

# CRS Report for Congress

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## **Taiwan: Major U.S. Arms Sales Since 1990**

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# Taiwan: Major U.S. Arms Sales Since 1990

## Summary

This report discusses U.S. arms sales to Taiwan, or Republic of China (ROC), including policy issues for Congress and legislation. The Taiwan Relations Act (TRA), P.L. 96-8, has governed U.S. arms sales to Taiwan since 1979, when the United States recognized the People's Republic of China (PRC) instead of the ROC. There are two other relevant elements of the "one China" policy: the August 17, 1982 U.S.-PRC Joint Communiqué and the "Six Assurances" made to Taiwan. (For more discussion, see CRS Report RL30341, *China/Taiwan: Evolution of the "One China" Policy — Key Statements from Washington, Beijing, and Taipei*, by Shirley Kan.)

Despite the absence of diplomatic relations, U.S. security assistance for Taiwan has been increasingly significant. In addition to transfers of hardware, the United States has expanded military exchanges with Taiwan after the PRC's missile exercises in 1995-1996 and has conducted assessments of Taiwan's defense needs.

At the U.S.-Taiwan arms sales talks on April 24, 2001, President George W. Bush approved for sale to Taiwan: diesel-electric submarines (perhaps a foreign design with U.S. systems), P-3 anti-submarine warfare (ASW) aircraft (linked to the submarine sale), four decommissioned U.S. Kidd-class destroyers, and other items. He also deferred approval for Aegis-equipped destroyers and other items, while denying other requests. Since then, attention has turned to Taiwan, where the military, civilian officials, and legislators from competing political parties have debated contentious issues about how much to spend on defense and which U.S. weapons systems to acquire, despite the increasing threat from the People's Liberation Army (PLA), as described in the Pentagon's reports to Congress on PRC military power. The Administration and others have questioned Taiwan's seriousness about its self-defense and protection of national security information.

Several policy issues are of concern to Congress for legislation, oversight, or other action. One policy issue concerns the effectiveness of the Administration in assisting Taiwan's defense — including arms sales and military cooperation — as Taiwan faces the PLA's missile buildup and arms acquisitions, primarily from Russia. Another issue is the role of Congress in determining arms sales to Taiwan. A third issue concerns whether trends in the Taiwan Strait are stabilizing or destabilizing and how the Administration's policy has affected these trends, including any policy reviews or changes concerning arms sales to and military relations with Taiwan. A question arose in 2001 when President Bush committed the United States to do "whatever it took to help Taiwan defend herself." Another catalyst for this debate arose out of the U.S.-PRC summit in Crawford, TX, in October 2002, when PRC leader Jiang Zemin reportedly offered in vague terms a freeze or reduction in China's buildup of missiles targeted at Taiwan, in return for restraints in U.S. security assistance for Taiwan. In February 2003, the Administration pointed Taiwan to three priorities for defense: command and control, missile defense, and ASW.

This report concludes with a table on major defense sales to Taiwan, as approved by the President, proposed in Letters of Offer and Acceptance, and notified to Congress since 1990. This report will be updated as warranted.

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# Taiwan: Major U.S. Arms Sales Since 1990

## U.S. Policy

This report discusses U.S. security assistance for Taiwan, or Republic of China (ROC), including policy issues for Congress. It also lists sales of major defense articles and services to Taiwan, as approved by the Administration, proposed in Letters of Offer and Acceptance, and notified to Congress since 1990. Based on unclassified notices and news reports, this list includes the date of notification, major item proposed for sale, and estimated value of the defense package.

## Policy Statements

The Taiwan Relations Act (TRA), P.L. 96-8, has governed U.S. arms sales to Taiwan since 1979, when the United States recognized the People's Republic of China (PRC) instead of the ROC.<sup>1</sup> The TRA specifies that it is U.S. policy “to provide Taiwan with arms of a defensive character” and “to maintain the capacity of the United States to resist any resort to force or other forms of coercion” threatening Taiwan’s security, or social or economic system. Section 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.” The TRA also specifies a congressional role in decision-making on security assistance for Taiwan. Section 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. Section 3(b) also says that “such determination of Taiwan’s defense needs shall include review by United States military authorities in connection with recommendations to the President and the Congress.” The TRA set up the American Institute in Taiwan (AIT), a nonprofit corporation, to handle the relationship with Taiwan. AIT implements policy as directed by the Departments of Defense and State, and the National Security Council.

There are two other elements of the “one China” policy relevant to the issue of arms sales to Taiwan. In 1982, President Reagan issued the August 17 Joint Communiqué on reducing arms sales to Taiwan, but he also stated that those sales will continue in accordance with the TRA and with the full expectation that the PRC’s approach to the resolution of the Taiwan issue will be peaceful. In referring to what have been known as the “Six Assurances” made to Taipei, U.S. policy-makers have said that, in 1982, Washington did not agree to set a date for ending

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<sup>1</sup> For more on policy, see CRS Report RL30341, *China/Taiwan: Evolution of the “One China” Policy — Key Statements From Washington, Beijing, and Taipei*, by Shirley Kan.

arms sales to Taiwan nor to consult with Beijing on arms sales to Taiwan. The “Six Assurances” also included the assurance of not revising the TRA.

## Broad Indicators of Arms Transfers

From worldwide sources, including the United States, Taiwan received \$20.7 billion in arms deliveries in the 8-year period from 1994 to 2001 — with Taiwan ranked second behind Saudi Arabia among leading recipients in the developing world. Of that total, Taiwan received \$10.6 billion in arms in 1994-1997, and \$10.1 billion in 1998-2001.<sup>2</sup> (The PRC, by comparison, received \$8 billion in arms during the same 8-year period.) In 2001, Taiwan received \$1.2 billion in arms deliveries, while the PRC received arms deliveries valued at \$2.2 billion.

As for U.S. arms transfers to Taiwan, they have been significant despite the absence of diplomatic relations or a treaty alliance. Deliveries of U.S. defense articles and services to Taiwan totaled \$4 billion in the 1993-1996 period, and \$7.6 billion in 1997-2000, ranking first among Asian recipients. Worldwide, Taiwan ranked third (behind Saudi Arabia and Egypt) in 1993-1996, and second (behind Saudi Arabia) in 1997-2000. In 2000 alone, Taiwan received \$1.2 billion in U.S. defense articles and services.<sup>3</sup>

## Military Relationship

In addition to transfers of hardware, beginning after tensions in the Taiwan Strait in 1995-1996 during which President Clinton deployed two aircraft carrier battle groups near Taiwan, the Clinton Administration quietly expanded the sensitive military relationship with Taiwan to levels unprecedented since 1979.<sup>4</sup> The broader exchanges have increased attention to “software,” including discussions over strategy, training, logistics, command and control, and plans in the event of an attack from the PRC. These increased exchanges were prompted by U.S. concerns over how well Taiwan has upgraded its capabilities to defend itself.

The Pentagon has also conducted its own assessments of Taiwan’s defense needs. Congress could inquire about these and any other assessments. In September 1999, to enhance cooperation, a Pentagon team was said to have visited Taiwan to assess its air defense capability.<sup>5</sup> The Pentagon reportedly completed its classified

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<sup>2</sup> CRS Report RL31529, *Conventional Arms Transfers to Developing Nations, 1994-2001*, August 6, 2002, by Richard F. Grimmett.

<sup>3</sup> CRS Report RL31113, *U.S. Arms Sales: Agreements with and Deliveries to Major Clients, 1993-2000*, September 5, 2001, by Richard Grimmett, compiled from U.S. official, unclassified data as reported by the Defense Security Cooperation Agency (DSCA).

<sup>4</sup> Mann, Jim, “U.S. Has Secretly Expanded Military Ties with Taiwan,” *LA Times*, July 24, 1999; Kurt M. Campbell (former Deputy Assistant Secretary of Defense for Asian and Pacific Affairs) and Derek J. Mitchell, “Crisis in the Taiwan Strait?”, *Foreign Affairs*, July/August 2001.

<sup>5</sup> “U.S. Military Team Arrives in Taiwan for Visit,” *Lien-ho Pao [United Daily News]*, Sept. (continued...)

assessment in January 2000, finding a number of problems in the Taiwan military's ability to defend against aircraft, ballistic missiles, and cruise missiles, and those problems included international isolation, inadequate security, and sharp inter-service rivalries.<sup>6</sup> In September 2000, the Pentagon reportedly conducted a classified assessment of Taiwan's naval defense needs — as the Clinton Administration had promised in April 2000 while deferring a sale of Aegis-equipped destroyers. The report, "Taiwan Naval Modernization," was said to have found that Taiwan's navy needed the Aegis radar system, Kidd-class destroyers, submarines, an anti-submarine underwater sonar array, and P-3 anti-submarine aircraft.<sup>7</sup> In January 2001, a Pentagon team reportedly examined Taiwan's command and control, air force equipment, and air defense against a first strike.<sup>8</sup> In September 2001, a Defense Department team reportedly visited Taiwan to assess its army, as the Bush Administration promised in the April 2001 round of arms sales talks.<sup>9</sup> In August 2002, a U.S. military team studied Taiwan's Po Sheng command, control, communication, computers, intelligence, surveillance, and reconnaissance (C4ISR) program.<sup>10</sup> In November 2002, another U.S. team visited Taiwan to assess its marine corps and security at ports and harbors, and reported positive findings.<sup>11</sup>

The George W. Bush Administration has continued and expanded the closer military ties at different levels. In April 2001, President Bush announced he would drop the 20-year-old annual arms talks process used to discuss arms sales to Taiwan's military in favor of normal, routine considerations of Taiwan's requests on an as-needed basis — similar to interactions with other governments.<sup>12</sup> In July 2001, after U.S. and Taiwan media reported on a U.S.-Taiwan military meeting in Monterey, CA, the Pentagon revealed it was the seventh meeting (since 1997) held with Taiwan's national security authorities "to discuss issues of interaction and means by which to provide for the defense of Taiwan."<sup>13</sup> Another round of such strategic talks

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<sup>5</sup> (...continued)  
19, 1999, in *FBIS*.

<sup>6</sup> Ricks, Thomas, "Taiwan Seen as Vulnerable to Attack," *Washington Post*, March 31, 2000.

<sup>7</sup> Tsao, Nadia, "Pentagon Report Says Taiwan Can Handle AEGIS," *Taipei Times*, Sept. 27, 2000; Michael Gordon, "Secret U.S. Study Concludes Taiwan Needs New Arms," *New York Times*, April 1, 2001.

<sup>8</sup> *China Times* (Taiwan), January 14, 2001; *Taipei Times*, January 15, 2001.

<sup>9</sup> *Taipei Times* (Taiwan), September 10, 2001.

<sup>10</sup> *Taiwan Defense Review* (Taiwan), August 27, 2002.

<sup>11</sup> *Taipei Times*, November 21, 2002; January 1, 2003; Tzu-Yu Shih-Pao [*Liberty Times*] (Taipei), April 14, 2003; *Taipei Times*, August 22, 2003.

<sup>12</sup> On the annual arms talks, see CRS Report RS20365, *Taiwan: Annual Arms Sales Process*, updated June 5, 2001, by Shirley Kan.

<sup>13</sup> *China Times* (Taiwan), July 18, 2001; *Washington Times*, July 18, 2001; Department of Defense News Briefing, July 19, 2001.

took place in July 2002.<sup>14</sup> U.S. military officers observed Taiwan's Hankuang 17 annual exercise in 2001, the first time since 1979.<sup>15</sup> The Pacific Command's Asia-Pacific Center for Security Studies accepted fellows from Taiwan in its Executive Course for the first time in the summer of 2002.<sup>16</sup>

As for high-level visits, the Bush Administration granted a visa for Defense Minister Tang Yiau-ming to visit the United States to attend a private conference held by the U.S.-Taiwan Business Council on March 10-12, 2002, in St. Petersburg, FL, making him the first ROC defense minister to come to the United States on a non-transit purpose since 1979.<sup>17</sup> Tang met with Deputy Secretary of Defense Paul Wolfowitz, who told the conference that the United States is willing to help Taiwan's military to strengthen civilian control, enhance jointness, and rationalize arms acquisitions.<sup>18</sup> In September 2002, a deputy defense minister, Kang Ning-hsiang, visited Washington and became the first senior Taiwan defense official to have meetings inside the Pentagon since U.S.-ROC diplomatic ties severed in 1979, although a meeting with Wolfowitz took place outside the Pentagon building.<sup>19</sup> In addition, in 2002, the Administration requested legislation be passed to authorize the assignment of personnel from U.S. departments (including the Defense Department) to AIT, with implications for the assignment of active-duty military personnel to Taiwan for the first time since 1979. (See the discussion below of the Foreign Relations Authorization Act for FY2003, P.L. 107-228.)

In January 2003, a Taiwanese newspaper leaked information that a U.S. military team planned to participate in — beyond observe — the Hankuang 19 military exercise and be present at Taiwan's Hengshan Command Center for the first time since 1979.<sup>20</sup> On the same day, General Chen Chao-min, a deputy defense minister, confirmed to Taiwan's legislature a U.S. plan for a non-combatant evacuation operation (NEO). However, the leak and confirmation reportedly prompted annoyance in Washington and contributed to a U.S. decision to limit Chen's visit to the United States in February 2003 to attendance at a private sector conference on Taiwan's defense in San Antonio, TX (without a visit to Washington, DC).<sup>21</sup> The exercise reportedly took place in April-May 2003, with about 20 U.S. military personnel participating. The exercise reportedly raised questions about Taiwan's ability to sustain defense before potential U.S. support and the military's will to

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<sup>14</sup> *Central News Agency* (Taiwan), July 17, 2002.

<sup>15</sup> *Chung-Kuo Shih-Pao* [China Times] (Taiwan), July 18, 2001.

<sup>16</sup> *CNN.com*, March 18, 2002.

<sup>17</sup> In December 2001, the previous ROC Defense Minister, Wu Shih-wen, made a U.S. transit on his way to the Dominican Republic.

<sup>18</sup> Deputy Secretary of Defense Paul Wolfowitz, "Remarks to the U.S.-Taiwan Business Council," March 11, 2002.

<sup>19</sup> *Reuters*, September 10, 2002.

<sup>20</sup> *Chung-Kuo Shih-Pao* [China Times], January 2, 2003.

<sup>21</sup> *Taiwan Defense Review*, January 18, 2003; *Straits Times* (Singapore), January 21, 2003.

fight.<sup>22</sup> Deputy Defense Minister Lin Chong-pin visited Washington in June 2003 to respond to U.S. concerns about Taiwan's commitment to its self-defense.

## April 2001 Arms Requests and Status of Arms Sales

In 2001, arms sales talks took place on April 24 in Washington, DC, and Taiwan was represented by its Vice Chief of General Staff, General Huoh Shou-yeh. According to the Administration and news reports,<sup>23</sup> President Bush approved Taiwan's request for: 8 diesel-electric submarines, 12 P-3C Orion anti-submarine warfare (ASW) aircraft (linked to the submarine sale), 54 Mark-48 ASW torpedoes, 44 Harpoon submarine-launched anti-ship cruise missiles, 144 M109A6 Paladin self-propelled howitzers, 54 AAV7A1 amphibious assault vehicles, AN/ALE-50 electronic countermeasure (ECM) systems for F-16s, and 12 MH-53 mine-sweeping helicopters. Also approved for sale were four decommissioned Kidd-class destroyers (considered as Excess Defense Articles (EDA), not FMS). The Administration also decided to brief Taiwan's military on the PAC-3 missile defense missile.<sup>24</sup>

Deferred for approval were destroyers equipped with the Aegis combat system. The U.S. Navy currently deploys the Aegis combat system (e.g., on the Arleigh Burke-class destroyer) for air defense and applies it in development of a future Navy missile defense system. An alternative to the Arleigh Burke that retains the Aegis Spy-1D radar, called the Evolved Advanced Combat System (EACS) has been considered. (By October 2002, Taiwan reportedly re-submitted a request for Aegis-equipped destroyers.<sup>25</sup> In March 2003, its defense minister proposed a program for acquiring 4 Arleigh Burke-class destroyers with Aegis systems beginning in 2009.<sup>26</sup>)

Also deferred for approval were M1A2 Abrams main battle tanks and AH-64D Apache Longbow attack helicopters, pending a U.S. assessment of Taiwan's army. In May 2002, the Bush Administration approved the request for Apaches, and Taiwan began negotiations to purchase 30 helicopters.<sup>27</sup> However, in February 2003, the Administration identified higher priorities: missile defense, ASW, and C4ISR.

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<sup>22</sup> *Lien-Ho Pao [United Daily News]* (Taipei), April 16, 2003; *China Times* (Taipei), April 19, 2003; *Taipei Times*, April 25, 2003; *Central News Agency* (Taipei), May 9, 2003.

<sup>23</sup> White House, press briefing, April 24, 2001; Department of Defense, news briefing, April 24, 2001; David Sanger, "Bush is Offering Taiwanese Some Arms, But Not the Best," *New York Times*, April 24, 2001; Steven Mufson and Dana Milbank, "Taiwan to Get Variety of Arms," *Washington Post*, April 24, 2001; Neil King Jr., "Bush Defers Sale of Aegis to Taiwan, Will Offer Four Kidd-Class Destroyers," *Wall Street Journal*, April 24, 2001; "U.S. Refuses Taiwan Request for JDAM, HARM, and PAC-3 Missiles," *Aerospace Daily*, April 25, 2001; and "U.S. Formally Informs ROC of Arms Sales Decision," *Central News Agency* (Taiwan), April 25, 2001.

<sup>24</sup> *Taiwan Defense Review*, January 18, 2003, reported the briefing took place in late 2001.

<sup>25</sup> *Lien-Ho Pao [United Daily News]* (Taiwan), October 29, 2002.

<sup>26</sup> *Taiwan Defense Review*, March 12, 2003.

<sup>27</sup> *Taipei Times*, May 26, 2002; *Jane's Defence Weekly*, June 5, 2002.

President Bush denied approval for Taiwan's requests for Joint Direct Attack Munitions (JDAM) and HARM anti-radiation missiles. At the U.S.-Taiwan Business Council's conference in February 2003, however, Deputy Under Secretary of the Air Force Willard Mitchell indicated that these requests were under review.

**Kidd-Class Destroyers.** In October 2002, the Defense Committee of Taiwan's legislature engaged in a sharp partisan debate over whether to approve funding (about \$800 million) to buy the U.S. Navy's four currently available Kidd-class destroyers, ending with 18 lawmakers from the ruling Democratic Progressive Party (DPP) and Taiwan Solidarity Union (TSU) voting in favor, against 16 legislators from the Kuomintang (KMT) and People's First Party (PFP).<sup>28</sup> Then, legislators conditioned funding on bargaining with the U.S. Navy on a 15% price reduction. On May 30, 2003, Taiwan's legislature finally voted to release the funding. The U.S. Navy began reactivation and upgrade of the Kidds in July 2003.<sup>29</sup>

**Submarines.** Despite initial press reports skeptical about the sale of submarines (because the United States no longer manufactures diesel-electric submarines), the Department of Defense has discussed options for the program with industry and Taiwan. In November 2001, seven companies submitted bids and concept papers to the Department of the Navy. Companies interested in the contract reportedly include U.S. manufacturers, Northrop Grumman (with its Ingalls Shipbuilding) and General Dynamics (with its Electric Boat); Germany's HDW; the Netherlands' RDM (which sold its Zwaardvis-class submarine design to Taiwan in the 1980s for 2 Hai Lung [Sea Dragon]-class submarines); France's DCN; and Spain's IZAR. Taiwan's China Shipbuilding Corporation also is interested in a part of the contract, with support from some of Taiwan's legislators. The Department of Navy discussed options with Taiwan's Navy in July 2002 and planned to select the manufacturer(s) to design and build the submarines in the latter half of 2003 with the first submarine delivered perhaps in 2010.<sup>30</sup> The Navy held a second industry day on December 17, 2002, with General Dynamics, Lockheed Martin, Northrop Grumman, and Raytheon interested in being the prime contractor.<sup>31</sup>

However, by April 2003, the sale became at risk, when the United States and Taiwan reached an impasse over the program start-up costs estimated by the U.S. Navy at \$333 million, but offered at \$28.5 million by Taiwan. On May 20-23, 2003, Taiwan's Navy sent a delegation led by Vice Admiral Kao Yang to Washington to discuss the issue, but the differences reportedly remained unresolved.<sup>32</sup> Facing the delays in Taiwan's commitment of funds (not before 2006) and a decade-long acquisition process, the Administration then viewed the program as a long-term

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<sup>28</sup> *Taipei Times* and *China Post* (Taiwan), November 1, 2002.

<sup>29</sup> *Taipei Times*, September 5, 2003.

<sup>30</sup> *Central News Agency* (Taiwan), July 30, 2002; *Taipei Times*, July 31, 2002; *Defense Daily*, September 16, 2002.

<sup>31</sup> *Knight-Ridder/Tribune Business News*, December 17, 2002.

<sup>32</sup> *United Daily News* (Taipei), April 21, 2003 and April 22, 2003; *Taiwan Defense Review*, May 17, 2003 and May 30, 2003.

solution for Taiwan that would not meet the near-term threats posed by the PLA.<sup>33</sup> The estimated total cost of the submarines could reach \$9 billion to \$12 billion.<sup>34</sup>

In addition to the military and political implications of selling submarines to Taiwan's navy, issues for Congress include potential technology transfers to Taiwan and Europeans, and leaks of secrets from Taiwan to the PRC, that could involve U.S. submarine secrets and implications for the U.S. military.<sup>35</sup> In a report to Congress, as required by the National Defense Authorization Act for FYs 1992-1993, the Secretary of the Navy reported in May 1992 that "to the extent that a potential diesel submarine construction project would draw on U.S. resources, it has the potential to tap into the state-of-the-art technology used in U.S. nuclear powered submarines." The report also noted "the fact that the diesel submarine is not a viable asset in the U.S. Navy" and that "construction of diesel submarines for export in U.S. shipyards would not support the U.S. submarine shipbuilding base and could encourage future development and operation of diesel submarines to the detriment of our own forces." The report also said that "it may be possible to control the release of the most important information and specific technologies of concern, but an effective system would also have significant costs. The problem will be more difficult, however, if a foreign entity is present in the shipyards during submarine construction."

**P-3C ASW Aircraft.** After the United States approved Taiwan's request for 12 P-3C planes, the two sides have negotiated the proposed sale. But Taiwan has questioned the estimated cost of \$300 million per plane (in part due to Lockheed Martin's need to reopen the production line) for a total cost of \$4.1 billion (including parts and training) and has sought alternatives, such as refurbished P-3B planes.<sup>36</sup> A longer-term option is the Multi-Mission Maritime Aircraft (MMA) under development by the U.S. Navy.

**PAC-3 Missile Defense.** After U.S. approval in 1992, Taiwan in 1997 acquired three Patriot missile defense fire units with PAC-2 Guidance Enhanced Missiles. After the Bush Administration in 2001 decided to brief Taiwan on the advanced PAC-3 hit-to-kill missile, Taiwan has considered a deal on the PAC-3 system (which may include upgrading the 3 current units while adding 3 or 6 fire units). The U.S. Army completed developmental testing of the PAC-3 in October 2001 and conducted operational tests in 2002. The PAC-3 has been deployed with the U.S. Army, as seen in Operation Iraqi Freedom in March-April 2003. Raytheon describes its Patriot system as the world's most advanced ground-based system for defense against aircraft, theater ballistic missiles, and cruise missiles.

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<sup>33</sup> U.S.-Taiwan Business Council, *Defense and Aerospace Report*, Second Quarter 2003; *Bloomberg*, July 10, 2003; *Defense Daily*, July 11, 2003.

<sup>34</sup> *Lien-ho Pao* [United Daily News], August 25, 2003.

<sup>35</sup> As for U.S. counter-espionage concerns, the FBI sent agents to Taipei to investigate alleged compromises of security on the PRC's behalf at Taiwan military's Chungshan Institute of Science and Technology, reported the *Central News Agency*, August 13, 2003.

<sup>36</sup> *China Times*, May 8, 2003; *Central News Agency*, May 8, 2003; *Jane's Defense Weekly*, May 21, 2003; *Taiwan Defense Review*, June 1, 2003; *Liberty Times*, June 10, 2003.

In late 2002, the Pentagon reportedly was disappointed with Taiwan's delay in acquiring the PAC-3.<sup>37</sup> At a private sector conference on Taiwan's defense in February 2003, Bush Administration officials openly stressed to Taiwan's visiting Deputy Defense Minister Chen Chao-min the imperative of acquiring advanced missile defense systems. (See "Policy Issues for Congress" below.) In March 2003, Mary Tighe, the Director of Asian and Pacific Affairs, led a Defense Department delegation to Taiwan to urge its acquisition of missile defense systems, including the PAC-3.<sup>38</sup> After Chen criticized the Patriot's performance in Operation Iraqi Freedom, a Pentagon spokesperson, Jeff Davis, publicly corrected Chen to Taiwan's media on March 27, 2003.<sup>39</sup> In April 2003, Taiwan submitted to the United States a request for pricing and availability, in a step towards a contract for 3 PAC-3 units and upgrade of 3 PAC-2 Plus units to the PAC-3 standard.<sup>40</sup>

**Early Warning Radars.** In 1999, some in Congress encouraged the Clinton Administration to approve a sale of early warning radars (see "106<sup>th</sup> Congress" below). Taiwan has not concluded a contract for this procurement, while the Pentagon has stressed the importance of long-range early warning and tracking of any missile attacks against Taiwan. In March 2003, Taiwan reportedly was considering two options: the Pave Paws radar system sold by Raytheon and the Advanced Digital Surveillance Radar proposed by Lockheed Martin.<sup>41</sup>

**C4ISR.** In addition, after approval in 1999, the United States reportedly has assisted Taiwan's C4ISR program (named Po Sheng), involving sales of datalink systems and integration of the services into a joint command and control system.<sup>42</sup> In July 2001, the Bush Administration notified Congress of a proposed sale of Joint Tactical Information Distribution Systems (JTIDS)/Link 16 terminals, a basis for an expanded program. In early 2003, the Administration signaled to Taiwan that this FMS program (managed by the U.S. Navy's SPAWAR command) should be given top priority. Taiwan opted for a program costing about \$1.4 billion, rather than a more comprehensive option costing about \$3.9 billion.<sup>43</sup>

**AMRAAMs.** In April 2000, the Clinton Administration approved the sale of AIM-120 Advanced Medium-Range Air-to-Air Missiles (AMRAAMS) to Taiwan, with the understanding that the missiles would be kept in storage on U.S. territory and transferred later to Taiwan, if/when the People's Liberation Army (PLA) acquires a similar Russian missile, like the R-77 (AA-12) air-to-air missile, or threatens to attack Taiwan. On July 1, 2002, the *Washington Times* reported that, in

<sup>37</sup> *Taiwan Defense Review*, December 6, 2002.

<sup>38</sup> *Central News Agency* (Taiwan), March 11, 2003.

<sup>39</sup> *Taipei Times*, March 29, 2003.

<sup>40</sup> *Far Eastern Economic Review*, May 15, 2003; *Jane's*, July 23, 2003.

<sup>41</sup> *Jane's Defense Weekly*, March 26, 2003.

<sup>42</sup> *Chung-Kuo Shih-Pao [China Times]* (Taiwan), July 18, 2001; *Defense and Aerospace* (U.S.-Taiwan Business Council), 2001; *Taiwan Defense Review*, August 27, 2002.

<sup>43</sup> SPAWAR briefing at U.S.-Taiwan Defense Industry Conference, February 12-14, 2003; *Taiwan Defense Review*, July 17, 2003; *Tzu-Yu Shih Pao [Liberty Times]*, July 14, 2003.

June, two SU-30 fighters of the PLA Air Force test-fired AA-12 medium-range air-to-air missiles acquired from Russia. The report raised questions as to whether the PLA already deployed the missiles. According to *Reuters* (July 10, 2002), Raytheon planned to finalize production of the AMRAAMs for Taiwan by the fall of 2003. Some in Congress urged the Bush Administration to transfer the AMRAAMs to Taiwan after production. (See “107<sup>th</sup> Congress.”) By the end of 2002, the Administration authorized delivery of the AMRAAMs to Taiwan and briefed its air force on ground-launched AMRAAMs.<sup>44</sup>

**Taiwan’s Decisions.** Since the U.S. response to Taiwan’s requests in 2001, attention has turned to Taiwan, where the military, civilian leadership, a newly assertive legislature (Lifa Yuan), and competing political parties have debated contentious issues. These issues include the urgency of a possible PLA attack, how much to spend on defense, which U.S. weapons systems to buy, whether to respond to perceived U.S. pressure, and what the defense strategy should be. The debate has taken place as the Pentagon has warned of the PLA’s accelerated buildup in a coercive strategy targeting Taiwan. In 2002, Taiwan’s defense ministry said that it needed the legislature to approve NT\$700 billion (about US\$21 billion) over the next 10 years for arms procurement.<sup>45</sup> In early 2003, the Bush Administration stressed to Taiwan the imperatives of missile defense, C4ISR, and anti-submarine warfare. Taiwan’s minister of defense, in March 2003, issued a new procurement plan emphasizing those priorities.<sup>46</sup> However, getting a political consensus and funding from the legislature has remained questionable.

## Policy Issues for Congress

Since the early 1990s, the PLA has modernized with a missile buildup and foreign arms acquisitions, primarily from Russia.<sup>47</sup> As a result of the PLA’s provocative exercises and missile test-firings in 1995 and 1996 that were directed against Taiwan, Congress has increasingly asserted its role vis-a-vis the Administration in determining security assistance for Taiwan, as stipulated by Section 3(b) of the TRA, as well as in exercising its oversight of Section 2(b)(6) of the TRA on the U.S. capacity to resist any resort to force or other forms of coercion against Taiwan. Congress has increasingly asserted its role in determining arms sales to Taiwan *before* sales are announced.<sup>48</sup> Policy issues center on how effectively the

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<sup>44</sup> *Lien-Ho Pao [United Daily News]* (Taiwan), January 5, 2003; Remarks of Deputy Under Secretary of the Air Force Willard Mitchell at the U.S.-Taiwan Business Council’s conference in February 2003.

<sup>45</sup> *Chung-Kuo Shih-Pao [China Times]* (Taiwan), May 17, 2002; *Taiwan Defense Review*, August 30, 2002.

<sup>46</sup> *Taiwan Defense Review*, March 12, 2003.

<sup>47</sup> See CRS Report 97-391, *China: Ballistic and Cruise Missiles*, by Shirley Kan, and CRS Report RL30700, *China’s Foreign Conventional Arms Acquisitions*, by Shirley Kan, Christopher Bolkcom, and Ronald O’Rourke.

<sup>48</sup> As for all U.S. arms sales, months or years *after* the President’s decision on Taiwan’s requests and Taiwan’s subsequent decisions on which sales to pursue, the role of Congress (continued...)

Administration is helping Taiwan's defense, the role of Congress in determining security assistance for Taiwan, and whether aspects of U.S. defense assistance for Taiwan are stabilizing or destabilizing, and should be reviewed or changed.

Some have called for a clear commitment to help Taiwan's defense, interoperability with Taiwan's military, combined operational training, high-level exchanges, and visits by U.S. flag and general officers to Taiwan. Others have argued that the United States needs a cooperative China, that trends in the Taiwan Strait are destabilizing, and that the United States should review its policy of enhancing security assistance to Taiwan.

A question arose in April 2001 when President Bush committed the United States to do "whatever it took to help Taiwan defend herself." Supporters have viewed such clarity as needed to prevent misperceptions in Beijing and deter attacks against Taiwan. However, critics have argued that Bush encouraged provocations from Taipei and weakened willingness in Taiwan to spend on its own defense.

Moreover, while there has been much interest among U.S. academic circles and think tanks for Washington to pursue talks with Beijing on its military buildup and U.S. arms sales to Taiwan (instead of simply enhancing security assistance to Taiwan),<sup>49</sup> a catalyst for this debate among policymakers arose out of the U.S.-PRC summit in Crawford, TX, on October 25, 2002. As confirmed to Taiwan's legislature by its envoy to Washington, C.J. Chen, and reported in Taiwan's media, PRC President Jiang Zemin offered in vague terms a freeze or reduction in China's deployment of missiles targeted at Taiwan, in return for restraints in U.S. arms sales to Taiwan.<sup>50</sup> President Bush reportedly did not respond to Jiang's linkage. Editorials in Taiwan were divided on whether to pursue Jiang's offer.

Some argued that confidence building measures, such as a freeze or reduction in PLA missile and other military deployments, would improve the chances for cross-strait political dialogue and lead to greater stability. They said that the United States could explore how the PRC might reduce the threat against Taiwan, such as dismantling missile brigades in a verifiable manner, since sales of U.S. systems are based on Taiwan's defense needs. Others said that a freeze or redeployment of

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<sup>48</sup> (...continued)

includes review of major proposed FMS deals notified to Congress (during which Congress may enact a joint resolution of disapproval) as stipulated under Section 36(b) of the Arms Export Control Act (AECA) (P.L. 90-629). See CRS Report RL31675, *Arms Sales: Congressional Review Process*, December 20, 2002, by Richard Grimmer.

<sup>49</sup> See: David Lampton and Richard Daniel Ewing, "U.S.-China Relations in a Post-September 11<sup>th</sup> World," Nixon Center, August 2002; David Shambaugh's arguments at conference by Carnegie Endowment, Stanford University, Center for Strategic and International Studies, and National Committee on U.S.-China Relations, on "Taiwan and U.S. Policy: Toward Stability or Crisis?," October 9, 2002; Michael Swaine, "Reverse Course? The Fragile Turnaround in U.S.-China Relations," Carnegie Endowment Policy Brief, February 2003.

<sup>50</sup> *Chung-Kuo Shih-Pao [China Times]*, November 22, 2002; *Taipei Times*, November 23, 2002.

missiles would not eliminate the PRC's continuing and broader military threat against Taiwan (including mobile missiles) and that the PRC still refused to hold talks with leaders in Taipei. They argued that Jiang did not seek to reduce the PLA's coercive threat but to undermine the relationship between Washington and Taipei, including sales and deliveries of weapons systems which take years to complete.

One issue for congressional oversight has concerned whether and how the Administration might discuss with Beijing the question of U.S. arms sales to Taiwan. Policy considerations include the TRA, the 1982 Joint Communique (which discussed reductions in U.S. arms sales to Taiwan premised on the PRC's peaceful unification policy), and the 1982 "Six Assurances" to Taiwan (including one of not holding prior consultations with the PRC on U.S. arms sales to Taiwan). At a hearing in March 2001, Secretary of State Colin Powell assured Senator Helms that the "Six Assurances" remain U.S. policy and that the Administration would not favor consulting the PRC on arms sales to Taiwan.<sup>51</sup> The Bush Administration reportedly did not respond to Jiang's verbal offer, noting the accelerated missile buildup, continued military threats against Taiwan, the need for the PRC to talk directly to Taiwan, the TRA, and the "Six Assurances" to Taiwan.

Since 2002, some have expressed increasing concerns about Taiwan's commitment to its self-defense. The Pentagon's report on PRC Military Power submitted to Congress in July 2002 said that reforms in Taiwan's military were needed to achieve a joint service capability to meet the growing challenge from the PLA's modernizing air, naval, and missile forces, but warned that "the defense budget's steady decline as a percentage of total government spending will challenge Taiwan's force modernization."<sup>52</sup> In January 2003, supporters of Taiwan at the Heritage Foundation urged Taiwan's leaders to be "serious" about its own defense.<sup>53</sup> The Pentagon's report issued in July 2003 further stressed that the relative decline in Taiwan's defense budget "increasingly" will challenge its force modernization.<sup>54</sup>

Taiwan's defense budget for 2003 is about US\$7.5 billion, which accounts for 2.6% of GDP and 16.6% of total government spending, compared with 4.0% of GDP and 24.3% of total spending 10 years earlier. Still, the defense budget as a share of total spending has remained at about 16.5% for the last 3 years (2001-2003). These relative declines took place as the Pentagon has reported an increased threat posed by the PLA to Taiwan, the PLA has obtained higher budgets, and U.S. support for Taiwan has increased since 1995-1996. Some leaders in Taiwan have argued that Taiwan's defense spending is still significant, that the legislature in the newly consolidated democracy has the right to scrutinize the defense budget, and that economic challenges have constrained defense spending.

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<sup>51</sup> Senate Foreign Relations Committee, Hearing on U.S. Foreign Policy, March 8, 2001.

<sup>52</sup> Department of Defense, "Annual Report on the Military Power of the People's Republic of China," July 12, 2002.

<sup>53</sup> Peter Brookes, "The Challenges and Imperatives in Taiwan's Defense," Heritage Lectures, January 9, 2003; John Tkacik, "Taiwan Must Get Serious About Defense," *Defense News*, January 27, 2003.

<sup>54</sup> Department of Defense, "Report on PRC Military Power," July 30, 2003.

Also, they have pointed out that Taiwan has funded defense out of separate “Special Budgets.” Taiwan’s Special Budgets for defense in 1994-2003 totaled US\$22.6 billion and funded procurement of fighter aircraft and military housing construction.<sup>55</sup> By 2003, anti-American complaints appeared in news articles in Taiwan about perceived U.S. “pressure,” “extortion,” and untrustworthiness.<sup>56</sup> In June 2003, Deputy Defense Minister Lin Chong-pin and a defense committee delegation led by Legislative Yuan President Wang Jin-pyng visited Washington to reassure the Bush Administration and Congress that the government in Taipei remained committed to defense, and Lin promised to seek an increase of 4% for the defense budget in 2004.<sup>57</sup> In August 2003, news reports said that Taiwan’s defense ministry considered a Special Budget of about \$15 billion to procure the PAC-3 missile defense system, long-range early warning radars, submarines, and ASW aircraft over the next 10 years. However, some legislators in Taiwan attacked the proposal, and the defense ministry denied making the request at that time.<sup>58</sup>

### Taiwan’s Defense Budget

Fiscal Year	Military Budget (NT\$ bil.)	Military Budget (US\$ bil.)	GDP (US\$ bil.)	% of GDP	% of total government spending
1994	258.5	9.8	244.5	4.0	24.3
1995	252.3	9.5	264.4	3.6	24.5
1996	258.3	9.5	281.7	3.4	22.8
1997	268.8	9.4	290.2	3.2	22.5
1998	274.8	8.2	267.4	3.1	22.4
1999	284.5	8.8	287.9	3.1	21.6
2000	402.9	12.9	309.5	NA	17.4
2001	269.8	8.0	281.3	2.8	16.5
2002	260.4	7.5	282.2	2.7	16.4
2003	257.2	7.5	295.1	2.6	16.6

**Note:** This table was compiled based on official defense budget numbers as provided by Taiwan’s representative office in Washington and GDP data and exchange rates as reported by Global Insight. The fiscal year 2000 budget covered the 18-month period from July 1999 to December 2000. Taiwan’s currency is the New Taiwan Dollar (NT\$).

<sup>55</sup> Taiwan’s official defense budgets and special budgets were provided by Taiwan’s representative office in Washington, DC.

<sup>56</sup> *United Daily News*, April 21, 2003; *China Times*, May 8, 2003 and August 18, 2003.

<sup>57</sup> Meeting at CRS with Lin Chong-pin and congressional staff, June 5, 2003; Luncheon at the Heritage Foundation with Taiwan’s legislative delegation led by Wang Jin-pyng, June 24, 2003; TECRO, *Taipei Update*, July 22, 2003.

<sup>58</sup> *Central News Agency* (Taipei), August 13, 2003; *Liberty Times* (Taipei), August 14, 2003; *China Times* (Taipei), August 14, 2003; FBIS, August 20, 2003.

In comparison, the PRC's announced military budget for 2003 is about US\$22 billion, while based on Defense Department estimates, it is about \$68 billion.<sup>59</sup> China has announced double-digit increases in its nominal defense budget every year since 1989. After 1996 (the second year of the Taiwan Strait Crisis of 1995-1996), China's announced military budget has increased in real terms (accounting for inflation) every year, including real double-digit increases in consecutive years since 1998. The PLA's announced budget for 2003 increased by 10%.

In late 2002, the Pentagon reportedly conducted a policy review of cooperation with Taiwan that examined whether its leaders have taken defense seriously, whether defense cooperation with Taiwan has been effective, and whether U.S. policy should change.<sup>60</sup> (The NSC, State Department, and AIT would have input into any review by the Administration of policy toward Taiwan.<sup>61</sup>) At the U.S.-Taiwan Business Council's conference on Taiwan's defense in February 2003, in San Antonio, TX, Deputy Assistant Secretary of Defense Richard Lawless told Taiwan's Vice Defense Minister Chen Chao-min and others that, while the President said that we will do whatever it takes to help Taiwan defend itself, Taiwan "should not view America's resolute commitment to peace and stability in the Taiwan Strait as a substitute for investing the necessary resources in its own defense." At the same occasion, Deputy Assistant Secretary of State Randall Schriver indicated a proactive U.S. approach, pointing Taiwan to three priorities: missile defense, C4ISR, and ASW.

## Congressional Action

**105<sup>th</sup> Congress.** In the 105<sup>th</sup> Congress, the FY1999 National Defense Authorization Act (P.L. 105-261) required the Secretary of Defense to study the U.S. missile defense systems that could protect and could be transferred to "key regional allies," defined as Japan, South Korea, and Taiwan.<sup>62</sup> In addition, the conference report (H.Rept. 105-746 of the FY1999 Defense Appropriations Act, P.L. 105-262) required a report from the Pentagon on the security situation in the Taiwan Strait, in both classified and unclassified forms.<sup>63</sup>

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<sup>59</sup> The PRC's announced budget of RMB 185.3 billion for 2003 is converted to U.S. dollars using the exchange rate. The Defense Department has estimated the PRC's actual military expenditures at about 5% of GDP.

<sup>60</sup> *Taiwan Defense Review*, January 18, 2003.

<sup>61</sup> *The Nelson Report* (January 31, 2003) reported there was an interagency East Asia Policy Review.

<sup>62</sup> Department of Defense, "Report to Congress on Theater Missile Defense Architecture Options for the Asia-Pacific Region," unclassified version, May 1999; CRS Report RL30379, *Missile Defense Options for Japan, South Korea, and Taiwan: A Review of the Defense Department Report to Congress*, November 30, 1999, by Robert D. Shuey and Shirley A. Kan.

<sup>63</sup> Department of Defense, "Report to Congress Pursuant to the FY99 Appropriations Bill, The Security Situation in the Taiwan Strait," unclassified version, February 1, 1999; CRS Report RS20187, *Taiwan's Defense: Assessing the U.S. Department of Defense Report, "The Security Situation in the Taiwan Strait,"* April 30, 1999, by Robert Sutter.

**106<sup>th</sup> Congress.** In the 106<sup>th</sup> Congress, Representative Gilman, Chairman of the House International Relations Committee, wrote President Clinton on April 19, 1999, urging approval for the sale of long-range early warning radars to Taiwan. He also wrote Secretary of State Madeleine Albright on April 22, 1999, saying that if the Administration did not approve the sale, he would introduce legislation to do so. In the end, the Clinton Administration decided in principle to sell early warning radars to Taiwan. 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>64</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>65</sup>

Also, Members debated whether the “Taiwan Security Enhancement Act (TSEA)” (S. 693, Helms; H.R. 1838, DeLay) was needed to better assist Taiwan or was unnecessary and counterproductive in a delicate situation, as the Clinton Administration maintained. The TSEA also increased attention to U.S.-Taiwan military exchanges, including that on communication and training. The Pentagon was said to have supported the spirit of the bill, although not its passage.<sup>66</sup> The TSEA was not enacted, although the House passed H.R. 1838 on February 1, 2000, by 341-70.

Seeking more information from the Pentagon on which to base its considerations, Congress passed the FY2000 National Defense Authorization Act (P.L. 106-65), requiring annual reports on PRC military power and the security situation in the Taiwan Strait.<sup>67</sup> Also, in consolidated appropriations legislation for FY2000 (P.L. 106-113), Congress required a report on the operational planning of the Department of Defense to implement the TRA and any gaps in knowledge about PRC capabilities and intentions affecting the military balance in the Taiwan Strait.<sup>68</sup>

Concerning Congress’ role before the Administration’s decisions on arms sales, the 106<sup>th</sup> Congress passed language, introduced by Senator Lott, in the FY2000 Foreign Operations Appropriations Act (in Div. B of P.L. 106-113), requiring the Secretary of State to consult with Congress to devise a mechanism for congressional input in determining arms sales to Taiwan. Again, in the FY2001 Foreign Operations Appropriations Act (P.L. 106-429), Congress passed the Taiwan Reporting

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<sup>64</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>65</sup> Defense Department News Briefing, April 30, 1999.

<sup>66</sup> Steven M. Goldstein and Randall Schriver (former official in the Office of the Assistant Secretary of Defense for International Security Affairs), “An Uncertain Relationship: The United States, Taiwan, and the Taiwan Relations Act,” *China Quarterly*, March 2001.

<sup>67</sup> Department of Defense, “Annual Report on the Military Power of the People’s Republic of China,” unclassified version, June 2000 and July 2002.

<sup>68</sup> Department of Defense, “Report to Congress on Implementation of the Taiwan Relations Act,” unclassified version, December 2000.

Requirement, requiring the President to consult on a classified basis with Congress 30 days prior to the next round of arms sales talks. (Those required consultations took place on March 16, 2001.)

**107<sup>th</sup> Congress.** In the 107<sup>th</sup> Congress, some Members opposed the sale of Aegis-equipped destroyers, because they could be interpreted as offensive rather than defensive sales and could involve significant interaction with the U.S. military, as Senators Feinstein and Thomas (chairman of the Foreign Relations Subcommittee on East Asian and Pacific Affairs) wrote in the *Washington Times* on March 28, 2001. Other Members — 83 in the House (led by Representatives Cox and Wu) and 20 in the Senate (led by Senators Helms and Torricelli) — wrote letters to President Bush on April 3, 2001, urging approval of the sale of those destroyers. A March 2001 staff report to Senator Helms of the Foreign Relations Committee called for meeting Taiwan’s defense needs, particularly for submarines and destroyers.<sup>69</sup>

In addition, some in Congress urged the Administration to deliver AMRAAMs to Taiwan after the *Washington Times* on July 1, 2002, reported that, in June, two SU-30 fighters of the PLA Air Force test-fired AA-12 medium-range air-to-air missiles acquired from Russia. The report raised questions as to whether the PLA already deployed the missiles, meeting one of the conditions by which the United States would deliver the AMRAAMs to Taiwan — rather than keep them in storage — as approved for sale by the Clinton Administration in 2000. On July 16, 2002, Senators Kyl, Helms, Bob Smith, and Torricelli wrote Secretary of State Colin Powell, urging the Bush Administration to allow the transfer of AMRAAMs to Taiwan “as soon as they are produced” rather than “quibble over whether the AA-12 tests mean that China has an ‘operational’ capability.”

The National Defense Authorization Act for FY2002 (P.L. 107-107), enacted on December 28, 2001, authorized the President to transfer (by sale) the four Kidd-class destroyers to Taiwan (Sec. 1011), under Section 21 of the AECA. Also, Section 1221 of the act required a new section in the annual report on PRC military power (as required by P.L. 106-65) to assess the PLA’s military acquisitions and any implications for the security of the United States and its friends and allies. The scope of arms transfers to be covered was not limited to those from Russia and other former Soviet states, as in the original House language (H.R. 2586).<sup>70</sup>

The Foreign Operations Appropriations Act for FY2002 (P.L. 107-115), enacted on January 10, 2002, brought unprecedented close coordination between the Executive and Legislative branches on arms sales to Taiwan. Section 573 required the Departments of State and Defense to provide detailed briefings (not specified as classified) to congressional committees (including those on appropriations) within 90 days of enactment and not later than every 120 days thereafter during FY2002.

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<sup>69</sup> Senate Foreign Relations Committee, “U.S. Defense Policy Toward Taiwan: In Need of an Overhaul,” a Staff Trip Report to the Committee on Foreign Relations, S. Prt. 107-26, by James Doran, printed April 2001.

<sup>70</sup> Still, the Pentagon’s report, issued on July 12, 2002, discussed China’s military acquisitions from states of the former Soviet Union, and not other countries (e.g., Israel).

The briefings were required to report on U.S.-Taiwan discussions on potential sales of defense articles or services to Taiwan.

Some Members called for ensuring regular and high-level consultations with Taiwan and a role for Congress in determining arms sales to Taiwan, after President Bush announced on April 24, 2001 (the day of the last annual arms sales talks), that he would drop the annual arms talks process with Taiwan in favor of normal, routine considerations on an “as-needed” basis.<sup>71</sup> Due to the absence of diplomatic relations, successive administrations used a process in determining arms sales to Taiwan that was institutionalized in the early 1980s as annual rounds of talks with Taiwan defense authorities consisting of several phases leading up to final meetings usually in April.<sup>72</sup> In overseeing the new process, factors or implications to consider included the following:

- Congress’ role in decision-making and ability to exercise oversight
- role of arms sales talks in the broader long-range and joint defense strategy for Taiwan (vs. a narrower focus on specific requests)
- role of arms sales in U.S. diplomatic and defense policies (including various elements of the “one China” policy)
- U.S. objectives for the Taiwan military
- nature of the U.S.-Taiwan military relationship
- extent of high-level U.S.-Taiwan military exchanges
- effect of an annual high-profile controversy on U.S. interests
- usefulness to Congress and Taiwan of a deadline for decisions
- influence of various interest groups in a more defused process
- changes in high-level, intensive attention given by the White House and its coordination of the inter-agency debates
- changes in the Pentagon’s basis for recommendations
- Taiwan’s desire to receive similar treatment given to others
- consultations with allies, including Japan.

The Foreign Relations Authorization Act for FYs 2002 and 2003 (H.R. 1646), passed in the House on May 16, 2001, contained provisions on arms sales to Taiwan. First, H.R. 1646 included authority (in Section 851) for the President to sell the four Kidd-class destroyers to Taiwan. Second, as proposed by Representative Brad Sherman in the House International Relations Committee, Section 813 sought to require that Taiwan be treated as the “equivalent of a major non-NATO ally” for defense transfers under the AECA or the Foreign Assistance Act, while the language stopped short of designating Taiwan as a major non-NATO ally. According to the Member’s office, the provision would show tangible support for Taiwan’s defense, provide it with status similar to that given to Australia, New Zealand, and Argentina, offer it the “right of first refusal” for EDA, and treat it with enhanced status for anti-terrorism assistance, cooperative research and development projects in the defense area, and expedited review in satellite licensing. Third, Representative Gary

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<sup>71</sup> Milbank, Dana and Mike Allen, “Bush to Drop Annual Review of Weapons Sales to Taiwan,” *Washington Post*, April 25, 2001.

<sup>72</sup> See CRS Report RS20365, *Taiwan: Annual Arms Sales Process*, October 21, 1999, updated June 5, 2001, by Shirley Kan.

Ackerman introduced Section 814 to require the President to consult annually with Congress and Taiwan about the availability of defense articles and services for Taiwan. The consultations with Taiwan would occur at a level not lower than that of the Vice Chief of General Staff and in Washington, DC — as has been the case.

Finally enacted as P.L. 107-228 on September 30, 2002, the Foreign Relations Authorization Act for FY2003 authorized — at the Bush Administration’s request — the Department of State and other departments or agencies (including the Department of Defense) to detail employees to AIT (Section 326); required that Taiwan be “treated as though it were designated a major non-NATO ally” (Section 1206); required consultations with Congress on U.S. security assistance to Taiwan every 180 days (Section 1263); and authorized the sale to Taiwan of the four Kidd-class destroyers (Section 1701).<sup>73</sup> Section 326, amending the Foreign Service Act of 1980, has significant implications for the assignment of government officials to AIT, including active-duty military personnel for the first time since 1979. (Employees have been separated from government service for a period of time in the name of “unofficial” relations, but personnel issues have affected AIT and its contractors. Defense Department personnel, including those supporting security assistance, have been civilian staff and retired or resigned military personnel.)

In signing the bill into law on September 30, 2002, President Bush issued a statement that included criticism of Section 1206. He said that “Section 1206 could be misconstrued to imply a change in the ‘one China’ policy of the United States when, in fact, that U.S. policy remains unchanged. To the extent that this section could be read to purport to change United States policy, it impermissibly interferes with the President’s constitutional authority to conduct the Nation’s foreign affairs.”

The FY2003 National Defense Authorization Act, passed in the House on May 10, 2002, contained Section 1202 seeking to require the Secretary of Defense to implement a comprehensive plan to conduct combined training and exchanges of senior officers with Taiwan’s military and to “enhance interoperability” with Taiwan’s military.<sup>74</sup> The language was similar to that of Section 5(b) in the “Taiwan Security Enhancement Act” proposed in the 106<sup>th</sup> Congress. The Senate’s version, passed on June 27, 2002, did not have the language. The *Washington Times* reported on August 9, 2002, that the Department of State opposed the language as unnecessary (given U.S. support under the TRA).

As Members worked out differences in conference, Deputy Defense Secretary Paul Wolfowitz wrote in a letter to the House and Senate Armed Services Committees on September 27, 2002, that “while we welcome Congress’ support for the U.S. commitments under the Taiwan Relations Act and for the President’s commitment to the defense of Taiwan, we believe that the objectives of Section 1202 are best achieved by preserving the traditional statutory role of the Secretary to

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<sup>73</sup> For more details on proposed House and Senate language, see: “Arms Sales to Taiwan,” in CRS Report RL31046, *Foreign Relations Authorization, FY2003: An Overview*.

<sup>74</sup> For an argument for enhancing interoperability with Taiwan, see: Justin Bernier (staffer for the House Armed Services Committee) and Stuart Gold, “China’s Closing Window of Opportunity,” *Naval War College Review*, Summer 2003.

exercise authority, direction, and control over the Department of Defense to conduct such activities as are needed to support those commitments, including his authority to preserve the confidentiality of those activities.” The Pentagon “strongly recommends that this provision be deleted, although we would not object to language that would call upon the Department to brief the Congress periodically on progress we are making to meet our commitments to Taiwan security,” Wolfowitz wrote. As enacted on December 2, 2002, the legislation (P.L. 107-314) contained a revised section (1210), requiring a Presidential report 180 days after the act’s enactment (due May 31, 2003) on the feasibility and advisability of conducting combined operational training and exchanges of senior officers with Taiwan’s military. (U.S. policy has allowed Taiwan’s senior military officers and defense officials to visit the United States, while not sending U.S. flag and general officers to Taiwan.)

**108<sup>th</sup> Congress.** On March 26, 2003, Representative David Vitter introduced **H.R. 1454** to establish policy to provide missile defense systems capable of defending Taiwan, Israel, Japan, Republic of Korea, and NATO countries against ballistic missile attacks; and to seek burden-sharing agreements with them. Representative Robert Andrews introduced H.Con.Res. 232 on June 26, 2003, to express the sense of Congress on Taiwan’s security. Calling Taiwan an “ally,” the legislation would call upon the President to affirm with PRC leaders that there will not be a quid pro quo between any dismantlement of missiles aimed at Taiwan by the PRC and U.S. arms sales to Taiwan. The language also said that if the PRC does not dismantle the missiles, the President should authorize a sale of the Aegis system to Taiwan. On July 15, 2003, Representative Andrews offered the language as an amendment to **H.R. 1950**, the Foreign Relations Authorization Act for FYs 2004 and 2005, and on July 16, the House passed the bill with the language on Taiwan’s security in Section 737.

## Major U.S. Defense Sales

The following table provides information on U.S. sales (not deliveries) of major defense articles and services to Taiwan, as approved by the President, proposed in Letters of Offer and Acceptance, and notified to Congress since 1990. Based on unclassified notices and news reports, this list includes the date of notification, major item or service proposed for sale, and estimated value of the defense package. The list was compiled based on unclassified notifications to Congress or announcements by the Administration as well as press reports. These were primarily government-to-government FMS. Major FMS are notified to Congress as required by Section 36(b) of the AECA. Not all of these approved sales were necessarily purchased by Taiwan. There have been other transfers of U.S. defense articles and services not included in this list (that amounted to billions of dollars), including sales and technical assistance with smaller individual values not required to be notified to Congress, those with classified notifications, and other direct commercial sales licensed for export by the Department of State and notified to Congress under Section 36(c) of the AECA (but subject to the confidentiality requirements of Section 38(e)). There have also been leases of naval vessels and other equipment. Moreover, each year, hundreds of Taiwan’s military personnel at different levels receive training and education at U.S. military colleges, academies, and other institutions or units.

<b>Date of Notification</b>	<b>Major Item or Service as Proposed (usually part of a package)</b>	<b>Value of Package (\$ million)</b>
<b>1990</b>		
07/26	Cooperative Logistics Supply Support	\$108
09/06	(1) C-130H transport aircraft	\$45
<b>1991</b>		
01/07	(100) MK-46 torpedoes	\$28
07/24	(97) SM-1 Standard air defense missiles	\$55
09/13	(110) M60A3 tanks	\$119
11/18	Phase III PIP Mod Kits for HAWK air defense systems	\$170
<b>1992</b>		
05/27	Weapons, ammunition, support for 3 leased ships	\$212
05/27	Supply support arrangement	\$107
08/04	(207) SM-1 Standard air defense missiles	\$126
09/14	(150) F-16A/B fighters	\$5,800
09/14	(3) Patriot-derived Modified Air Defense System (MADS) fire units <sup>75</sup>	\$1,300
09/18	(12) SH-2F LAMPS anti-submarine helicopters	\$161
<b>1993</b>		
06/17	(12) C-130H transport aircraft	\$620
06/25	Supply support arrangement	\$156
07/29	(38) Harpoon anti-ship missiles	\$68
07/30	Logistics support services for 40 leased T-38 trainers	\$70
08/	(4) E-2T Hawkeye airborne early warning aircraft <sup>76</sup>	\$700
09/08	Logistics support services for MADS	\$175
11/04	(150) MK-46 Mod 5 torpedoes	\$54
11/09	Weapons, ammunition, and support for 3 leased frigates	\$238
11/23	MK-41 Mod (short) Vertical Launch Systems for ship-based air defense missiles	\$103

<sup>75</sup> Commercial sale. Opall Barbara and David Silverberg, "Taiwanese May Soon Coproduce Patriot," *Defense News*, February 22-28, 1993; *Military Balance 1999-2000*.

<sup>76</sup> *Flight International*, September 1-7, 1993.

<b>Date of Notification</b>	<b>Major Item or Service as Proposed (usually part of a package)</b>	<b>Value of Package (\$ million)</b>
<b>1994</b>		
08/01	(80) AN/ALQ-184 electronic counter measure (ECM) pods	\$150
09/12	MK-45 Mod 2 gun system	\$21
<b>1995</b>		
03/24	(6) MK-75 shipboard gun systems, (6) Phalanx Close-In Weapon Systems	\$75
06/07	Supply support arrangement	\$192
<b>1996</b>		
05/10	Improved Mobile Subscriber Equipment communications system	\$188
05/10	(30) TH-67 training helicopters, (30) sets of AN/AVS-6 night vision goggles	\$53
05/23	(465) Stinger missiles, (55) dual-mounted Stinger launcher systems	\$84
06/24	(300) M60A3TTS tanks	\$223
08/23	(1,299) Stinger surface-to-air missiles, (74) Avenger vehicle mounted guided missile launchers, (96) HMMWVs (high-mobility multi-purpose wheeled vehicle)	\$420
09/05	(110) MK-46 MOD 5 anti-submarine torpedoes	\$66
<b>1997</b>		
02/14	(54) Harpoon anti-ship missiles	\$95
05/23	(1,786) TOW 2A anti-armor guided missiles, (114) TOW launchers, (100) HMMWVs	\$81
07/24	(21) AH-1W Super Cobra helicopters <sup>8</sup>	\$479
09/03	(13) OH-58D Kiowa Warrior Armed Scout helicopters	\$172
11/09	Pilot training and logistics support for F-16 fighters	\$280
11/09	Spare parts for various aircraft	\$140
<b>1998</b>		

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<sup>8</sup> Taiwan reportedly ordered 63 AH-1W helicopters, 42 of which were delivered by early 2000, and Taiwan may order an additional 24 helicopters (*Defense News*, March 6, 2000).

<b>Date of Notification</b>	<b>Major Item or Service as Proposed (usually part of a package)</b>	<b>Value of Package (\$ million)</b>
01/28	(3) Knox-class frigates, <sup>9</sup> (1) MK 15 Phalanx Close-In Weapons System (CIWS)	\$300
06/01	(28) Pathfinder/Sharpshooter navigation and targeting pods for F-16 fighters <sup>10</sup>	\$160
08/27	(58) Harpoon anti-ship missiles	\$101
08/27	(61) Dual-mount Stinger surface-to-air missiles	\$180
08/27	(131) MK 46 Mod 5(A)S anti-submarine torpedoes	\$69
10/09	(9) CH-47SD Chinook helicopters	\$486
<b>1999</b>		
05/26	(240) AGM-114KS Hellfire II air-to-surface missiles	\$23
05/26	(5) AN/VRC-92E SINCGARS radio systems, (5) Intelligence Electronic Warfare systems, (5) HMMWVs	\$64
07/30	Spare parts for F-5E/F, C-130H, F-16A/B, and Indigenous Defense Fighter (IDF) aircraft	\$150
07/30	(2) E-2T Hawkeye 2000E airborne early warning aircraft	\$400
<b>2000</b>		
03/02	Modernization of the TPS-43F air defense radar to TPS-75V configuration	\$96
03/02	(162) HAWK Intercept guided air defense missiles <sup>11</sup>	\$106
06/07	(39) Pathfinder/Sharpshooter navigation and targeting pods for F-16 fighters	\$234
06/07	(48) AN/ALQ-184 ECM pods for F-16s	\$122
09/28	(146) M109A5 howitzers, 152 SINCGARS radio systems	\$405

<sup>9</sup> In 1992, the Bush Administration submitted legislation that Congress passed to lease 3 Knox-class frigates to Taiwan. Reports say that Taiwan leased a total of 6 (and subsequently bought them in 1999) and purchased 2 in 1998 (plus 1 for spares).

<sup>10</sup> The sale of the navigation/targeting pods excluded the laser designator feature, but the Pentagon notified Congress on May 16, 2000, that 20 sets would be upgraded to include the feature.

<sup>11</sup> On June 23, 2000, the Pentagon notified Congress of a sale of 156 excess HAWK air defense missiles to Taiwan for about \$7 million.

<b>Date of Notification</b>	<b>Major Item or Service as Proposed (usually part of a package)</b>	<b>Value of Package (\$ million)</b>
09/28	(200) AIM-120C Advanced Medium-Range Air-to-Air Missiles (AMRAAMs) for F-16 fighters	\$150
09/28	(71) RGM-84L Harpoon anti-ship missiles	\$240
09/28	Improved Mobile Subscriber Equipment (IMSE) communication system	\$513
<b>2001</b>		
07/18	(50) Joint Tactical Information Distribution Systems (JTIDS) terminals (a version of Link 16) for data links between aircraft, ships, and ground stations	\$725
09/05	(40) AGM-65G Maverick air-to-ground missiles for F-16s	\$18
10/26	(40) Javelin anti-tank missile systems	\$51
10/30	Logistical support for spare parts for F-5E/F, C-130H, F-16A/B, and IDF aircraft	\$288
<b>2002</b>		
06/04	(3) AN/MPN-14 air traffic control radars	\$108
09/04	(54) AAV7A1 assault amphibious vehicles	\$250
09/04	Maintenance of material and spare parts for aircraft, radar systems, AMRAAMS, and other systems	\$174
09/04	(182) AIM-9M-1/2 Sidewinder air-to-air missiles	\$36
09/04	(449) AGM-114M3 Hellfire II anti-armor missiles for use on AH-1W and OH-58D helicopters	\$60
10/11	(290) TOW-2B anti-tank missiles	\$18
11/21	(4) Kidd-class destroyers	\$875