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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

Folder "China (Notes) 1973"
Box 65, 78-0001

10 AUG 1973
In reply refer to:
i-24725/73

MEMORANDUM OF CONVERSATION

SUBJECT: Secretary of Defense Schlesinger's Visit With General Lai Ming-tang, Chief of the General Staff, Ministry of National Defense, Republic of China (U)

Date: 7 August 1973

Time and Place: 1410-1450; Secretary Schlesinger's office

Participants:

United States

Secretary of Defense - James R. Schlesinger
Deputy Secretary of Defense - William P. Clements
Assistant Secretary of Defense (ISA) - Robert C. Hill
Director, Defense Security Assistance Agency - VADM Ray Peet
Deputy Assistant Secretary of Defense (ISA) - Dennis J. Doolin
Military Assistant to the Secretary of Defense - BGEN Robert C. Taylor

Republic of China

Republic of China Ambassador to the U.S. - James C. H. Shen
Chief of the General Staff, MND, ROC - General Lai Ming-tang
Deputy Chief of the General Staff/Plans, MND, ROC, - VADM Chih Ming-ping

(U) Opening Remarks. General Lai expressed his gratitude for the call and his government's thanks for our continued assistance. He said that he first came to Washington in 1943 after finishing school at Leavenworth. Mr. Clements said that Admiral Moorer told him that he had known General Lai for some thirty years.

(U) U.S.-ROC Relations. Secretary Schlesinger said that there have been some adaptations in our international relations, but told General Lai that the loss of rigidity in U.S.-PRC relations will not affect our alliance with the Republic of China. Mr. Clements added that this requires understanding on both sides. General Lai agreed with the foregoing and said that that is the value of visits such as this. He then tendered an invitation to Secretary Schlesinger to visit Taiwan. The Secretary said that he would accept when his schedule permits.

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The Situation in Taiwan and U.S. Aid to the ROC. General Lai said that his government is doing everything it can to strengthen internal political stability, as economic development cannot proceed in the absence of stability. The General said that the ROC faces a great threat from the mainland and must maintain a strong military deterrent. Secretary Schlesinger said that we have taken note of Taiwan's fabulous economic development and added that we envy Taiwan its growth rate and its BOP position. The Secretary pointed out that our world-wide grant MAP is now in real terms about 25% of what it was a decade ago. He complimented General Lai on Taiwan's economic development which has enabled the GRC to increase its own military expenditures. General Lai then made a strong representation for more excess defense articles (EDA). Admiral Peet said that the EDA pool is drying up. General Lai then asked whether additional EDA would be available when U.S. force levels in Europe are reduced. The Secretary replied that this ran counter to his instincts as we must remain strong in NATO. General Lai then said that the basic national policy of his government would never change. The GRC will stick to a democratic system, will never undertake peace talks with the PRC, and will endeavor to strengthen ties with the U.S. He said again that any assistance to Taiwan will pay high dividends as it is in our mutual defense. In response to a question from Mr. Clements, General Lai said that the size of the ROC Army is 600,000 but added quickly that it has to be substantial because the threat is substantial. General Lai said that 10% of Taiwan's GNP goes to defense. A discussion of military personnel costs followed, with Secretary Schlesinger noting that the all-volunteer force has increased U.S. defense spending from 5% to 6.2% of GNP. General Lai then commented on the increasing capability of the PRC armed forces, including indigenous production of advanced jets and TU-16 bombers. Secretary Schlesinger responded that the F5E is better than anything the PRC has. This seemed to unsettle General Lai a bit, but he did allow that Nationalist Chinese pilots were much better than their mainland counterparts and cited by way of example the fact that in the 1958 Strait crisis the Communists lost thirty-one aircraft as compared with only one by Taiwan and, finally, General Lai allowed, quality not quantity is the most important. General Lai then commented in passing on the two submarines that we are providing to the Nationalist navy, and said that they will be quite expensive to maintain (see Addendum). Secretary Schlesinger replied that we must not provide items with high O&M costs as such items are not really assistance; we're really creating problems both for the recipients of such items and for ourselves. Finally, General Lai passed around some pictures of mainland Chinese fishermen that were captured and taken to Quemoy. They were all in rags. General Lai added that he had interviewed other captured fishermen on the Pescadores and that he was struck by the fact that none of them had any schooling. Mr. Clements asked General Lai how good the ROC intelligence capability is concerning the PRC. General Lai said that they would like to know more about mainland events, especially with regard to how the Communist regime maintains control. The Deputy Secretary then expressed his admiration for Taiwan's adjustment and accommodation to

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international developments in light of the new U.S.-PRC relationship. The Deputy Secretary said that he considered this adjustment to be remarkable and evidence of a great deal of grace on the part of Taiwan. General Lai was clearly quite pleased.

(N) Addendum. With regard to General Lai's professed astonishment at the O&M cost for submarines, this was pointed out on numerous occasions to Nationalist Chinese officials (including Chiang Ching-kuo and Admiral Ko) before the agreement was concluded. Over two years ago, Mr. Doolin told Admiral Ko that the cost of operating a submarine could run as high as \$10,000 per day. The Chinese CNO dismissed these figures and indicated that his navy could do this for one-tenth the cost. Admiral Ko was told that experience would prove him wrong. At the time the Chinese were pressing hard to secure these submarines, they told us over and over again that they required these submarines solely for ASW training for their surface units inasmuch as SubPac assets were not always available at the time the Chinese navy wished to conduct the exercise. At a meeting with Secretary Laird in 1971 prior to the conclusion of the submarine agreement, Chiang Ching-kuo said in Chinese that the reason his government required these two boats would be to maintain naval superiority in the Taiwan Strait. His astute interpreter did not translate this sentence. Mr. Doolin, who attended the meeting, speaks Chinese. He noted the omission; informed the Secretary of the omission after the meeting; and described the incident in the Memorandum of Conversation of that meeting.

Memorandum of Conversation
Prepared by: Mr. Dennis J. Doolin

Approved by: [Signature]
Date: ASD (ISA)
26 AUG 1973

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