



DEPARTMENT OF STATE

Washington, D.C. 20520

February 1, 1979

*Bill Smith:*

Attached are a set of draft Q & A's for the Christopher briefing book for our testimony in both the Senate and the House. They are for your information only.

TAIWAN ATTITUDES TOWARD CHINA AND RES-  
PONSE TO REUNIFICATION OVERTURES

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Question: What has been Taiwan's reaction to China's recent reunification overtures?

Answer:

-- The public response of the authorities on Taiwan to the recent PRC overtures on reunification and the development of closer ties between the PRC and Taiwan has been one of ridicule and suspicion.

-- Taiwan Premier Y. S. Sun, in a statement issued on January 11, said that "the Chinese Communists are resorting to ceaseless united front trickery in an attempt to deceive the people of the world and especially of the United States with their smiling face offensive."

-- It is too early to ascertain the reaction of the people of Taiwan to the Chinese overtures. Specifics of Peking's offers to increase trade, begin mail deliveries and airlinks, and allow travel all have been kept out of the press on Taiwan.

-- In conclusion, I should note that China has not attempted to construct the kind of military force that would be necessary to invade across the Taiwan Strait. For example, since 1949 the Chinese have built only one LST.

Question: Why have we denied the Taiwan request for F-4, F-16 and F-18 aircraft?

Answer:

-- We have specifically rejected Taiwan's request for the F-4, F-16 and F-18 on the grounds that introduction into the area of highly sophisticated weapons systems would be destabilizing and contrary to the President's arms transfer policy.

-- We believe that the additional F-5 interceptor aircraft which we approved in 1978 will meet Taiwan's present legitimate needs for air defense.

Question: What is in the pipeline for sale to Taiwan?

Answer:

-- At the present time there is approximately \$863 million in undelivered commitments to Taiwan, a large part of which is support equipment or spare parts.

-- Some examples of these commitments include:

<u>ITEM</u>	<u>VALUE (\$M)</u>
Aircraft modifications and aerospace ground equipment	79
Aircraft spare parts	153
18 Excess S-2 short-range, patrol aircraft	20
Ship spare parts	47
Missiles (including Chapparal, Hawk, Nike, and Sidewinder) and spare parts	225
Ammunition	53

Question: What arms sales will we be making to Taiwan in 1979?

Answer:

-- Processing formalities, including the requisite notification to Congress, are now being completed for the sale to Taiwan of those major items of military equipment approved in 1978. (Prior to the enactment of the omnibus bill and Taiwan's agreement to set up a counter part unofficial organization, new letters of offer, even for pre-existing commitments, will not be signed.] 2

-- Major commitments to military sales to Taiwan include additional F-5E interceptor aircraft with improved weaponry, such as precision-guided munitions and Maverick missiles, and also a battalion of Improved Hawk missiles for air defense.

-- We anticipate that arms sales to Taiwan in 1979 will total approximately \$550 million.

Question: Why do we plan no new arms sales to Taiwan in '79? Did we make a commitment with Peking on this?

Answer:

-- We have stated that we intend to continue to provide access to Taiwan to selected defensive arms after the termination of the Mutual Defense Treaty. The Chinese Government has disagreed with this, but has no doubt of our intention.

-- Our understanding with Peking is also that we will make no new commitments on arms during 1979, prior to the termination of the MDT. We will, however, deliver items in 1979 which we committed to sell prior to normalization.



Question: What is to be our policy with respect to arms sales to Taiwan?

Answer:

-- After the termination of the Mutual Defense Treaty, the U.S. will continue to give Taiwan access to selected defensive military equipment, with particular emphasis on air and naval defenses.

-- The U.S. will continue to supply such equipment after termination of the defense treaty on January 1, 1980, including provision of follow-on support for the military equipment that we have previously transferred.

Question: What are our present plans for disposition of war reserve materiel (WRM) on Taiwan?

Answer:

-- We are currently examining this matter and will be developing means for disposition of WRM on Taiwan in consultation with the Congress.

Background Points:

Disposition of WRM involves a tradeoff between giving reassurances to Taiwan and giving possible affront to the PRC. To avoid this dilemma, at least for the present time, the following points should be made in executive session:

-- WRM falls into three categories: (1) items needed for US missions elsewhere; (2) items not excess to US requirements, but which we would be willing to transfer cost-free; and (3) items (POL) which we are seeking to relocate at alternative storage sites.

-- Items needed for missions elsewhere will be transferred prior to April 1, 1979.

-- Items which we would be willing to transfer cost-free require Congressional authorization to do so. Draft legislation to accomplish this task has been forwarded to OMB prior to presentation to Congress. If approved, transfer will occur in 1980.

-- POL, we will retain on Taiwan pending the relocation to alternative storage site. We will inform the PRC of our intention to do so.

Question: What assurances do we have that Taiwan will not develop nuclear weapons?

Answer:

-- IAEA safeguards are being applied to Taiwan's nuclear programs. In addition Taiwan (the people on Taiwan) has (have) undertaken a commitment in the context of the Non-Proliferation Treaty (NPT) not to develop or acquire nuclear explosive devices. Moreover the authorities on Taiwan have assured us that they have no intention of developing nuclear explosive devices and that they will continue to abide by their commitments in this regard.

Nuclear Developments in Taiwan

Question: What effect will withdrawal of recognition have on our nuclear cooperation and on the safeguards arrangements on Taiwan?

Answer:

-- We have stated and Taiwan has agreed that agreements with Taiwan in the nuclear, as well as all other areas, remain in force; we intend to continue to supply nuclear material and equipment to Taiwan's nuclear power program.

-- Although Taiwan lost its seat in the International Atomic Energy Agency (IAEA) in 1972, the IAEA continues to apply safeguards to Taiwan's nuclear program. This safeguards arrangement is not affected by the termination of diplomatic relations between the US and Taiwan, nor the withdrawal of recognition from Taiwan.

Question: What is the nature of the contract?

Answer:

The contract to be entered into with the American Institute in Taiwan is a cost reimbursement contract. The Department of State will provide the Institute advance working capital drawable in U.S. or New Taiwan Dollars as appropriate in the form of a Letter of Credit at approved banks. All general, administrative and overhead types of costs will be funded and paid for by the Department through funds reprogrammed for this contract. The contract requires a proposal from the Institute prior to June 30, 1979, covering its projected expenditures for the coming year. The contract will then be renegotiated reflecting circumstances as they have evolved.

Provisions have been made to protect the interests of the Government, including control and use of advance funding. The contract requires the Institute to obtain the Department's approval to undertake new functions and to replace key personnel. The contract also contains provisions dealing with security and reporting requirements, ethical conduct, compensation and benefits of employees, and the like. The contract will provide that the Institute conform in the conduct of its operations to the regulations and directives of the Department to the maximum extent practicable. Approval will be required to enter into

contracts with other agencies or entities to assure that the Institute continues to perform in accordance with the dictates of the statutes and the desires of the Department.

Question: What is the source of Institute funds?

Answer:

We plan to reprogram funds from appropriations containing resources for the former mission in Taiwan. Resources reprogrammed for this corporation will be used for the same purposes for which they were appropriated but their delivery will be in a different manner. The Department will also transfer or furnish property and equipment for the operation of the Institute.

We also anticipate transmitting a budget amendment reflecting these changes to our FY 1980 budget submission.

Question: With the withdrawal of Marine Security Guards prior to the activation of the American Institute in Taiwan, how and by whom will the Institute satisfy its internal security requirements?

Answer:

The Security Office of the Institute will be staffed with the minimum number of U.S. Citizen cleared guards for internal security requirements. In the execution of their mission, they will be expected to exercise non-working hours access controls and stationary and patrol coverage of sensitive areas to ensure proper procedures for handling and storage of classified material within these premises.



Question: What would be the effect of a delay in reprogramming authority up until February 28, 1979? What would be the effect of a delay after February 28, 1979?

Answer:

On March 1, 1979, the American Institute in Taiwan must be fully operational since the U.S. Embassy will cease its functions on February 28, 1979. By the middle of February, the Institute must begin to hire its staff, rent office space and other properties in Taiwan, establish an accounting and payroll system, and undertake other preparatory functions.

Any significant delay in reprogramming beyond the normal 15 day Congressional notification period would delay the Institute in accomplishing these tasks and might lead to an interruption in the representation of the interests of the American people in Taiwan. A protracted delay would probably also substantially increase the start up costs of the Institute. For example, if there were a prolonged break in the time between the termination of the functions of the U.S. Embassy on February 28 and the commencement of the functions of the Institute, the opportunity for the Institute to assume the currently existing U.S. Government leases might be lost. Replacing these leases might prove difficult and might well involve increased costs.

Question: What part of the Institute's staff will require security clearance?

Answer:

Under applicable Federal Statutes, Executive Orders, and Regulations, all American employees will require a Top Secret security clearance.

Employment of non-U.S. citizen contractors and employees will be contingent upon adjudication and favorable determination by the Security Officer.

Question: Assuming that the American Institute in Taiwan will be both generating and storing U.S. classified materials, what security measures are being made to safeguard their integrity?

Answer:

The Institute will be staffed by a U.S. citizen professional security officer, temporarily separated from government service and who will provide, within broad policy guidelines and applicable laws of the United States, a full range of security services. He will serve as the security advisor to the Director with the responsibility for the planning, implementation, and direction of the total security program affecting the Institute's employees and facilities.

Question: Will U.S. Government property be transferred to the Institute in Taiwan? What will happen to property not transferred?

(Background note:

The building site intended for a new Ambassador's residence is the location of the Taiwan Government's Official Guest House. This condition may effect the sale potential of the site.)

Answer:

Most of the Embassy housing is obtained by short-term leases. We intend to amend these leases to transfer responsibility to the Institute or, if necessary, the Institute will negotiate new leases to retain these houses.

-- The Institute will be housed in new leased quarters. The Government-owned chancery building currently occupied by the Embassy will be sold at an appropriate time.

-- The Government-owned Ambassador's residence, and the three other Government-owned houses in Taipei, will be available to the Institute through a license agreement if deemed appropriate and if they are needed. Otherwise, these properties would also be sold.

-- The two sites that have been kept for future construction in Taipei are no longer needed and would be sold.

Question: Will the American Institute in Taiwan have any responsibility in providing security assistance to U.S. businessmen stationed on Taiwan?

Answer:

The Institute will assist U.S. business representatives in the area by providing security briefings, threat assessments, and security publications.

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