

# Asia-Pacific Security Studies

## *U.S.-Taiwan Arms Sales:*

### *The Perils of Doing Business with Friends*



Asia-Pacific Center for Security Studies Volume 3 - Number 3, April 2004

#### Conclusions

Many U.S. observers are disappointed that Taiwan's government has moved slowly to purchase the weapons systems the United States began offering in 2001. Taipei's delays have intensified charges that Taiwan is "free-riding" on defense, relying on the assumption that the United States will deter and, if necessary, militarily repel a Chinese attack on Taiwan.

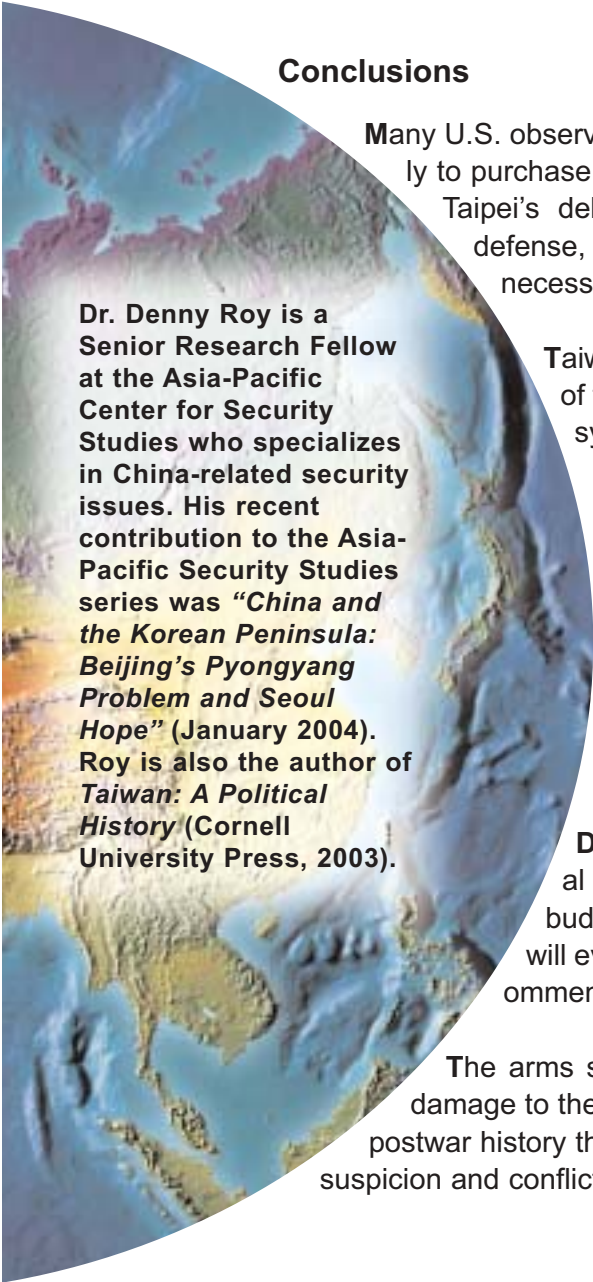
Taiwan's explanation for the procurement delays is that the process of funding arms acquisitions takes longer now that Taiwan's political system is more democratic and transparent.

Some defense analysts in Taiwan have also raised what they insist are legitimate questions about the cost, quality, and suitability of the weapons systems the USA has offered to sell.

Taiwan's domestic political climate, including the antagonism between the ruling party and the opposition and the divisive issue of Taiwan's future relationship with China, has politicized the discussion of the proposed arms sales.

Despite a recent economic downturn that has strained the national treasury, Taiwan's government plans to allocate an additional budget of more than US\$15 billion in 2004 to buy U.S. weapons and will eventually make most of the purchases that U.S. officials have recommended since 2001.

The arms sale issue itself will not be the cause of long-lasting or serious damage to the U.S.-Taiwan relationship, but it is one of the several episodes in postwar history that have exposed the mild but persistent undercurrents of mutual suspicion and conflicting interests.



**Dr. Denny Roy is a Senior Research Fellow at the Asia-Pacific Center for Security Studies who specializes in China-related security issues. His recent contribution to the Asia-Pacific Security Studies series was "China and the Korean Peninsula: Beijing's Pyongyang Problem and Seoul Hope" (January 2004). Roy is also the author of Taiwan: A Political History (Cornell University Press, 2003).**

The arms sale issue is an important reason why U.S.-Taiwan relations have deteriorated in the past two years, despite a strong beginning highlighted by President Bush's oft-cited public commitment in April 2001 that the United States would do "whatever it takes" to defend Taiwan from a military attack. Lack of appreciation of each other's positions and expectations combined with pre-existing mutual suspicions to create a political flap between two countries that normally have viewed each other as close friends.

## **Background**

U.S. arms sales to Taiwan have always been highly politicized. American weapons are a tangible aspect of the U.S. support that the Chinese largely blame for Taiwan's political separation from China. The U.S.-PRC Joint Communiqué of Aug. 17, 1982, which helped establish the basis for a working relationship between Washington and Beijing after decades of hostility, committed the USA to "reduce gradually its sales of arms to Taiwan." Accordingly, the value of U.S. arms sales to Taiwan shrank from \$800 million in 1983 to \$660 million in 1990. Thereafter, however, the U.S. government discarded its self-imposed reduction schedule. In 1992 Washington agreed to sell Taiwan 150 F-16 fighter aircraft, a deal worth \$5.8 billion. Despite strenuous objection from China, the U.S. government emphasized that the guiding principle in its arms sales would be maintaining peace and stability in the Strait by ensuring adequate defense for Taiwan, as required by the 1979 Taiwan Relations Act, a U.S. domestic law. The United States also provided technical support for some Taiwan-built weapons systems. Taiwan's domestically produced Cheng Kung-class frigates, for example, are based on the U.S. Oliver Hazard Perry-class frigate, and U.S. defense contractors assisted in the development of Taiwan's Ching-kuo Indigenous Defense Fighter (IDF). Technically, these were technology transfers rather than arms sales, and therefore arguably did not count against the commitment in the 1982 Communiqué. Nevertheless, the U.S. government maintained certain restrictions out of deference to China, including engine thrust limits that proscribe the range of the IDF. The USA and the rest of the international community also refused for twenty years to sell submarines to Taiwan. After a Dutch firm agreed to build two submarines for Taiwan in 1981, the Netherlands paid the price: China recalled its ambassador and downgraded relations with the Netherlands for three years.

The Bush administration's April 2001 arms sale offer was noteworthy for both its quantity and its quality. It was unusually large, including eight diesel-electric submarines, four Kidd-class guided missile destroyers, and twelve P-3C patrol and anti-submarine aircraft, along with 155 mm howitzers, minesweeping helicopters, torpedoes, Harpoon anti-ship missiles, and amphibious assault vehicles. Particularly significant was the lifting of the ban on submarines, which many observers saw as a gesture of increased U.S. support for Taiwan. Since the April 2001 offer, U.S. officials have encouraged Taiwan to buy additional systems, including the Patriot PAC-3 anti-missile system, advanced ground-based and satellite-based radars, and a C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance) network that would allow Taiwan's different armed services to share real-time data.

## **American Disappointment**

China's military is steadily modernizing: acquiring advanced warships, submarines and aircraft from Russia; improving the training, doctrine and logistical structure of the People's Liberation Army's (PLA); and harnessing information technology both to improve command and control and to create new means of weakening a potential opponent. Several studies conclude that during this decade the PLA's offensive cross-Strait capability will outstrip Taiwan's defensive strength.

From the standpoint of some American observers, however, Taiwan's efforts to strengthen itself against a growing PRC military threat have been inadequately vigorous. Taiwan's defense budget for 2003 was equivalent to 2.6 percent of the island's gross domestic product (GDP). About fifty other countries, most facing a less immediate military threat, spend a higher percentage of their GDP on defense than does Taiwan. Defense spending for Taiwan itself was 4 percent of GDP ten years earlier, indicating that the annual outlay has declined during the period in which China's military spending has increased and that the threat from China has grown more serious. Although military service for Taiwan's young men is mandatory, the government has repeatedly reduced the period of service for conscripts, which is presently one year.

Indicators such as these have created suspicions among some Americans that Taiwan is attempting to free-ride, avoiding domestically unpopular high defense costs by relying on the presumed protection of the USA, with which Taiwan has no formal military alliance. The aftermath of the April 2001 arms sale proposal deepened and broadened this perception in the United States. The proposal fell into a protracted public debate in Taiwan's parliament. Critics attacked various aspects of the offer, including allegedly high prices, the quality of some of the weapons, and their suitability for Taiwan's armed forces. A common view among chagrined American observers was that the United States was offering the weapons Taiwan had been requesting for years, but Taiwan's government was now reluctant to pay for them. This prompted warnings to Taiwan from many Americans in both official and unofficial capacities. Reuters reported, for example, that during his meeting with high-ranking Taiwan defense officials in San Antonio, Texas, in February 2003, U.S. Deputy Assistant Secretary of Defense for East Asia Richard Lawless said Taiwan "should not view America's commitment. . . as a substitute for investing the necessary resources in its own defense. . . . [T]here is much more that Taiwan needs to do." Former U.S. government officials whose views carry weight in Taiwan have reinforced this message. In February 2003, former American Institute in Taiwan chairman Richard Bush said, "Taiwan is not moving fast enough to purchase weapon systems that the US has agreed to sell. We agreed to sell them because you needed them." Former Secretary of Defense William S. Cohen, now chairman of the U.S.-Taiwan Council, warned an audience in Taiwan in November 2003 that "You cannot expect the American people to burden ourselves the way we are to carry out responsibilities for other countries if there is no corresponding effort being made for self-defense."

The apparent decline in positive U.S. feeling toward Taiwan sent political shock waves through the island. This development was particularly disturbing since, in the opinion of most Taiwan politicians and analysts, the U.S. criticism aimed at Taiwan was undeserved. Taiwan's government understood U.S. disappointment and assigned its officials to make innumerable presentations to Americans in both Taiwan and the United States addressing the concerns about Taiwan's alleged free-riding and ingratitude.

## **Taiwan: Don't Blame Us for Being Prudent and Democratic**

Taiwan for its part argues that American expectations have been unreasonable given Taiwan's legitimate questions about the weapons systems the USA wants to sell and concerns about overcharging. Observers in Taiwan also complain of a lack of sympathy for Taiwan's recent economic difficulties and surprising U.S. impatience with the exercise of a truly democratic political system in Taiwan, the kind of system the United States has always encouraged Taiwan's leaders to implement.

In the recent past, Taiwan officials had become accustomed to the American government approving some but not all of their

requests to purchase U.S. arms. The unusually large list of weapons systems the USA offered for sale in April 2001 was therefore much larger than Taiwan's government expected or had prepared for. Taiwan officials are also quick to point out that their government has been in a budget crisis due to a serious economic downturn in 2000–2002. This, they say, largely accounts for the relatively small budget outlays for national defense in recent years. To pay for the weapons systems the Bush administration offered, Taiwan's Ministry of National Defense has requested a special budget of US\$15.1 billion, which was more than double the defense budget for 2003. The government announced in March 2004 that it aims for passage of the special budget in May 2004.

Some Taiwan journalists and politicians have accused the Americans of profiteering, arguing that the United States' position as Taiwan's most powerful friend and almost sole weapons supplier allows America to practically dictate the terms of arms sales to Taipei. As one Taiwan newspaper editorial headline bemoaned in July 2003, "Our nation's been picked clean by arms dealers." Some Taiwan defense analysts complain that the process of formulating the list of weapons to be offered for sale to Taiwan is less institutionalized than in the past, and that it has become more common for self-interested arms manufacturers to intervene with the U.S. government to shape the list. Such assertions have forced Taiwan's Defense Minister Tang Yao-ming to respond, as he did in August 2002, that "Taiwan is a sovereign state. We will not buy every weapons system that the US wants to sell to us. We will only buy the ones that really serve our defense needs."

The fact that the list of arms offered for sale has changed since April 2001 is an additional complicating factor. Even as they struggled to gain legislative approval for the purchase of the weapons offered in 2001, Taiwan officials received signals that American priorities for Taiwan's defense had mutated. In the most famous such case, Therese Shaheen, chairwoman of the American Institute in Taiwan, was widely reported as saying it would be "silly" for Taiwan to spend its limited defense funds on submarines.

In the past, when the Kuomintang (Nationalist Party; KMT) dominated Taiwan's government, the parliament swiftly approved weapons acquisition requests submitted by the Ministry of Defense with little argument. Increased democratization, however, has changed this. The process is now more institutionalized and transparent, and the legislature demands greater input. This has at least two effects that directly bear on American perceptions. First, the time between the supplier's proposal of an arms sale and the legislature's allocation of funds to make the purchase has grown to about two years—much longer than in the past. Second, the objections of Taiwan lawmakers or analysts to particular proposed purchases are now aired in the press. Because defense planning in the Republic of China (ROC) was long dominated by the armed forces, there is relatively little expertise in strategic and military issues in Taiwan's wider civilian community. Consequently, some of the critiques raised during the debates over the arms sales have not been well informed. Criticisms that strike American observers as invalid tend to foster suspicions that Taiwan is not serious about its own defense.

Predictably, domestic politics has influenced the debate as well. The Democratic Progress Party (DPP), which holds that Taiwan is and should remain politically separate from China, now controls the executive branch, while the now-opposition KMT and its like-minded allies (known collectively as the "pan-Blue" camp) remain a strong force in the legislature. Most pan-Blue politicians believe Taiwan should eventually unify with China. The desire of opposition legislators to thwart or embarrass the DPP government has led to intensified wrangling and debate over the proposed arms sale, slowing the process even further. Moreover, the DPP accuses pan-Blue politicians of harboring a hidden agenda to prevent Taiwan from strengthening its self-defense capability, based on the assumption that a militarily strong Taiwan is more likely to resist China's demand for unification.

To American complaints that the process of approving the proposed sales is taking too long and generating too many objections, analysts and officials in Taiwan respond that transparency, sharp debate, and an often frustrating lack of speed in policymaking are hallmarks of democracy that Americans should recognize and respect.

Critics in Taiwan have also raised specific questions about some of the weapons systems on offer. The quoted price of \$4 billion for twelve P-3C Orion anti-submarine aircraft has raised eyebrows. The Patriot PAC-3's record in the recent Iraq campaign, including erroneous firings against friendly aircraft, generated questions about its performance. Furthermore, the Scud missiles the Patriot successfully intercepted had been modified to reduce their range from 600 to 150 km. The Chinese missiles the Patriot would defend against have a longer range and would thus be more difficult to intercept.

Most criticism of the proposed arms package has focused on the Kidd-class destroyers and the submarines. In June 2003, Taiwan's government finally agreed to the purchase of the Kidds for a price of US\$811 million, including reactivation from mothballing. Reactivation of the ships from their long-term mooring stations in Bremerton, Washington and Philadelphia, Pennsylvania will delay delivery until between late 2005 (for the first vessel) and March 2007 (for the fourth). Taiwan parliamentarians, retired admirals, and other analysts have criticized the Kidds sale on several grounds. People's First Party legislator Lee Ching-hua, for example, called a press conference to publicize his "12 reasons" why Taiwan should not buy the Kidds. He asserted in April 2001, "As far as I know, all of the ex-[Taiwan] Navy chiefs are opposed to the navy's Kidd purchase plan."

The arguments raised by Lee and other critics attack the Kidds proposal from several angles. They begin with the observation that Taiwan did not ask for them. Rather, Taiwan requested up-to-date destroyers equipped with the Aegis radar system. The United States could have fulfilled this request either by supplying Taiwan with U.S.-built Arleigh Burke-class destroyers or by providing the Aegis radar and assisting Taiwan in building its own warships around the radar. Washington has sold the Aegis Combat System without platform to Japan, Spain and Norway. Instead, however, the USA offered older, "second-hand" ships. The Kidd-class was originally built for export to Iran, a deal killed by the overthrow of the Shah in 1979. The U.S. Navy used the destroyers until retiring them and placing them in mothballs in the late 1990s. The United States tried unsuccessfully to sell the ships to Australia and Greece. Taiwan's critics doubt that the aged Kidds can measure up to the latest ships in China's fleet such as the Sovremenny-class destroyers. The age of the ships also drives up the costs Taiwan would have to pay for their maintenance. Another complaint is that the Kidds are too large to suit Taiwan's needs. Some Taiwan naval planners, including former Taiwan Navy chief and Minister of Defense Wu Shih-wen, prefer a defense strategy based on smaller, faster missile-armed ships of 200 tons or less. The arguments in favor of small missile boats are that they carry nearly as much firepower as destroyers while being faster and more agile, cheaper to operate and less manpower-intensive. The Kidds are built for long ocean voyages, an unnecessary capability for Taiwan, and their size makes it difficult for Taiwan's existing military ports to accommodate them. The required crew complement of 400 per ship would strain Taiwan's navy, which has trouble retaining trained personnel because of heavy reliance on short-term conscripts. Finally, many Taiwan defense analysts, including legislator and former admiral Nelson Ku Chung-lian, who favor purchasing Aegis-equipped destroyers resent being forced to buy the Kidds first, at considerable expense, to qualify as potential Aegis buyers. *Jane's Defence Weekly* quoted a "US Department of Defense official" saying in October 2002 that "The Kidds represent a stepping stone for Taiwan towards the eventual procurement of an Aegis-class platform" and that "the

[Kidd] sale will go forward because that is all Taiwan will get for the time being.” Ku and others argue the USA is using the threat of not selling Aegis later to pressure Taiwan to buy the Kidds.

Submarines are a high strategic priority for Taiwan because of the potential PRC naval threat. But Taiwan has had great difficulty obtaining them despite strenuous efforts, particularly because Beijing considers submarines an “offensive” weapon. Taiwan’s navy currently has only four submarines, and two of these are of World War II vintage.

Taiwan’s government has proposed constructing the submarines in its own yards with U.S. assistance. This would boost the fortunes of Taiwan’s financially troubled China Shipbuilding Corporation (CSC), a state-owned firm that is the island’s sole naval shipbuilder. U.S. defense officials, however, are reportedly skeptical that CSC, with no prior experience, can successfully build such complicated vessels.

Cost has been a major sticking point. In November 2003, a Taiwan defense official argued that the price the United States was quoting for the eight submarines, now more than \$12 billion, was “outrageously high.” In contrast, South Korea, Pakistan and India reportedly built submarines based on a German design for \$367 million, \$317 million and \$323 million apiece, respectively. Based on international market prices such as these, Taiwan’s government in 2003 had allocated a budget of only \$4.4 billion for the submarines. The high cost of the U.S. offer stems from the fact that the United States stopped building diesel submarines decades ago. Filling the order from a U.S. shipyard would require reestablishing a production line to build a small number of units; hence the very high cost per unit. Analyst John J. Tkacik of the Heritage Foundation wrote in December 2003 that the “exorbitant” asking price also reflects the U.S. Navy’s desire to squelch the deal. The Navy, says Tkacik, prefers nuclear to diesel submarines, and fears that reviving an American capability to build diesel submarines would lead to Congress demanding that the U.S. Navy purchase them as well.

## Conclusions

Whether or not one finds these arguments persuasive, each side should understand that these views hold considerable sway on the other side and are influencing the development of U.S.-Taiwan relations (and, by extension, U.S.-China relations and cross-Strait relations). The smoldering controversy within Taiwan over the island’s ultimate relationship with China inescapably bears upon all of Taiwan’s foreign relations. Although Americans might insist that this should be understood as a non-partisan national security question, the arms sales issue is discussed within the context of Taiwan’s most important and divisive domestic political dispute. In this rough and caustic atmosphere, criticisms of the proposed arms deal multiplied freely, offending American observers who assumed

(too simplistically) that the United States was only trying to give the Taiwanese what they wanted at a fair price.

Although the United States and Taiwan have a long history of close and supportive relations, their interests are not identical. The arms sales controversy has become one of the events that brings the tensions in the U.S.-Taiwan relationship, always present but usually hidden, to the surface. Since at least as far back as the Second World War, when the governments of the United States and the ROC began working closely with each other, mutual trust and confidence have been less than total. Among Taiwan’s long-standing grievances with the United States are a perceived domineering U.S. attitude and suspicion that the Americans may use Taiwan for purposes not necessarily in Taiwan’s best interest. Many Americans, on the other hand, complain that Taiwan has been too slow to make difficult but essential changes in its defense policy. The recent version of the arms sales issue has intensified these concerns on both sides.

Many Americans have resented Chen Shui-bian’s recent steps pointing to a further political distancing of Taiwan from China, particularly the referendum initiative and Taipei’s plans to rewrite the ROC constitution despite Washington’s position that neither Taiwan nor China should unilaterally attempt to change the cross-Strait status quo. Although based on different reasons, resentment over Chen’s de-Sinification and mutual discontent associated with the arms sales have combined to produce a minor crisis in U.S.-Taiwan relations, to the approval of Beijing and the dismay of Taipei. Continued deterioration, however, is not likely. The Taiwan government realizes the importance of good relations with the United States and has already taken the necessary steps (preparing a special additional defense budget for the purchase of U.S. weapons, for example) to ensure that the worst of the damage resulting from arms sales politics is over. Taiwan will eventually buy most of the major weapons systems the United States has offered, although the submarines remain problematic.

Finally, the arms sales raise questions about fundamental strategic assumptions in the cross-Strait standoff. American anxiousness that Taiwan move quickly to purchase the weapons on offer is based on the assessment that Taiwan needs to counter the growing military imbalance in favor of the People’s Liberation Army. The underlying assumption is that balance causes peace by deterring China from attacking, while an imbalance favoring China would encourage Beijing to opt for a military solution. The prevailing view in China is the opposite: a balance increases the chances of war because it emboldens Taipei to move toward independence, which would eventually leave China no recourse but military action. Chen Shui-bian’s recent moves perhaps illustrate that while large U.S. arms sales to a status quo-oriented government in Taipei might help preserve stability, the same arms sales might also provide perceived cover for a Taipei leadership determined to change the status quo from de facto to de jure independence.



The Asia-Pacific Center for Security Studies (APCSS) is a regional study, conference, and research center established in Honolulu on September 4, 1995, complementing PACOM’s theater security cooperation strategy of maintaining positive security relationships with nations in the region. The APCSS mission is to enhance cooperation and build relationships through mutual understanding and study of comprehensive security issues among military and civilian representatives of the United States and other Asia-Pacific nations.

The Asia-Pacific Security Studies series contributes to the APCSS mission to enhance the region’s security discourse. The general editor of the series is Lt. Gen. (Ret.) H.C. Stackpole, President of the APCSS.

**Asia-Pacific Center for Security Studies**

2058 Maluhia Road Honolulu, Hawaii 96815-1949 (808) 971-8900 fax: (808) 971-8999

[www.apcss.org](http://www.apcss.org)