCA) and the State Department’s Office of Taiwan Coordination in the East Asian and Pacific Affairs Bureau.

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<sup>23</sup> State Department, Press Briefing, April 29, 1999.

<sup>24</sup> Shenon, Philip, “U.S. Plans to Sell Radar to Taiwan to Monitor China,” *New York Times*, April 30, 1999; Department of State, Daily Press Briefing, April 29, 1999.

<sup>25</sup> Defense Department News Briefing, April 30, 1999.

<sup>26</sup> “Military To Persuade U.S. To Sell It Submarines,” *Tzu-Li Wan-Pao (Independent Evening News)*, February 22, 1999; in FBIS, February 28, 1999.

<sup>27</sup> “Taiwan Envoy Blasts Beijing Over Arms Issue,” *Central News Agency (Taiwan)*, April 30, 1999; in FBIS, April 30, 1999.