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Collection Name GREGG, DONALD: FILES

Withdrawer

CAS 5/15/2007

File Folder TAIWAN MILITARY/ARMS SALES (JULY 1981-AUGUST 1981)

FOIA

F99-056

Box Number 10

JESPERSEN

20

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
35985	FAX COVER SHEET	RE WORKING COPY PAR 2/17/2023 M907 #35985	1	7/13/1981	B1
35986	NOTE	RE TELECON PAR 2/17/2023 M907 #35986	1	7/14/1981	B3
35987	TERMS OF REFERENCE	RE TAIWAN R 9/10/2018 M907/1	1	ND	B1
35988	LETTER	RICHARD ALLEN TO BARRY GOLDWATER RE TAIWAN R 2/27/2019 M907/1	1	7/30/1981	B1
35989	CABLE	300001Z JUL 81	2	7/30/1981	B1
35990	CABLE	182129Z AUG 81 R 2/27/2019 M907/1	2	8/18/1981	B1
35991	REPORT	RE TAIWAN (P. 9-10 ONLY) R 9/18/2018 M907/1	2	8/7/1981	B1 B2 B3

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
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- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
35992	MEMO	MEMORANDUM OF CONVERSATION RE MEETING BETWEEN RICHARD ALLEN AND ADMIRAL SUNG CHANG-CHIH <i>R 2/27/2019 M907/1</i>	3	8/12/1981	B1
35993	PAPER	RE ADMIRAL SOONG'S REMARK <i>R 2/27/2019 M907/1</i>	7	8/12/1981	B1
35994	MEMO	JAMES LILLEY TO RICHARD ALLEN RE TAIWAN (ANNOTATED COPY OF 35871) <i>R 2/27/2019 M907/1</i>	2	8/17/1981	B1
35995	CABLE	130815Z AUG 81 <i>R 2/27/2019 M907/1</i>	4	8/13/1981	B1

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REQUEST/RECEIPT FOR TRANSMISSION

JUL 14 1981 DATE AND TIME TRANSMITTED	SITE D	JUL 13 P2: 12 SITUATION ROOM
	333 SSN NBR	DATE AND TIME RECEIVED

TO BE COMPLETED BY REQUESTER

FROM NMCC OFFICE/DESK [REDACTED] PHONE NBR [REDACTED]
 SUBJECT WORKING COPY
 CLASSIFICATION ~~SECRET~~ PAGES 2

DELIVERY INSTRUCTIONS



HOLD FOR NORMAL DUTY HOURS
 IMMEDIATELY

NOTE: FURNISH AFTER DUTY HOUR CONTACT TELEPHONE
 NUMBER FOR EACH ADDRESSEE REQUIRING AFTER HOUR
 DELIVERY.

TRANSMIT TO

AGENCY	INDIVIDUAL'S NAME	OFFICE	ROOM NBR	PHONE NBR
WHITE HOUSE	JIM LILLEY	NSC		395-4996
	NANCE COLSON			
	POINDEXTER, LENE			

REMARKS:

DECLASSIFIED

NLRR M907 # 35985

BY RW DATE 2/17/2003

3.5/6

Memo For

Mr. Hilley, USC

Telephone 395-4996

Jim -

Per our Friday (10 July) telecon.

Looking forward to your
comments -- by telephone if
possible.

3.5(c)

7.14.81

Released/DECLASSIFIED IN PART

NLRR M907 #35986

BY RW NA

2/17/2023

~~SECRET~~

35987

WORKING COPY

TERMS OF REFERENCE

I. TRENDS

- Describe the military balance between Taiwan and China at the time of normalization in terms of quality and quantity.
- Describe the balance now and highlight the changes. Include quality and quantity.

II. FUTURE TRENDS

- Estimate the likely balance in five and ten years including the effect of internal production and external procurement of military hardware or technology on China's and Taiwan's capabilities.

III. THREAT ASSESSMENT

- Outline the realities of the threat to Taiwan including air and naval scenarios.
- Relative to the threats, discuss Taiwan's defense capabilities and needs including the FX fighter and alternative aircraft, and ASW/ASUW systems and weapons.
- Discussion of Taiwan's need should be examined from a purely technical view and in juxtaposition to our assessment of the threat.

IV. POLITICAL CONSIDERATIONS

- Assess the effect of a decision to sell or not to sell the range of weaponry discussed above on Taiwan's stability, US-China relations, and Chinese internal political dynamics.
- Provide an estimate of Chinese options in reacting to various arms sales to Taiwan.

BY

fw

M90711 #35987
9/10/18

~~SECRET~~

WORKING COPY

MEMORANDUM

4392-re do

NATIONAL SECURITY COUNCIL

July 24, 1981

ACTION

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JAMES LILLEY *[Signature]*

SUBJECT: Answer to Barry Goldwater's Recommendations

Done!
92.

Attached is a second draft letter from you to Barry Goldwater responding to his recommendation on arms sales to Taiwan. It has been adjusted per constructive suggestions from Janet Colson.

Gregg, Schweitzer and Kimmitt have no comment.

RECOMMENDATION:

That you approve and dispatch the attached letter (Tab I) to Senator Goldwater.

Approve *[Signature]* Disapprove _____

Attachments:

Tab I RVA ltr to Goldwater
Tab A Friedersdorf memo to RVA

cc: Don Gregg
Bob Schweitzer
Bob Kimmitt


35988

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

July 30, 1981



Dear Barry:

Max Friedersdorf has told me of your strong recommendation that Taiwan be assured that it can buy U.S. arms, including the F5G. I appreciate very much receiving your views and take them very seriously.

I wanted to tell you what we are doing on this matter. As you know, the President reaffirmed on 16 June, while Secretary Haig was in Peking, our commitment to provide defensive arms to Taiwan under the terms of the Taiwan Relations Act. All of us are operating under this directive from the President.

We are going to move carefully but deliberately on this issue. Our first move is to get the whole intelligence community, Central Intelligence Agency, Defense Intelligence Agency, State Intelligence and Research, and NSA involved in a study of Taiwan's defensive needs. This study will also analyze Peking's current and potential threat to Taiwan.

Once this study is completed, then we plan to develop an options paper for a Presidential decision.

In the final analysis, we will only act in our own national interest in this matter, and our national interest is governed by our principles. I hope that you will contribute your views on this most important matter.

I look forward to hearing from you again soon.

Sincerely,



Richard V. Allen
Assistant to the President
for National Security Affairs

The Honorable Barry Goldwater
United States Senate
Washington, D.C. 20510

~~CONFIDENTIAL~~

Review on 30 July 1987

cc: Max Friedersdorf

DECLASSIFIED

100-11907 #35988
BY FW NARA DATE 2/27/19

THE WHITE HOUSE

WASHINGTON

July 18, 1981

MEMORANDUM TO: Dick Allen
FROM: Max Friedersdorf 11/1-
SUBJECT: Senator Goldwater

Senator Goldwater requested that you be informed of his strong recommendation that Taiwan be assured that they can buy U. S. arms, including the F5G.

OK
Jim Hickey
OK prepare a
response to
Goldwater
(7/20/81)

Max R.

As president pointed out a 16 Jan article
Saying they were in policy, we are going to
under the TWA

We are going to move carefully
but deliberately on the issue.

#4392
redo

of 20. 31

9/27/1025

JANET COLSON

BUD NANCE

DICK ALLEN

IRENE DERUS

JANET COLSON

BUD NANCE

KAY

CY TO VP

CY TO MEESE

CY TO BAKER

CY TO DEEVER

CY TO BRADY

Cy to Friedland

SHOW CC

SHOW CC

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NO

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LAUX, DAVID: FILES

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CAS 5/15/2007

File Folder

TAIWAN MILITARY/ARMS SALES (JULY 1981-AUGUST 1981)

FOIA

F99-056

JESPERSEN

Box Number

90385

20

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
35989	CABLE 300001Z JUL 81	2	7/30/1981	B1

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EOB327

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IN

OP IMMED
DE RUEHC #9858 2302137
O 182129Z AUG 81
~~FM SECSTATE WASHDC~~

TO AMEMBASSY BEIJING IMMEDIATE 5307

~~SECRET~~ STATE 219858

KIDIS
C.O. 12065:RDS 1 8/18/81 (HOLDRIDGE, JOHN H.)

TAGS: MILI, SOPN, CH, US

SUBJECT: (S) SEN. GLENN COMMENTS ON US ARMS SALES TO
TAIWAN

1. S - ENTIRE TEXT.

2. PARA 5 CONTAINS FULL TEXT OF A WASHINGTON POST
MICHAEL WEISSKOPF ARTICLE DATED/IN BEIJING AUGUST 17
WHICH QUOTES SENATOR GLENN THAT CHINESE LEADERS "FELT
THERE WAS AT LEAST TACIT UNDERSTANDING THAT WE WOULD
EITHER HAVE DRASTICALLY DIMINISHED OR NO ARMS SALES (TO
TAIWAN) AFTER A SHORT PERIOD OF TIME AFTER NORMALIZATION."

3. PLEASE REPORT AS FULLY AS POSSIBLE ON WHAT SENATOR
GLENN SAID AS WELL AS WHAT EMBASSY KNOWS OR UNDERSTANDS
WAS SAID TO HIM BY CHINESE OFFICIALS.

4. FYI: WE INTEND TO REFRAIN FROM COMMENT HERE AND WILL
SEND GUIDANCE WHEN PREPARED.

5. BEGIN TEXT: PEKING, AUGUST 17 - SENATOR JOHN GLENN
(D-OHIO) SAID HERE TODAY THAT CHINA'S LEADERS BELIEVE
WASHINGTON HAD AGREED IMPLICITLY IN 1978 TO SLASH OR
STOP WEAPONS SALES TO TAIWAN AFTER SINO-AMERICAN
RELATIONS WERE NORMALIZED IN 1979.

SIT:
EOB: LILLEY, KIMMITT, SCHWEITZER
WHSR COMMENTS:

PAGE 01

SECSTATE WASHDC 9858

DTG: 182129Z AUG 81
TOR: 231/0100Z

PSN: 214348
CSN: 401242

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35990
ARMS *SMRS*

DECLASSIFIED

NLRR M907 #35990
BY *fw* NARA DATE *2/27/19*

~~SECRET~~

*****E COPY

"THEY (CHINA) FELT THERE WAS AT LEAST A TACIT UNDERSTANDING THAT WE WOULD EITHER HAVE DRASTICALLY DIMINISHED OR NO ARMS SALES (TO TAIWAN) AFTER A SHORT PERIOD OF TIME AFTER NORMALIZATION," SAID GLENN, WHO ENDED TWO DAYS OF TALKS WITH CHINESE OFFICIALS.

CHINA HAS VOCIFEROUSLY CRITICIZED US ARMS SALES TO TAIWAN AS A VIOLATION OF THE SPIRIT OF THE 1979 NORMALIZATION PACT IN WHICH WASHINGTON RECOGNIZED PEKING AS THE SOLE LEGAL GOVERNMENT OF CHINA AND TAIWAN AS PART OF CHINA.

BUT PEKING HAS NEVER CONTENTED PUBLICLY THAT THE US SIDE HAD IMPLIED DURING THE 1978 NEGOTIATIONS THAT IT WOULD REDUCE OR HALT ARMS TO TAIWAN, WHICH HAD BEEN A STANCE US ALLY FOR 30 YEARS.

US OFFICIALS SAY BOTH SIDES HAD AGREED IN 1978 TO SHELVE THE COMPLEX TAIWAN ISSUE AND GO AHEAD WITH ESTABLISHMENT OF DIPLOMATIC RELATIONS IN THE HOPE THAT FRIENDLIER BILATERAL RELATIONS WOULD FACILITATE A LATER SOLUTION.

GLENN IS RANKING DEMOCRAT ON THE EAST ASIAN AND PACIFIC AFFAIRS SUBCOMMITTEE OF THE SENATE FOREIGN RELATIONS COMMITTEE.
END TEXT.

CLARK
BT

~~SECRET~~

*****E COPY

~~SECRET~~

~~TAIWAN~~ 35991

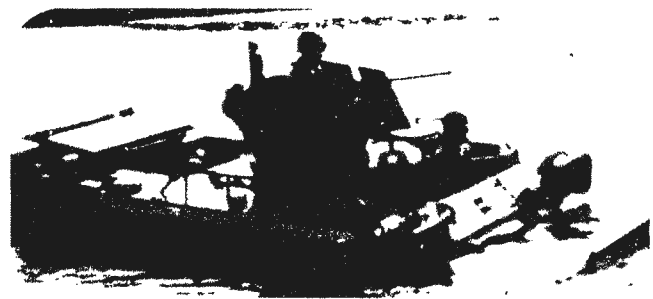


TAIWAN SEEKING IMPROVED ARMORED FORCE (S)

UNCLASSIFIED

(S/WNINTEL/NOFORN/NOCONTRACT/ORCON) In the wake of normalized relations between China and the United States, Taiwan's Ministry of National Defense announced a series of decisions directed toward improving Taiwan's ground force structure and military capabilities. Specific programs were outlined to equip armored troops with additional light and medium tanks and to increase the mobility of armored infantry troops, procure self-propelled artillery, improve artillery firing and targeting control equipment, create a viable anti-aircraft and anti-tank defense, and establish an offensive and defensive nuclear, bacteriological, and chemical capability. These programs have significantly bolstered the capability of Taiwan's ground forces, particularly in the field of armor, to provide for defending the country and have increasingly lessened its dependence upon US military assistance.

(S) Perhaps the most significant improvements have involved the reorganization and upgrading of Taiwan's armored forces. Combined armored-infantry units were created with the objective of increasing firepower and allowing the ground forces more flexibility. Although the exact ratio of infantry to armor is not known, the former existing units—three armored brigades, two armored cavalry regiments, and one armored infantry brigade—have been redesignated as independent brigades. These so-called independent brigades are equipped with M-41 light tanks and are believed to be infantry-heavy. Four new tank groups have also been organized, each of which has two or three subordinate tank battalions equipped with M-48 tanks and one armored artillery battalion. Reportedly, each heavy infantry division now has an organic tank battalion and each light infantry division, a subordinate armored company of one armored search vehicle platoon and two light tank platoons.



(U) TAIWAN'S ARMORED PERSONNEL COMBAT VEHICLE

(S) Furthermore, many of Taiwan's armored units have been materially upgraded through such actions as purchases of M-48 and M-41 tanks and associated repair parts and components from US Foreign Military Sales; procurements through third countries, including 37 M-41 tanks from Austria; and other acquisitions, including indigenous production, of additional armor, which were underwritten by government-sponsored fundraising drives. These efforts have enabled Taiwan to field over 2,000 tanks. In addition, Taiwan has actively sought cooperative production contracts, including acquisition of engineering plans for the US M-113 armored personnel carrier and the M-48 tank.

(S/WNINTEL/NOFORN/NOCONTRACT) Diversified approaches will most likely be utilized in future attempts to improve Taiwan's armored capabilities. A contract is now being negotiated for 1,000 Brazilian tank kits to be used in remodeling the M-41 light tanks with Scania diesel engines, improved armored plating, and conversion to a 90-mm gun. The resulting improved light tank would be superior to the US M-41 model and Taiwan's military leaders believe it would meet modern battlefield requirements. Additional improvements for the tank include an anti-aircraft machinegun,

7 Aug 81

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BY LW

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9/18/8

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coaxial machinegun, and an improved fire control system. Also under consideration are conversion of the M-24 light tank into a flame thrower tank; purchase of stabilized gun sights from a French firm; and upgrading of M-48A1 tanks now in inventory through the addition of 105-mm guns. The Joint Logistics General Agency is also seeking self-sufficiency in research and domestic production; its present goal is to produce 50 percent of the M-41s and M-48s in the force's inventory. Unconfirmed reporting has indicated that Taiwan is presently engaged in a tank development project. If the prototype development proves successful during the 18-month testing period, the planned production run is reportedly 1,000 units.

(C/NOFORN) A prototype armored vehicle designated the armored personnel combat vehicle (APCV) has successfully proven itself in extensive field testing. The vehicle is reported to be in serial production. The engine employed is apparently co-produced by a Taiwan motor firm and a British motor firm, according to recent information.

(S/NOFORN) Taiwan's determined efforts to improve its armored capability have significantly improved its overall ground force capabilities and have increased the country's defensive capabilities against potential ground force threats posed by China. Taiwan can be expected to continue pur-

suing a policy of self-reliance, as exemplified by the indigenous armored personnel combat vehicle and tank development projects; it will simultaneously diversify sources of military materiel in order to lessen dependence on the US. While such actions will not totally eliminate the necessity of seeking military assistance from the US and from other countries, improvements already made and a continued program of self-reliance will most likely result in an ever-increasing ability to provide its own ground defense. Taiwan can also be expected to continue replacing obsolescent M-24 and M-5 tanks with M-48 and M-41 models. Taiwan is further likely to seek a desirable combined-arms mix in its organizational structure as it increases the mobility of its ground forces. A more mobile force would compensate for a relative lack of manpower and would permit a rapid response into threatened areas. Since existing deficiencies related to the armored force are being in large measure rectified, the most probable future ground force priority will be wide-scale deployment of armored personnel carriers and armored personnel combat vehicles throughout Taiwan's 12 heavy infantry divisions and two marine divisions, with subsequent improvements in mobility planned for the 6 light infantry divisions. (Classified by multiple sources; review on 31 Jul 01)

MAJ J. F. Carter, USA, DB-2B

MISSILE TRAINING STARTS EARLY IN NORTHEAST CHINA (C)

(S/WNINTEL/NOFORN) Surface-to-surface missile (SSM) training appears to have begun unusually early this year in northeast China. On overhead imagery of 13 Jun 81, a CSS-1 medium-range ballistic missile exercise was observed to be under way at the Dengshahe Field Training Facility. In previous years, missile training has tended to begin in July or August. On only two previous occasions, 14 May 76 and 7 Jun 77, did missile training begin earlier at this facility. Possible CSS-1-related equipment was also seen here on 2 Mar 76, but it is not clear that a training exercise was actually taking place then. The early start of missile training here is consistent with a high level of training already observed at other SSM facilities throughout China this year.

(S/WNINTEL/NOFORN) On imagery of 13 Jun 81, 7 Aug 81

a CSS-1 missile with warhead attached was seen on the lower launch pad—Pad 1—at Dengshahe Field Training Facility. The missile was on its erector and attached to a launch stand; it was either being prepared for erection or had just been lowered from an erect position. A nearly complete complement of ground support equipment was in the area. The site was previously photographed on 29 May when no such equipment was there and no missile activity was taking place. The missile exercise was still under way on 9 July. The exercise appears to have been completed by 14 July when no ground support equipment was observed. However, much of the area was obscured by clouds, and it is not certain that the training was finished on that date.

(S/WNINTEL/NOFORN) Of particular interest is the lack of apparent activity at the Dengshahe

~~SECRET~~

mailing address -

Admiral Soong Chang-chih
Ministry of National Defense
Chief of General Staff
Chiehshou Hall
Chung King South Road
Taipei, Taiwan

NATIONAL SECURITY COUNCIL

MEMORANDUM

4797

Pulley

NATIONAL SECURITY COUNCIL

August 12, 1981

UNCLASSIFIED
w/CONFIDENTIAL Attachment

INFORMATION

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JAMES LILLEY *[Signature]*

SUBJECT: Meeting with Admiral Sung of Taiwan

Attached at Tab A is a Memorandum of Conversation of your meeting with Admiral Sung today.

UNCLASSIFIED
w/CONFIDENTIAL Attachment

~~CONFIDENTIAL~~

35992

4797

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

MEMORANDUM OF CONVERSATION

SUBJECT: Summary of Richard V. Allen's Meeting
with Admiral Sung Chang-chih of Taiwan (U)

PARTICIPANTS: Richard V. Allen, Assistant to the President
for National Security Affairs
James Lilley, Staff Member, National Security
Council

Admiral Sung Chang-chih, Taiwan navy
Mr. H. L. Wong, Taiwan National Security
Bureau Chief in Washington
Mr. S. K. Hu
Admiral Yeh

DATE, TIME August 12, 1981
AND PLACE 9:15-10:15 a.m.
Four Seasons Hotel, Georgetown

Mr. Allen made the following points to Admiral Sung:

-- We have sent several messages of assurance to Taiwan's president from our own President through important and trusted intermediaries. (U)

-- Our President is a man of principle and he sticks by his principles. Mr. Allen cited numerous examples regarding tax cuts, budget reductions, defense build-up, etc., where the President has carried through on his commitments. (U)

-- The President has a strong friendship for Taiwan and does not let his old friends down. The President has said this directly to representatives of Peking. (C)

-- The Taiwan Relations Act is the legal basis for our relations with Taiwan and is a strong document. It is a unique case where a law of our land actually backs up our relations with a country. In that law, it specifically provides for Taiwan's defense needs and for the security and well-being of the people of Taiwan. This is a commitment which our President intends to honor. It is not a negotiable one. (C)

~~CONFIDENTIAL~~

Review on 8/12/87

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NLRR M907 #35992

BY RW NARA DATE 2/27/17

~~CONFIDENTIAL~~

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-2-

~~CONFIDENTIAL~~

-- After Vice President Bush, Mr. Allen and Lilley's trip to Taiwan in August 1980, a 5-point statement was drafted and delivered by the President at a press conference on 25 August. This statement still stands as United States' policy, whether or not certain elements of the government and press down-play it. (C)

-- It is clear from the first six months that the President has focused his efforts on domestic policy. He will continue to emphasize domestic policy, but in the next four months he will move into foreign policy and defense matters as key decisions are coming up on major weapons systems, including the MX, the bomber, etc. Taiwan's arms requests will be given careful and sympathetic consideration. (C)

-- In all instances, in our relations with our friends in Taiwan a minimum of publicity is helpful. (C)

-- Mr. Allen reminded Admiral Sung that he was instrumental in drafting the Republican Party platform on the issue of China and Taiwan. This represented a joint position with the conservatives, of which Mr. Allen considers himself a member. (U)

-- Mr. Allen said he would report his meeting with Admiral Sung to the President when he sees him next Monday. (U)

Sung first expressed his appreciation to our President as a good and trusted friend of Taiwan. He said he understood that our relationship had to be put in low key, and that publicity was harmful. The Admiral then laid out his priority needs in the military sector:

-- He emphasized Taiwan's need for a new generation aircraft. He said he had originally wanted the F-15 or the F-18, but had agreed to the FX proposal. At this point he was willing to accept either model, F-5G or F-16-79, which the U.S. government selected. Sung said he had conveyed this to General Jones, and that this was to accommodate the United States. Sung said they were thinking of co-production of 120-180 planes in the new series. (C)

-- He emphasized that Taiwan's navy, which had second priority to the air force, needed a good ship-to-ship missile and the harpoon was the answer. It would be used defensively and would be a key addition to Taiwan's security. (C)

-- Sung said that Taiwan had the second largest percentage military budget in the world after Israel. He said it was his obligation not to overemphasize the military budget as Taiwan's economic growth was crucial to the development of the country. (C)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-3-

~~CONFIDENTIAL~~

At the end of the meeting Admiral Sung and H. L. Wong expressed their deep appreciation for this visit and the time we had spent with them. (U)

Comment: The mission was successful in reassuring our friends in Taiwan of our continuing interest in their security and welfare. (U)


Prepared by James Lilley

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

12 Aug 1981

35993
~~TAIWAN~~

~~CONFIDENTIAL~~
NR 1

Admiral Soong's Remark

1. In assessing the world strategic posture, we find it to be, substantially, a bipolar ideological confrontation between the democratic/free camp and the Communist/totalitarian bloc. The lofty ideals and moral courage expressed by President Reagan have won our highest admiration. He pointed out that Communism is the greatest evil to human civilization. Therefore, the present U.S. measure of collaborating with Communist China against Soviet Russia should be regarded only a temporary maneuver and cannot be taken as a long range national objective of the United States.

2. Based on the above-mentioned understanding, we would like to urge the United States to carefully evaluate the strategic position of the Republic of China in the democratic and free camp. Indeed, Taiwan has its significance and contribution in this respect. The justifications are as follows:

a. Of the democratic and free countries in Northeast Asia, Taiwan is located in the center of island-chain defense line facing the perimeter of the Communist Mainland and is a strong point along the line of defense against Communist expansion. A secure, stable, progressive and prosperous Taiwan is in the national interest of the United States in the Western Pacific.

b. Taiwan stands at the pivotal point of the sea lanes leading to Korea and Japan and plays a decisive role in the economic development of Korea and Japan.

c. Ever since the seizure of Camranh Bay, the Soviet Far Eastern Fleet has been sailing from Vladivostok, via Pacific Ocean, after replenishment, down to the Indian Ocean, thus posing a great threat to the safety of the oil route of the democratic and free countries. Moreover, Taiwan holds both Taiwan Straits and Bashi

DECLASSIFIED

NLR # 1107 # 35993
BY RW NARA DATE 2/27/19

Channel where the Russian Far Eastern Fleet must go through if it is to sail from Vladivostok to Camranh Bay.

d. Politically speaking, the political and economic achievements scored in Taiwan while practicing the Three Principles of the People can provide all the Chinese people with an excellent model in selecting their national political system. The practice of such a democratic and free system both politically and economically leading to prosperity and well-being of the masses is both enlightening and illustrative to the under-developed countries in South America and Africa, thus preventing them from falling into the trap of Communism.

3. The severance of diplomatic relations between the Republic of China and the United States, and the termination of Sino-U.S. Mutual Defense Treaty are indeed deplorable to the peoples of these two countries. However, the timely passage of the Taiwan Relations Act by the U.S. Congress clearly reveals the U.S. concern about the Republic of China and fully reflects the intention of the majority of the American people in maintaining the security of the Republic of China. President Reagan's determination not to abandon old friends and to implement the "Taiwan Relations Act" is indeed admirable. However, the realization of such a determination can only be fulfilled through the sale of defense weapons to the Republic of China. Therefore, only adequate implementation of the arms sale policy stipulated in the Taiwan Relations Act, can reflect the commitment and determination of the U.S.

4. As far as the ROC requirements for weapons is concerned, we have time and again urged that high-performance fighters and Harpoon missiles be made available. Irrespective of safeguarding Taiwan Proper or fully developing its strategic importance, the high-performance fighters and Harpoon missiles are

indispensable. Our reasons are as follows:

a. In the face of the numerically superior Chicom forces, it is imperative that our forces maintain naval and air superiority in the Taiwan Straits so that we may take advantage of the Straits as a terrain obstacle and repel a Chicom invasion. Hence, only the maintenance of the qualitative superiority of our naval and air forces can insure a proper balance of the combat strength of both sides.

b. From the briefings on the designed performance of the FX fighters, we understand that though the operational radius is superior to that of ROC F5E's, the former cannot operate beyond the limits of the coverage of ROC surface-to-air radars. Furthermore, a limited number of FX's for interception will not constitute a threat to the China mainland. Therefore, the missions the FX's can perform is defense only.

c. Previous official statements indicated that Chicom leaders have never abandoned their intention to resolve the Taiwan issue by force. Moreover, they have listed the "Reunification of Taiwan" as one of their three primary missions in the 1980's. The fact that they are not taking positive actions at present does not mean that they will forever abandon the use of force. Therefore, we must make defense preparations at an early date, and build up a sufficiently strong defense capability. Only by so doing can we be free from falling under Communist domination. On the contrary, failure to provide adequate military preparations will lure the Chicoms into thinking that they can easily invade and take Taiwan. Thus, peace in the Taiwan Straits will be lost.

d. In reviewing the performance of our primary fighters-F5E's, a thorough analysis indicates that the F5E's can match the MIG-19's -- their

primary fighters but not the MIG-21's. Moreover, the numerical disparity is 10 to 1 in their favor. Such a numerical disparity demands that we upgrade the quality of our fighters so as to achieve qualitative superiority and strategic balance. Furthermore, the F5E's lack the night attack capability against targets at sea. As the Taiwan Straits is only 100 NMs in width, the Chicom amphibious convoys can take advantage of darkness to cross the Straits, thus creating an extremely unfavorable situation for us.

e. Our intelligence indicates that the F-8A's Chicom's developed have not entered into production after test flights and their co-production of SPEY engine with British Rolls-Royce has not been successful; however, such developments are no indications that they do not have the capability or have decided to abandon the development of high-performance aircraft. It is estimated that since normalization with the U.S., the Chicoms felt that it would be easier to acquire advanced Western technology, and introduce better designed engines and better fighters. At present, if we do not acquire better performance fighters and seek adequate lead-time for production, training and unit organization, we shall be caught unprepared and unable to prevent a military invasion of Taiwan. Consequently, the stability of the Western Pacific and North-East Asian Region will be jeopardized.

f. The United States is displeased with the headline reporting of FX fighter in the Taiwan local newspapers. This Ministry also finds such reporting most regrettable. Nevertheless this fully indicates that the people of this country are concerned over the U.S. sale of FX fighters to the ROC.

The economic posture of Taiwan has been transformed from "labor intensive" to "technology-intensive" phase. The unique features of this type

of economy are heavy investment, long time span of development, longer time period for investment returns, and the investors placing more emphasis on the stability of local community than before. Therefore, the sale of FX fighters to the ROC is not only necessary in the military field, but also has a greater impact on social psychology and economic development.

g. It is a known fact that Chicom's STYX missiles have a longer range than the missiles presently installed on the ships of the ROC Navy. The range of missiles is a primary factor in determining the success or failure in naval engagement. If the ROC cannot acquire longer range missiles such as the Harpoon's to compensate for the basic tactical deficiencies, it will not only be unable to conduct naval defense in the Taiwan Straits, but also the morale of officers and men of its Navy will be seriously affected.

h. According to the analysis of A C NAD Program for ROC Armed Forces Rehabilitation formulated by MAAG/ROC in 1957: A represents Navy Plan (AJ Program, Adjunct to U.S. 7th Fleet) and was meant to assist the operations of the U.S. 7th Fleet; C represents Air Force Plan (C Program, Component of U.S. PAC Air Force) and was meant to serve as part of U.S. PAC Air Force; NAD represents Army plan (NAD Program, No American Doughboys) and was meant to need no American infantry involvement in ground operations. Judging from the concept of the above program together with the operation plan Rochester (Sino-U.S. Taiwan Defense Plan), ground operations will be the sole responsibility of the ROC Army, while the naval and air force operations will be the responsibilities of the U.S.. Therefore, the reorganization and build-up plan for ROC Armed Forces has been implemented accordingly for years. The unilateral abrogation of US/ROC Taiwan Defense Treaty by U.S. left ROC Armed Forces responsible solely for the defense of Taiwan and

Penghu in ground, sea and air operations. Thus an unbalanced strength development among three services of ROC has been experienced resulting in weaker navy and air force. It is imperative that our naval and air strength be increased immediately so as to safeguard the security of Taiwan.

5. According to the assessment of the Pentagon, the equipment/armament of the Chicombs are inferior to those of such military powers as the U.S. and the Soviet Union. When compared with ROC, however, the Chicombs are overwhelmingly superior in equipment/armament. This is especially true when the quantity of military strength is concerned, as the Chicombs outnumber ROC by over ten times. Should the Chicombs maintain the naval and air superiorities over the Taiwan Straits, they can utilize every possible means of transportation available to move their troops and invade Taiwan and Penghu. It is, therefore, a matter of great necessity that we increase our naval and air strength to prevent the Chicombs from launching an invasion of ROC. Judging from the Chicom's past military adventures in Korean and Vietnam Wars, they did not consider superiority of armament as the first requisite.

6. The cooperation between the military personnel of our two countries has been one of long standing and friendship. For years, ROC military personnel have gained invaluable knowledge and experiences from members of U.S. armed forces thus contributing greatly to the military buildup of the Republic of China. Regretfully, the severance of diplomatic relations and the termination of the Mutual Defense Treaty led to the cancellation of the combined exercises and exchanges of visits. With the exception of technical training, the advanced professional training of ROC officers in the U.S. has also been terminated. As a result, it is estimated that such termination will cause difficulties in employing U.S. weapon systems by ROC personnel, thus hampering them from mutually safeguarding

the cause of freedom and democracy. Therefore, to fill the gap created as a result of the severance of diplomatic relations, we sincerely hope that the U.S. will permit our military personnel to resume various professional training as previously provided.

7. Due to our limited resources and difficulties in obtaining export licenses for weapons, much of the ROC military equipment obtained through Military Assistance Program have become obsolete and inefficient. It is hoped that the U.S. will sell at low prices to this country the phased-out or to be phased-out U.S. military equipment, so that these equipment not only can be employed to their maximum usage, but also defend Taiwan and safeguard the mutual interests of the democratic camp.

~~SECRET~~

CLASSIFICATION

ARMS SALES

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ROUTINE

TTY #

FROM/LOCATION/

1. The Situation Room

TO/LOCATION/TIME OF RECEIPT

1. Richard V. Allen / LA / ←

171529Z/64

2. Janet Colson / LA /

3.

4.

INFORMATION ADDRESSEES/LOCATION/TIME OF RECEIPT

1.

2.

SPECIAL INSTRUCTIONS/REMARKS:

Return to
Jim Hillery
wa/17

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CLASSIFICATION

AS 5/14/07

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MEMORANDUM

4896

NATIONAL SECURITY COUNCIL

August 17, 1981

~~SECRET~~

MEMORANDUM FOR RICHARD V. ALLEN

FROM:

JAMES LILLEY *jl*

SUBJECT:

State of Play on China/Taiwan (S)

On 14 August, State cleared a cable for Beijing, answering Beijing's cable at Tab A (Beijing 8538). State's answer made these points:

-- Chinese Deputy Chief of Staff (DCOS) should come to the U.S. in mid-September and U.S. side is prepared to discuss (not approve) weapons systems such as TOW anti-tank missile, I-Hawk anti-aircraft, armed personnel carriers. In addition, we are prepared to release a higher level of technology to China. (S)

-- Haig sets a time-frame of 8-10 days for DOD and Commerce to come up with an improved list of items for the Chinese. (S)

-- On Taiwan arms sales, the cable still maintains the position stated by Haig in June 1981 - arms sales will be made prudently and in such a way as not to be embarrassing. (S)

As you will note in Tab A, the Chinese are pressing us hard on Liu's trip, implying they will delay or cancel his trip if they are not satisfied. They have tried to put us on the defensive by banging us with their very long wish list and asking to see the color of our money. They have also stepped up linkage between arms sales to Taiwan and their DCOS visit. They sense a certain "panting" mood in State for the visit and they want to use this to wring prior concessions out of us. Understandably, they do not want us to announce a major arms sale to Taiwan just as their DCOS arrives. The Dutch did this to them on the submarine deal with Taiwan, and the U.S. did it on Brown's trip in January 1980. The Chinese feel they lost face and want to avoid a repeat if they can. (S)

I have just learned that when our Beijing Embassy presented the 14 August demarche to the Chinese, they answered - "But you didn't answer our second question" (on Taiwan arms sales). They are playing hard ball, in part, because they believe the recent plane defection has hurt Taiwan and they want to press their advantage. (S)

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Review on 8/17/87

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NLRR M907 #35994

BY *lu*

NARA DATE 2/27/19

My position has been:

-- The White House principals are not holding their breath on the DCOS trip. We understand its importance, but our survival certainly does not hinge on it. (S)

-- Linkage with Taiwan arms sales is unacceptable - but as we have said before, we will show sensitivity to the timing of any sale. (S)

-- We should take the initiative away from the Chinese on this. We are in a strong position, they are supplicants. We should not react defensively to their demands - rather we should lay out the parameters of what we can do in technology transfer and arms sales and then tell them to come up with concrete offers. This may seem logical but is, in fact, hard to sell, given certain mind-sets built up since 1971. (S)

A draft Decision Memorandum for the President has our logic in it and was cleared by DOD, State, Commerce and the NSC Staff. It should be put to a SIG very shortly and within 10 days, we hope, to NSC for Presidential decision. (S)

In essence, it says we will avoid selling the Chinese strategic nuclear items, ASW, electronic intelligence devices. We will not improve their ability to project power and will confine our sales to conventional defensive weapons - to be used within their borders. Sales will be tailored not to alarm allies, including Taiwan, and not unduly to provoke the Soviets. (S)

This memo is to prepare you in case this issue comes up. (U)

*Jim -
4/5 cable mentions
- bilateral as covered.
None are planned.*

TAB - A

35995

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visit

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TO SECSTATE WASHDC IMMEDIATE 4463

NLRR M907 #35995
BY FW NARA DATE 2/27/19

~~SECRET~~ SECTION 1 OF 2 BEIJING 8538

MODIS
PLEASE PASS DOD/OSC/ISA/EAP
E.O. 12065: RDS-1, 3 - 8/13/01 (FREEMAN, CHARLES W. JR.) OR--
PEPR, MASS, CH, TW, US
SUBJECT: LIU HUANOING VISIT: CHINESE SECOND THOUGHTS?
REF: (A) BEIJING 7400, (B) BEIJING 8240

1. S - ENTIRE TEXT.
2. SUMMARY. OVER LUNCH AUGUST 13 VICE FOREIGN MINISTER ZHANG WENJIN TOLD ME THAT, IN THE ABSENCE OF CLEARER ANSWERS THAN WE HAD BEEN ABLE TO PROVIDE TO HIS TWO QUESTIONS ON THE LIU HUANOING VISIT, THE CHINESE WERE IN A QUANDARY ON WHETHER TO ACCEPT OUR PROPOSED SEPTEMBER DATES, AND THAT THE VISIT MIGHT END UP HAVING TO BE POSTPONED. END SUMMARY.
3. ZHANG REHEARSED THE CHINESE "NEED" FOR A CLEARER INDICATION OF OUR RESPONSE TO THE VARIOUS ITEMS THEY HAD REQUESTED. I AGAIN POINTED OUT THAT A CASE-BY-CASE APPROACH WAS NECESSARY UNDER OUR LAWS AND PROCEDURES. I NOTED THAT THIS HAD NOT PROVEN A BARRIER TO MANY OTHER COUNTRIES FRIENDLY TO BOTH THE US AND CHINA DEVELOPING A SATISFACTORY MILITARY SALES RELATIONSHIP WITH US. I STRESSED THE DIFFICULTY OF OUR MAKING ANY DECISION UNTIL WE HAD CLEAR INDICATIONS OF QUANTITY, END-USE, AND WHETHER PURCHASE OF END ITEMS OR PRODUCTION TECHNOLOGY (OR BOTH) WAS INTENDED. ZHANG RESPONDED THAT HE UNDERSTOOD OUR DIFFICULTY, BUT THAT THE CHINESE HOPED WE COULD INDICATE OUR ATTITUDE ON SUCH QUESTIONS WITH RESPECT TO AT LEAST SOME KEY ITEMS SOON.

4. ZHANG'S MAJOR CONCERN WAS NOT, HOWEVER, THE

SIT: RYA NAN COL VP JP
EOB: LILLY
VHSR COMMENTS:

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~~S E C R E T~~

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MILITARY TRANSFER ASPECTS OF LIU'S VISIT. HE MADE IT QUITE CLEAR THAT -- IN HIS MIND -- THE PRINCIPAL IMPEDIMENT TO AN EARLY RESPONSE TO THE SUGGESTED DATE WAS CHINESE UNCERTAINTY ABOUT OUR INTENTIONS WITH REGARD TO NEW WEAPONS SALES TO TAIWAN. HE INDICATED THAT THE CHINESE DID NOT WANT TO BECOME COMMITTED TO A MAJOR NEW ADVANCE IN SINO-AMERICAN RELATIONS ONLY TO FIND THAT IT WAS SHORTLY THEREAFTER INVALIDATED BY "INTOLERABLE" US INITIATIVES VIS-A-VIS TAIWAN. HE ASKED AGAIN WHETHER WE COULD CLARIFY TO THE CHINESE GOVERNMENT WHAT OUR APPROACH TO SALES OF WEAPONS TO TAIWAN WOULD BE. I RESPONDED THAT WE HAD MADE IT CLEAR WE UNDERSTOOD CHINESE SENSITIVITIES ON THIS QUESTION AND WOULD BE PRUDENT AND RESTRAINED.

5. CHINESE MFA OFFICIALS HAVE APPARENTLY BEEN SOMEWHAT MORE SPECIFIC THAN THEY ARE WITH THE EMBASSY IN THEIR DISCUSSIONS OF THIS ISSUE WITH PRIVATE AMERICAN VISITORS. THEY HAVE REPORTEDLY SAID IN SUCH PRIVATE CONVERSATIONS THAT THEY FEAR THAT THEIR OWN PURCHASES FROM US COULD SET OFF DEMANDS IN THE US FOR EARLY SALES TO TAIWAN AS WELL. THEY ARE THEREFORE REPORTEDLY RELUCTANT TO COMMIT THEMSELVES IN THE ABSENCE OF CLARIFICATION OF THE TIMING AND LIMITS THAT WILL GOVERN OUR ARMS SALES POLICY TOWARD TAIWAN. THEY ALLEGEDLY EXPECT SUCH CLARIFICATION IN THE BILATERALS AT THE CANCUN SUMMIT AND ARE SAID TO BE THINKING OF PUTTING LIU'S VISIT OFF UNTIL AFTER IT HAS BEEN OBTAINED.

6. COMMENT: AS REPORTED IN REFTELS, THE POSITIVE CHINESE REACTION TO THE PRESIDENT'S DECISION IN PRINCIPLE ON ARMS SALES TO CHINA, SPECIFICALLY THEIR QUICK ACCEPTANCE OF THE INVITATION EXTENDED TO LIU, SUGGESTED THAT DENG XIAOPING'S STRATEGY WAS TO BUILD UP THE AMERICAN TIE AS RAPIDLY AS POSSIBLE IN ORDER BOTH TO RESTRAIN US DECISIONS REGARDING TAIWAN AND TO PROVIDE HIM MORE MANEUVERABILITY ON THE ISSUE AT HOME.

BT

*There are
no bilaterals
planned at
Cancun*

~~S E C R E T~~

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FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 4464

~~SECRET~~ SECTION 2 OF 2 BEIJING 8538

NODIS

7. IN HIS JULY 15 MEETING WITH FORMER CHARGE ROY, ZHANG WENJIN SAID THAT THE CHINESE NEEDED TO KNOW MORE ABOUT WHAT THE US HAD IN MIND REGARDING ARMS SALES TO TAIWAN (REF A). ZHANG APPEARED AT THAT TIME ESSENTIALLY TO BE SEEKING ASSURANCE THAT NEITHER LIU NOR THE CHINESE GOVERNMENT WOULD BE EMBARRASSED DURING THE VISIT OR SHORTLY THEREAFTER BY US ARMS SALES TO TAIWAN. IN HIS COMMENTS TO ME ON AUGUST 13, HOWEVER, AND EVEN MORE SO IN DISCUSSIONS BY HIS SUBORDINATES WITH PRIVATE AMERICAN INTERLOCUTORS, THE FOREIGN MINISTRY APPEARS TO BE SEEKING GREATER CLARIFICATION OF OUR OVERALL APPROACH TO SALES OF WEAPONS TO TAIWAN THAN THAT PROVIDED DURING THE SECRETARY'S VISIT.

8. ALTHOUGH SOME OF THIS IS A BARGAINING TACTIC, THE CHINESE MAY BE RE-THINKING THE WISDOM OF RUSHING INTO THE LIU VISIT EVEN IF WE INDICATE A WILLINGNESS TO BE RELATIVELY FORTHCOMING ON THEIR REQUESTS. THE MFA, AT LEAST, SEEMS INCLINED TO RECOMMEND, IF IT HAS NOT ALREADY DONE SO, THAT BEIJING WAIT UNTIL IT HAS MORE CLARIFICATION OF THE GENERAL PARAMETERS OF FUTURE US ARMS PACKAGES FOR TAIWAN AND IN WHAT TIMEFRAME THEY WILL BE ANNOUNCED, BEFORE BEIJING COMMITS ITSELF TO ANY ARMS PURCHASES FROM THE US. THE MFA MAY WELL BE ARGUING THAT SINCE THE US HAS SOUGHT TO POSTPONE THE LIU VISIT UNTIL SEPTEMBER, IT MIGHT AS WELL BE PUT OFF UNTIL AFTER THE CANGUN SUMMIT, AT WHICH TIME THE CHINESE WOULD HOPE TO OBTAIN FROM THE PRESIDENT HIMSELF FURTHER CLARIFICATION OF THE US APPROACH TO ARMS SALES TO TAIWAN.

*OK - why not?
no hurry!*

SIT:
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WHSR COMMENTS:

PAGE 01 BEIJING 8538

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9. WHAT THE CHINESE ACTUALLY EXPECT IN THIS REGARD IS OF COURSE A MATTER OF SPECULATION. IT IS CLEAR, HOWEVER, THAT THEY WOULD LIKE SOME COMMITMENT THAT NO US ARMS SALES FOR TAIWAN WILL BE ANNOUNCED UNTIL SOMETIME NEXT YEAR. | no

10. AS WE NOTED IN REF B, DENG SPECIFICALLY IS SEEKING DELAY UNTIL AFTER THE CCP'S 12TH PARTY CONGRESS EXPECTED IN EARLY 1992. IN TERMS OF THE PARTICULAR ITEMS THAT WE SELL TAIWAN, THE CHINESE MAY BE ANGLING FOR SOME FURTHER ELABORATION OF OUR COMMITMENT TO BE PRUDENT AND TO SELL ONLY DEFENSIVE WEAPONS. THEY MAY HOPE FOR HIGH LEVEL ASSURANCES THAT WE WILL NOT SELL ANY MAJOR NEW SOPHISTICATED WEAPONS SYSTEM TO TAIWAN AND THAT WE WILL SELL ONLY ADDITIONS OR RELATIVELY MINOR ENHANCEMENTS TO ITEMS ALREADY IN TAIWAN'S INVENTORY. WHETHER SUCH A CLARIFICATION OF OUR POSITION IS A SINE QUA NON FOR PROCEEDING WITH THE LIU VISIT IS UNCERTAIN. BUT OUR GUESS IS THAT THE CHINESE ARE LOOKING FOR ASSURANCES ON THE TIMING OF ARMS SALES TO TAIWAN ALONG THE LINES DESCRIBED ABOVE, REAFFIRMATIONS OF PRUDENCE ON THE SUBSTANCE OF SUCH SALES, AND SOME CLARIFICATION, ALTHOUGH STILL IN GENERAL TERMS, OF OUR APPROACH TO THE LIST OF DEFENSE ITEMS REQUESTED BY THE PRC.

FREEMAN

BT

|| If it is, then
will be no visit

~~SECRET~~

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TAIWAN

Most wear helmets and armour and have quivers on their backs. The horses are painted black, red, or purple. Every man has a different expression on his face, a distinctive hairdo, and uniform. He is standing in a position in accordance with his duties.

These beautiful, detailed works of art were discovered in 1965 in a village of a commune near Xianyang. They are being displayed in Shaanxi Museum and in the Boston Art Museum.

CHINA (TAIWAN)

ARMS REQUESTS STILL PENDING IN WASHINGTON; ARMS COMPARISON CHART

The Reagan Administration has yet to announce which defense weapons it will agree to sell to Taiwan this year under the provisions of the Taiwan Relations Act. Reportedly, the Department of Defense is still examining Taipei's shopping list for acceptable items and may submit its recommendations to the Department of State and the White House this fall. Most controversial is the so-called "FX" jet fighter, which Taiwan officials say they need to meet a growing threat from MIG-21s and even more sophisticated fighter aircraft on mainland China expected by the end of this decade (see July issue of ASIA REPORT). In addition, the People's Republic of China will send a high-level delegation to Washington this fall to present Peking's request for military weapons under the new arrangement announced by Secretary of State Haig in June.

In view of these impending arms sales decisions, the following chart of comparisons of the current military strengths of the PRC and Taiwan provides a useful context:

PRC-Taiwan Military Capabilities

<u>Item</u>	<u>PRC</u>	<u>Taiwan</u>
Population	1,024,890,000	18,000,000
Total Armed Forces	4,450,000	438,200
Strategic Nuclear Forces		
ICBMs	4+	none
IRBMs	65-85	none
MRBMs	50	none

<u>Item</u>	<u>PRC</u>	<u>Taiwan</u>
Army		
Total troops	3,600,000	310,000
Armored divisions	11	2
Infantry divisions	118	18
Navy		
Total men	360,000	30,200 + 31,000 marines
Submarines	97 conventional attack; 1 nuclear 1 with SLBM	2 conventional ASWs + 2 on order from the Neth- erlands
Destroyer types	38 (20 with Styx-type SSMs)	33 (4 with Gabriel SSMs) + 5 on order from U.S.
Fast attack craft (missile)	181 (Styx-type SSMs)	4 (with Gabriel-type) + 50 being built in ROC
Fast attack craft (missile, torpedo, gun)	669	6
Minesweepers	17	21
Amphibious types	494	50
Naval Air Force		
Light Bombers	150	none
Fighters	600	none
Air Force		
Total men	490,000	67,000
Combat aircraft (total)	5,200	388
Bombers	650	none
Ground attack fighters	500	none
Fighter interceptors	3,900	353
Primary Source: International Institute of Strategic Studies, <u>The Military Balance, 1980-81</u> (London: IISS, 1980), pp. 61-64; 67.		
<u>MID-YEAR STATUS REPORT ON U.S.-TAIWAN TRADE</u>		
The bilateral trade imbalance (in Taiwan's favor) between the United States and Taiwan has been steadily reduced in recent years, and the latest figures show further progress toward achieving a balanced trade ledger. During the first half of 1981, Taiwan exported \$3.67 billion in products to the United States, while importing \$2.27 billion in American items. With total two-way trade at \$5.9 billion, Taiwan established itself as the ninth largest trading partner of the United States.		

The imbalance has been gradually reduced through a number of initiatives, including the visits of six Taiwanese purchasing missions to the United States since 1978 which have bought \$5.5 billion in American products. Later this year, a contract will be renewed between Taipei and 19 American grain exporters for the purchase of 17 million metric tons of soybeans, wheat, maize, sorghum, and barley during the 1981-1986 period, at a cost of more than \$4 billion. Officials of the American Institute in Taiwan have estimated that the trade imbalance will be virtually eliminated by 1989. Taiwan's global two-way trade is expected to reach a total of \$48 billion this year.

Stable social conditions in Taiwan coupled with government incentives also have brought continuing growth in foreign investment on the island in recent years. Investments from the United States alone last year amounted to \$110 million, up 37 percent over the previous year.

JAPAN

TOKYO TO AID PRC'S DEVELOPMENT

Despite recent indications that MITI Minister Rokusuke Tanaka would like to improve trade and economic relations with the Soviet Union, Japan has been making more substantive progress in its economic relations with the PRC. The Nihon Keizai Shimbun reported August 4 that Japan is prepared to provide the equivalent of US \$1.3 billion in yen credits to the PRC for industrial development. Also under discussion is a joint agricultural development project, which will involve the construction of irrigation and drainage facilities and an agricultural dam. These new ventures highlight the increasing economic interaction of Japan and China while Japanese-Soviet relations fail to keep pace.

PUBLIC CONCERN OVER NUCLEAR ARMS

An August "World Conference Against Atomic and Hydrogen Bombs" ended with adoption of a "Tokyo Declaration" calling for concrete action toward nuclear disarmament. The fact that this conference (consisting of meetings in Hiroshima, Nagasaki, and Tokyo) was hosted by Japan is only one indication of a recent increase in Japanese public concern over nuclear weaponry. Akihiro Takahashi, Director of the Hiro-