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OFFICE OF THE
THE UNDER SECRETARY OF DEFENSE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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February 17, 1981

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CHINA (NATS)

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Arms Sales to Taiwan and Relations with the PRC (U)

I understand that at a recent Cabinet (or NSC) meeting the President raised the issue of relations with Taiwan and referred to his August 25, 1980 speech (attached). A portion of this speech indicates that we will continue to provide "defensive weapons to Taiwan." The President also said that "in deciding what to do I will take into account the views of the People's Republic of China as well as Taiwan."

At the end of the last administration, there were a number of pending arms sales (\$900 million total) to Taiwan which required Congressional notification that were not sent forward to the Congress (see tab). DOD had recommended going forward with several--400 standard missiles, 20 SH3D helicopters (ASW), 357 M113A2 APCs, 3 air traffic control systems--but deferring the sale of 320 HARPOON missiles and 40 launchers. All of these sales likely would be objected to by the PRC, with the HARPOON clearly the most controversial. Later we will have to decide on the sale of a more modern aircraft to Taiwan, also sure to be a quite difficult issue with the PRC. The President's speech implies, but does not decide, that we would go forward with such sales. You should, however, be aware that doing so (even putting aside as premature the aircraft sale), especially at the beginning of the Administration, might well be seen by the PRC as a deliberate decision to change the relatively harmonious relationship which existed between the PRC and the last administration. For example, when the Dutch recently indicated that they were going to sell submarines to Taiwan, the Chinese stridently objected and threatened to change their relationship.

The PRC represents one of our critical strategic assets vis-a-vis the Soviet Union. Even though it is unlikely that there will be a rapprochement between the USSR and the PRC (regardless of what we do), active US-PRC cooperation could be a major advantage to us in years to come. Accordingly, there is much to commend a deliberate approach on the arms sales to Taiwan, first establishing an appropriate relationship with the PRC. Deliberateness, however, should not be defined to mean indefinitely holding back on all arms sales to Taiwan; obviously, a number of nice diplomatic issues surrounding timing and tactics must be resolved. Ultimately, the President needs to decide this issue unless he really already decided it at the Cabinet (or NSC) meeting referred to above. If no decision has been taken, I recommend that you discuss the matter with Secretary Haig and that an interagency group be set up at an appropriate level to make recommendations fairly quickly to the NSC and the President.

Concur _____

Nonconcur _____

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Franklin D. Kramer
Franklin D. Kramer
Under Secretary of Defense
for Policy (Acting)

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