
U.S. ARMS SALES TO CHINA

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I. INTRODUCTION

The issue of U.S. arms sales to the People's Republic of China (PRC) has been an important component in the debate on how fast and how far the U.S. should go in moving closer to China. The unprecedented exchanges of high-level defense and other officials between the U.S. and China since 1983 further focused public attention on the possibility of U.S. arms sales and heightened anticipation that a new phase in U.S.-China relations was about to occur.

U.S. Law contains a number of provisions which require a congressional role concerning U.S. sales of weapons and other military equipment to a country like China. In addition, Congress has assumed a specific role in arms sales involving China through its enactment of the Taiwan Relations Act.[1]

This report analyzes where the United States is today in the unfolding U.S.-China arms sales relationship, why arms sales to China are continuing to be considered by U.S. policy-makers, why such sales have been slow to develop, and the short-term prospects for U.S.-China military sales. While the report makes use of a variety of published sources, the authors also interviewed on a background basis 17 experts and specialists, principally serving with the U.S. government, on issues related to U.S.-China arms sales. Although the comments and observations of the interviewees for the most part are not expressly cited in the report, points they raised are reflected throughout the discussion and analysis.

II. THE EVOLUTION OF SINO-U.S. MILITARY TIES, 1969-1985

The 1969 border clashes between Chinese and Soviet troops led to the perception among some U.S. officials that China's principal role in future U.S. policy would be as a military counterweight to the Soviet Union. By the early 1970's, prior to the establishment of diplomatic relations, the United States made efforts to explore military ties with China. The Nixon Administration, in addition to opening an official dialogue, made several decisions related to China which had military implications. These included a decision to sell China a sophisticated ground station designed to pick up and transmit television signals via satellite, and a decision to sell several Boeing 707 aircraft with attendant aeronautical technology. The Ford Administration

approved the retransfer by Britain to China of Rolls Royce "Spey" aircraft engines which included components of U.S. origin, as well as the sale of an American computer with potential military applications.

However, the Carter Administration laid a broader groundwork for a U.S. defense relationship with the PRC during Secretary of Defense Harold Brown's January, 1980, visit to China. Among the central elements resulting from the Brown trip and a May 1980 reciprocal visit by senior Chinese Defense official Geng Biao were: (1) an ongoing strategic dialogue between defense leaders of both nations aimed at identifying areas of mutual interest; (2) a program of exchange visits by U.S. and PRC defense establishments to identify areas where limited military cooperation might be mutually beneficial, and (3) decisions by the U.S. to adjust past restrictions and allow the sale of non-lethal U.S. military equipment and defense related technology to China. [2]

This forward movement prompted a period of considerable public and private debate in the United States on the implications of greater military cooperation with China, especially the sale of U.S. arms to the PRC. Some believed that the United States had already gone too far in terms of military cooperation with China, and should not consider any further actions. But, the prevailing view was that a gradual increase in defense cooperation and military sales was in U.S. interests.

This calculation was based, first and most importantly, on what appeared in 1980 to be an important strategic incentive for defense cooperation. Both the United States and China shared a strong belief that the Soviet Union was an expansionist power seeking to establish overall global superiority through the military and political exploitation of weak and unstable areas. This view was reinforced by Soviet support for the Vietnamese invasion of Cambodia in late 1978 and the Soviet invasion of Afghanistan in late 1979. China and the United States sought means to resist Soviet expansion.

China, for its part, had fought against Soviet-backed Vietnamese troops in the Sino-Vietnamese conflict of February-March 1979. Though China had claimed victory in the engagement, the relatively poor performance of the People's Liberation Army under these circumstances reportedly deeply concerned Chinese military strategists and raised questions about how effective China's armed forces would be in a direct engagement with the Soviet Union. In the United States, a major public debate emerged in 1980 questioning the adequacy of U.S. military spending and defense readiness against the Soviet threat. Under these circumstances, U.S. policymakers were inclined to encourage greater defense cooperation with China, including arms sales, if only for the immediate symbolic value such ties would have as a means of shoring up international opposition to Soviet expansion in the Third World.

In addition, 1980 also found American and Chinese leaders searching for symbolic actions that might strengthen the U.S.-China bilateral relationship following diplomatic recognition in December 1978. United States weapons sales have often been used as a demonstration of U.S. support for a country as well as a means of enhancing its military capability. Some U.S. policymakers believed that such a demonstration of support through arms sales would go far in cementing U.S.-China relations, still troubled by bilateral disagreements over Taiwan and other questions. The newly emerging

TABLE 1: KEY VISITS AFTER 1982

<u>OFFICIAL</u>	<u>TITLE</u>	<u>DATE</u>	<u>NATURE OF VISIT</u>
George Shultz	Secretary of State	Feb 83	Four days of talks with Chinese officials including Deng Xiaoping, on technology transfer, military cooperation and bilateral and global issues.
Malcolm Baldrige	Secretary of Commerce	May 83	Promised China's leaders that the U.S. upgrade of China to a "friendly, non-aligned nation" allowed it to buy advanced U.S. technology barred to the Soviet Union.
Caspar Weinberger	Secretary of Defense	Sep 83	Made conditional offer to sell certain defensive weapons, negotiated exchange of low-level defense missions, announced planned visit of Prime Minister Zhao to the U.S. in Jan 84, and President Reagan's planned trip in April, 1984.
Wu Xueqian	Foreign Minister	Oct 83	Met with President Reagan, and other U.S. national security leaders.
Zhao Ziyang	Prime Minister	Jan 84	Ten-day visit to discuss Taiwan, Korea, U.S. supply of nuclear technology to China, and technology transfer.
Ronald Reagan	President	Apr 84	Signed bilateral tax agreement, witnessed initialing of nuclear cooperation agreement.
Zhang Aiping	Defense Minister	Jul 84	Discussed Chinese purchases of U.S. weapons and military technology.
John F. Lehman, Jr.	Secretary of the Navy	Aug 84	Issued statement saying his visit had laid a foundation for future U.S.-China military cooperation.
Gen. John Vessey	Chairman, Joint Chiefs of Staff	Jan 85	Met with Chief of General Staff Yang Dezhi and other military officials; reviewed PRC military forces.

pragmatic Chinese leadership of Deng Xiaoping was also thought to favor such a clear signal of approval from the United States; U.S. arms sales were judged to help Deng and the pragmatists in their continuing arguments with more radical opponents in the Chinese leadership.

Finally, momentum for arms sales came from various unrelated constituencies within both countries whose interests were served by an arms sale relationship. In particular, defense contractors in the United States were interested in fostering a policy which permitted arms sales to China, a country described in a Defense Marketing Service (DMS) Market Survey as "having a massive requirement for [weapons] of every description." [3]

A. DEVELOPMENTS DURING THE REAGAN ADMINISTRATION

The advent of the Reagan Administration, identified with a strongly pro-Taiwan sentiment, prompted a re-examination of the U.S.-PRC relationship and slowed progress toward defense cooperation. Secretary of State Alexander Haig visited China in June 1981 for discussions which focused in part on developing closer strategic cooperation against the Soviet Union. Haig also announced that the United States was now willing to sell lethal military equipment to China. But China now said it was not interested in buying U.S. weapons unless the issue of continued U.S. arms sales to Taiwan was settled to Chinese satisfaction. [4]

By 1982, the Reagan Administration had taken two steps towards resolving the impasse over its arms sales to Taiwan. First, the Administration in January made a decision not to sell an advanced fighter aircraft to Taiwan, a step which seemed to indicate the Administration's sensitivity to PRC views on U.S. military sales to Taiwan. [5] In August, Administration officials further refined the U.S.-Taiwan military sales relationship in a U.S.-PRC Joint Communique, setting out the guidelines under which future sales to Taiwan would be conducted. [6]

Although Beijing still claimed to be dissatisfied with the implementation of these U.S. decisions regarding arms sales to Taiwan, in early 1983 it signaled its willingness to improve overall U.S.-China relations, including the military component. [7] Increased bilateral contacts and exchanges ultimately led to a U.S. policy determination on June 12, 1984, to permit the PRC to make government-to-government (FMS) purchases of military equipment. [8] Prior to this policy determination, a number of specific military items had been discussed between U.S. and PRC representatives for possible sale to China. However, the eagerness with which both sides approached these talks was notably less than in 1980--reflecting changed priorities in both Washington and Beijing that give less immediate importance to developing closer Sino-U.S. military ties.

III. CURRENT CONSTRAINTS ON U.S.-CHINESE ARMS SALES

The principal change affecting the urgency with which both the U.S. and China develop their defense relationship involves the different way in which each country now views the Soviet Union. Just as the Chinese perception of an imminent Soviet threat was the chief factor encouraging mutual cooperation in 1980, the perception that this threat has now, at least temporarily, lost urgency, has reduced the immediate pressure to cooperate further

on defense, and has permitted other, constraining factors to become more important in defining the defense relationship.

A. ALTERED CHINESE PRIORITIES

China now sees the Soviet Union bogged down militarily in Afghanistan, strapped with expensive or unruly clients elsewhere, confronted with vexing economic and political difficulties at home without the benefit of proven, effective political leaders, and faced with a resurgent U.S., backed by allies in Western Europe and Japan, firmly committed to maintaining military power sufficient to keep Soviet expansion in check. PRC leaders see the Soviet Union as likely to remain preoccupied with these difficulties for the foreseeable future. In addition, Sino-Soviet tensions have eased somewhat since 1980: a dialogue has begun, formerly heated rhetoric has been toned down, and leaders of the Chinese and Soviet Communist Parties recently exchanged greetings (in March, 1985) for the first time in 20 years. In short, while many deep-seated Sino-Soviet difficulties remain, China appears to view the immediacy and severity of the Soviet threat as less than it did a few years ago.

The apparent lessening of the Soviet threat to China has allowed other factors to become more influential in guiding the PRC's plans for purchasing weapons from the United States. First among these is the matter of cost. Chinese priorities in the last few years have been to devote financial and human resources to economic modernization, and to keep defense spending low.[9] Most of the sophisticated weapon systems which the Chinese need are extremely costly, and their purchase would sidetrack other important spending priorities. Moreover, given the size of China's force structure, and given the cost of most modern weapons systems, to purchase upgrades for even those systems which the PRC presently has would be an enormously expensive undertaking.[10] Therefore, the Chinese have an incentive to be selective and cautious about what they acquire.[11]

Second is the constraint of limited Chinese ability to absorb sophisticated U.S. weapons systems. Historically, the PRC has never had an advanced technologically sophisticated military.[12] The operation of advanced weapons systems requires personnel with sophisticated training and technical skill. In addition, a nation with a modernized military requires an infrastructure necessary to support the most effective use of technologically complex equipment. China presently lacks both.

Third, China fears becoming overly dependent on any outside power, especially a superpower. Chinese leaders have emphasized in recent years an independent and non-aligned foreign policy, premised on China not becoming indebted to either superpower. For instance, President Reagan's unflattering references to the Soviet Union, in a speech given in the Great Hall of the People during his visit to Beijing in April, 1984, were deleted from the televised PRC version of the speech later that same evening. Overt, highly-visible purchases of advanced weaponry from the United States, of the type that may antagonize or concern the Soviet Union, could disrupt what has been a consistent Chinese effort over the past few years to sustain an image of independence in its foreign policy.

Finally, internal policy differences within China on defense and spending priorities also serve to constrain Chinese arms purchases. Differences of opinion among Chinese military and political leaders make it difficult to agree on making significant high-technology arms purchases. Mao Zedong's Doctrine of People's War, which was the ruling bible of the People's Liberation Army (PLA) throughout the careers of many current military leaders in China, does not take into account a comprehensive non-nuclear military strategy which incorporates the modern, high-technology weapons such as those now being sought by some Chinese policymakers. Moreover, in the past the PLA was considered extremely supportive of Mao and Mao's Thought, both of which are being carefully revised by the current political leadership. Some believe that conservative military leaders are therefore less supportive of Deng Xiaoping's new, more pragmatic, policies--including the purchase of weapons from the United States.

Internal policy differences may also exist between elements of the Chinese military. Historical emphasis in China has always been on the army, with the air force and navy but small components within the PLA. This may make it more difficult for leaders in the air force and navy, who strongly advocate modernization, to win support for the purchase of advanced weapons systems from those responsible for establishing military policy and making procurement decisions. In addition, the nature of the Chinese weapons procurement system itself may further complicate this decision-making process. The PLA is its own defense contractor, making most of its weapons in PLA-managed factories staffed with workers who are military personnel. It may be difficult to get these segments of the military to agree on making significant purchases from foreign suppliers, except within certain parameters. They would be more likely to argue for greater technical assistance or co-production rights from the United States than to seek significant numbers of end-item purchases.[13]

B. U.S. CONSTRAINTS

Like China, the United States sees the Soviet threat differently now than it did in 1980. While the USSR is seen continuing its unrelenting military buildup, the Soviets are also viewed as more preoccupied than in 1980 with military, political, and economic problems. In addition, the United States has greatly increased its own defense spending under the current Administration, to the point where defense expansion can continue comfortably for some time even at current spending levels. This has contributed to a general sense that the U.S.-Soviet military balance is closer to parity than it has been in some years. Further, U.S. allies in Europe and Japan have remained cooperative on major military issues vis-a-vis the USSR, and the resumption of an arms control dialogue with the Soviets after a long hiatus appears to enhance the prospects for effective U.S. management of East-West tensions. All of this, in addition to observed Soviet difficulties in Poland, Afghanistan, and the Russian economy, has resulted in an increased American confidence vis-a-vis the Soviets and a reduced sense of urgency to establish strategic ties with and make arms sales to the PRC. As a result, other factors that have long constrained U.S. arms sales to China have increased in importance.

First, there remains a practical limit to U.S. ability to enhance China's military capabilities against the Soviet Union. Even if China had sufficient money (which it does not) to purchase large quantities of modern weapons,

the United States could not realistically provide China with enough military equipment to close the widening technological and quantitative gap between Chinese and Soviet military strength. Thus, American policymakers are restricted to trying to help in selected defense areas, making limited military sales in an effort to encourage China to remain independent of the USSR, and to help raise the potential cost of Soviet aggression against China.[14]

A second constraint comes from U.S. concerns that its friends and allies in Asia view sales of some forms of advanced military equipment to the PRC as threatening to their security. For example, countries such as Malaysia and Indonesia, with large ethnic Chinese populations, recall the past aggressiveness of the Chinese Communist Party and are concerned by the PRC's past tendency to voice proprietary jurisdiction over all overseas Chinese. Some other Asian countries, as well as Taiwan, tend to believe that the PRC is not regionally assertive now simply because it lacks the military ability to be so. They fear that U.S. arms sales to the PRC may help to remove this obstacle and refuel Chinese ambitions.

Testifying on this issue, Deputy Assistant Secretary of Defense James Kelly said, "the question of potential risk to other friendly states is a prime consideration in the approval of any arms sale to any country, and it certainly will apply to any proposed sale to the PRC." Given this concern, the United States is more likely to sell weapons to the PRC that are principally defensive in nature, thus improving China's hand against a Soviet attack while not threatening U.S. regional friends and allies.[15]

Third, American policy-makers do not view China as an ally, having learned from practical experience that the PRC cannot reasonably be relied on to support most U.S. foreign policy interests over the long term. The PRC itself has declared that it is pursuing an independent foreign policy, and a cautious U.S. policy toward China is reflective of that. As one Reagan Administration official put it:

Our goal is to have an enduring defense relationship (with the PRC) which will move in measured steps. China has made it clear to us that it seeks no alliance. Neither is one needed or appropriate from our perspective.[16]

Fourth, by moving in "measured steps," the U.S. takes into account the fact that current PRC policies of seeking closer cooperation with the U.S. remain controversial within the PRC itself, are still evolving, and are thought to be dependent in part on the continued presence and influence of 81-year-old Deng Xiaoping. A more aggressive arms sales approach toward China could risk leaving the United States over-extended and over-exposed should PRC priorities suddenly change.

Finally, Taiwan represents a major constraint. The United States has a continuing interest in Taiwan and its security, as evidenced by continued large scale U.S. arms sales to Taiwan under terms of the Taiwan Relations Act. Moreover, the U.S. has on a number of occasions made clear its explicit interest in a peaceful resolution of PRC-Taiwan differences.[17] As a result, the U.S. is not likely to sell weapons systems to the PRC that would enable it to threaten Taiwan militarily.

IV. THE CURRENT STATUS OF U.S. ARMS SALES TO CHINA

As a result of the constraining factors discussed in the previous chapter, progress in U.S. arms sales to China has developed at a slow pace, and U.S. weapons under consideration for sale to China generally have limited capabilities. As of July 8, 1985, only one major arms sale case has been concluded and actual deliveries made--and this was a commercial sale. As of this same date, no government-to-government (FMS) sale to China has occurred, although such a sale could be formally proposed at any time should the U.S. and the PRC reach agreement on a given case. This chapter assesses the accomplishments and present state-of-play in U.S. arms sales discussions with the PRC. It attempts an accurate assessment of the status of these discussions by analyzing available public reporting, official pronouncements, and other data on each possible sale in light of conclusions drawn by the authors from their interviews with specialists.

A. SALE AND DELIVERY OF SIKORSKY HELICOPTERS

Beijing's only significant purchase of U.S. military equipment to date has been 24 S-70C2 Sikorsky helicopters -- civilian derivatives of the Sikorsky Black Hawk military helicopter.[18] Transacted as a commercial cash sale, in excess of \$100 million, the purchase was subject to the Section 36(c) notification clause of the Arms Export Control Act. Approval procedures were completed in short order: the license application was submitted to the Office of Munitions Control on June 22, 1984, approved by all pertinent agencies of the U.S. government, with the required 30-day notification given to Congress on August 8, 1984. The Coordinating Committee For Multilateral Export Controls (COCOM) approved the sale on October 1, 1984, clearing the way for deliveries, which began on October 3, 1984. As of late June 1985, over half had been delivered to the PRC, with the remainder scheduled to be delivered by the end of 1985.[19]

B. GROUND SYSTEMS: TOW MISSILES, ARTILLERY SHELL TECHNOLOGY

In June 1984, the Administration made clear that anti-tank weaponry was one area where the United States could prove particularly helpful to Chinese military modernization, and cited the improved-TOW missile as one example.[20] During Defense Minister Zhang Aiping's trip to the United States at that time, U.S. officials were quoted as saying that the United States would likely sell China "TOW anti-armor missiles and improved artillery (shell) technology." [21] Since then, there have been repeated press references to the possibility of such sales to China as a means of helping to improve China's anti-tank defenses against the USSR.[22] Experts interviewed for this report indicated that the PRC continues to have the option of purchasing the I-TOW and/or artillery shell technology should it choose to make such purchases.

TOW is an acronym for tube-launched, optically-tracked, wire-guided; it is a ground-to-ground or air-to-ground anti-tank weapon. The missile can be installed in most wheeled or tracked vehicles, such as jeeps and armored personnel carriers, as well as in helicopters. The I-TOW has an improved, larger warhead capable of greater armor penetration. The I-TOW is approximately the same size and weight as the basic TOW missile.[23]

C. NAVAL SYSTEMS: SONARS, TORPEDOES, ENGINES, SHIP DEFENSE SYSTEM

Secretary of the Navy John F. Lehman, Jr., in the FY 1986 Report to the Congress, stated that the United States has "... agreed in principle to begin discussions on cooperating on the modernization of the anti-submarine warfare capabilities of the PRC Navy." [24] On January 12, 1985, it was reported that the Chinese had "agreed to purchase modern towed sonars. . . ." [25] This was followed by a more detailed press account that the United States and China had discussed the sale of "an undisclosed towed-array sonar system manufactured by Gould, Inc.'s defense electronics division in Glen Burnie, Maryland." [26] Other press accounts disclosed that prospective sales of the MK 46 torpedo and General Electric LM-2500 gas turbine engine for Chinese naval vessels had also been discussed by Chinese and American representatives. [27]

During January 1985, it was further reported that General Dynamics' Phalanx close-in weapons system was also the subject of negotiation between China and the United States. The Phalanx has been described as a "ship defense system. . . 6-barrel, 20-millimeter, rapid-fire system aimed by self-contained radar and designed to protect surface ships from sea-skimmer cruise missiles." [28] Specialists interviewed noted that the sale of some naval systems could occur, but the process of negotiating specifics with the Chinese in this relatively new area might take some time.

D. AIR-DEFENSE SYSTEMS AND AIRCRAFT: I-HAWK, AVIONICS

In June 1984, it was reported that the United States would probably sell I-Hawk and air-defense missiles to China. [29] The New York Times reported that "among the weapons apparently high on the list of potential sales," (DOD) officials said, "were Hawk anti-aircraft missiles, which are supersonic, can reach to 60,000 feet, and have a range of 25 miles." [30] Despite this and earlier reports of Chinese interest, there have been no additional details made public regarding a possible sale of the I-Hawk system. [31] Secretary of Defense Caspar Weinberger was also reported to have "promised to provide China with avionics in order to modernize its indigenously designed F-8 interceptor"; the avionics being discussed were said to be roughly the same level of sophistication as in the American Northrop F-5. [32] Press articles have further stated that:

U.S. Air Force officials were reported to be conducting talks with their Chinese counterparts concerning the possible provision of avionics to help modernize China's F-8 fighter. [33]

In May 1985, it was reported that U.S. Air Force representatives were continuing discussions with the Chinese regarding "F-8 avionics improvements," but that "hardware purchases weren't being discussed." [34]

The F-8 fighter is an indigenously designed Chinese plane, reportedly modeled on the Soviet MIG 21 and MIG 23 fighters, which the PRC may be seeking to upgrade into a front line interceptor aircraft. The Chinese are reportedly seeking to enhance the F-8 through the incorporation of both advanced avionics and a more powerful engine. According to published

reports, the F-8 is "overweight and underpowered." The F-8's powerplant (a Chinese built Tumansky R-11 turbojet) is regarded by experts "as less efficient than the Tumansky R-29 of the (Soviet) MIG 23." While there had been earlier reports of U.S. interest in selling aircraft engines to China, it was reported in June, 1984, that the U.S. Government had "shelved the question of selling jet engines to China" for the F-8 interceptor. U.S. specialists were quoted then as saying that the current Chinese F-8 would be "no match for the U.S.-made F-5E used by Taiwan." [35] Specialists interviewed for this report agreed with this view and underlined that any transfer of U.S. technology related to aircraft would need to be balanced against regional considerations.

E. ASSESSMENT

These on-going U.S.-Chinese discussions on possible arms sales imply that the negotiators are focusing on mission-specific systems whose primary capabilities are confined to tactical defense. As such, they seem consistent with the carefully limited military relationship currently supported by policymakers in Beijing and Washington.

-- The systems being discussed for sale (with the possible exception of avionics for the F-8 interceptor) are designed to perform in a specific way in a limited context. The Phalanx system, for example, is a shipboard, last-ditch defensive system designed to shoot down incoming cruise missiles flying fast and at low altitudes. The Phalanx' range and performance make it an ineffective weapon against other targets.

-- The systems address specific weaknesses in PRC defenses as defined by both PRC and US Military experts. The most obvious defensive needs are against Soviet forces along the Sino-Soviet border, where the Soviets have an estimated 47 divisions, including 41 mechanized and 6 tank divisions -- with almost 5 times as many tanks and armored vehicles as the Chinese divisions along the same border. [36] The TOW missile system being considered for sale is an anti-tank system, and would upgrade China's ability to defend against its most likely threat--i.e., a Soviet armored assault aimed at quick penetration into China's industrial heartland.

-- The systems are limited in their capacity to threaten regional stability or upset the balance of power in Asia. At this point, none of the systems under discussion would dramatically improve China's capability of launching an offensive attack -- a prime concern of other U.S. Asian friends and allies -- and none would add to the PRC's military capabilities in such a way that would markedly increase China's influence in the region. U.S. officials appear to be highly cognizant of Asian regional concerns in their review of prospective weapons for the PRC. [37]

-- The systems convey carefully limited amounts of advanced technological knowledge. With the possible exception of some naval systems, such as Phalanx, none is an advanced state-of-the-art system in the U.S. military inventory.

V. PROSPECTS

A continuation of the current limited U.S. arms sales relationship with China appears likely under prevailing conditions. But U.S. policy in this area could change with altered circumstances.

U.S. policymakers could be more inclined to discuss advanced weapons systems for the PRC in response to a substantial increase in Soviet military presence against common U.S.-PRC interests in Asia, or in the wake of a significant decline in U.S. support for Taiwan. For example, a significant expansion of Soviet forces along the Sino-Soviet border or some other increase in Soviet military and political pressure on China could convince the United States that the Soviet threat in Asia had escalated sufficiently to justify closer defense cooperation with the PRC. Likewise, recurrence of incidents such as the October 1984 killing of an American citizen, Henry Liu, in which Taiwan government officials were implicated, could contribute to an erosion of U.S. support for Taiwan, and thereby reduce the importance of this constraint on U.S. arms sales to the PRC.

In contrast, more aggressive Chinese behavior toward Taiwan and non-communist Asian countries, or a substantial Chinese reconciliation with the USSR, could cause the United States to slow or halt arms sales to Beijing. For instance, any major indication that China may be changing its stated intent of peaceful reunification with Taiwan, adopting a more hostile attitude toward it or contemplating aggressive acts--such as a blockade of Taiwan--would undoubtedly affect U.S. arms sales to China. Likewise, if China and the Soviet Union reached a compromise on the three conditions which China has set for progress in Sino-Soviet relations, or if both countries re-established amicable Party-to-Party relations, the rationale for U.S. arms sales to China could be undermined.[38]

Furthermore, the United States would look with great disfavor upon any retransfer of U.S. military equipment or technology by China to a nation such as North Korea. If the PRC took such an action without prior U.S. consent, it would almost certainly call the U.S.-Chinese defense relationship into question and probably result in a freeze on additional arms sales to China.[39]

Meanwhile, leadership changes in China following the passing of Deng Xiaoping could affect U.S. policy in different ways. They could prompt U.S. officials to increase arms sales as a sign of U.S. backing for continued close relations with the PRC. But if the leadership changes resulted in a shift in Chinese policy contrary to U.S. interests along the lines discussed above, the United States could be expected to curb arms sales to China.

ENDNOTES

1. Section 36(b)(1) of the Arms Export Control Act (AECA) requires the President formally to notify Congress 30 days in advance of any proposed transfer of any "major defense equipment" worth \$14 million or more, or any other "defense articles or services" worth \$50 million or more. Section 36(c) of the AECA requires the President formally to notify Congress 30 days in

advance of any proposal to permit the commercially licensed export of "major defense equipment" worth \$14 million or more or any other "defense articles or services" worth \$50 million or more. Section 38(a)(3) of the AECA also gives the President discretionary authority to require that any proposed commercial sale of defense articles or services be subject to government-to-government sales procedures as noted in section 36(b) above.

At the same time, Section 620(f) of the Foreign Assistance Act, as amended, limits the furnishing of U.S. grant military assistance to any Communist country unless the President issues a narrowly defined waiver. This section specifies that the President must determine and report to Congress that: such assistance is vital to U.S. security; the recipient country is not controlled by the international communist conspiracy; and such assistance will further promote the independence of the recipient country from international communism. The phrase "Communist country" expressly includes the PRC.

Section 505(b) of the Foreign Assistance Act of 1961, as amended, limits the ability of the President to make grants of defense articles at a cost in excess of \$3 million in any fiscal year in the absence of a waiver by him. According to this section, the President must determine that the recipient country conforms to the principles of the U.N. Charter, that the articles transferred will be used to defend the country or the free world; that the recipient country is making reasonable efforts to build up its own defense; and that the increased ability of the recipient country to defend itself is important to the security of the United States.

Section 515 of the Foreign Assistance Act of 1961, as amended, states that no military assistance advisory group, military mission, or other organization of U.S. military personnel performing similar military advisory functions under the Act or the Arms Export Control Act may operate in a foreign country like China unless specifically authorized by Congress.

Section 3(a) of The Taiwan Relations Act (PL 96-8) states that the United States will supply "defense articles and services to Taiwan in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability."

2. U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Asian and Pacific Affairs. United States-China Relations. Hearings, 98th Cong., 2nd Sess., Apr 3, 4; June 5, 1984. Washington, U.S. Govt. Print. Off., 1984. pp. 192-193. On June 29, 1980, Secretary of Defense Harold Brown told visiting Chinese Vice Premier Geng Biao that U.S. firms would be permitted to sell China non-lethal military equipment and set up factories in China to produce helicopters and computers.

3. For current background on the Chinese weapons inventory see DMS Market Intelligence Report (South America/Australasia), Defense Marketing Services, Inc. 1985, part II, p. 1ff.

4. The U.S. has sold Taiwan over \$600 million worth of weapons each year since Fiscal Year 1983 -- a stance consistent with the provisions of the Taiwan Relations Act. The PRC objects to such sales and provisions of the Taiwan Relations Act as interference in Chinese "internal affairs." FMS cash sales to Taiwan for earlier years were: FY 80 - \$477 million; FY 81 - \$294

million; FY 82 - \$475 million. (U.S. FMS cash sales to Taiwan since FY 83 are as follows: FY 83 - \$690 million; FY 84 - \$707 million; FY 85 - \$660 million; FY 86 (estimate) - \$640 million.)

5. The Reagan Administration announced on Jan. 11, 1982, that it had decided not to sell Taiwan jet fighters more advanced than the F-5Es. Earlier recommendations by both the U.S. State and Defense Departments had been to permit Taiwan to co-produce, with the U.S. Northrop Corporation, a new, more advanced fighter aircraft, designated the F-5G (subsequently designated the F-20).

6. The Joint Communique of August 17, 1982, declared that the United States "does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution." Administration officials maintained that these guidelines are premised on a continuation of Beijing's avowed peaceful policy toward Taiwan -- a stance which China reaffirmed in the August 1982 communique.

7. See Table I, listing important visits between U.S. and Chinese officials on such subjects as technology transfer and military cooperation.

8. On June 12, 1984, the PRC became eligible for U.S. government-to-government sales under the Foreign Military Sales (FMS) program following a formal determination by President Reagan pursuant to Section 3(a)(1) of the Arms Export Control Act that such sales would "strengthen the security of the United States and promote world peace."

9. Except for 1982, China's military has received a smaller portion of the national budget every year since 1979. On April 19, 1985, Party General Secretary Hu Yaobang announced China would cut military personnel by 25% -- or one million people -- by the end of 1986.

10. China's PLA currently numbers about 4 million, with 3.1 million army, 350,000 navy, and 490,000 air force personnel. (Figures are from The Military Balance, 1984-85. The International Institute for Strategic Studies. London, 1985, p. 92-93.) Also, The Defense Marketing Service (DMS) describes future requirements for China's military as follows: "If any nation has a massive requirement for modern military equipment of every description, that nation is the PRC, a nation whose equipment inventory today could be mistaken for the Soviet force structure of 30 years ago. Reportedly, the PRC would have to spend upward of \$65 billion on new weapon systems to start it on the way to an equal footing with the US and USSR." DMS Market Intelligence Report (South America/Australasia), Defense Marketing Services, Inc., 1985, part II, p. 1.

11. Of course, China must continue to deal with the widening gap between the limited capabilities of its forces and those of the Soviet Union in Asia. Beijing appears to have settled on a dual-track approach, whereby it works to manage PRC-USSR tensions diplomatically, while making selected purchases of specific military equipment that would be most immediately effective in

containing the Soviet threat. At the same time, China continues to rely on the U.S. and its allies to keep overall Soviet power in check.

12. One noted observer stated, "The weapons procurement and training programs (since the 1950's) had been strongly influenced by the dicta that wars are won by those with superior ideological credentials and that politics was more important to victory than technology." June Dreyer, "China's Military in the 1980's", in Current History, September, 1984, vol. 83, #494, p. 269.

13. Experts interviewed for this report agreed that internal PRC factors discussed above are important elements in the arms sales decision-making process in China. Deputy Assistant Secretary of Defense James Kelly, in testimony before a congressional committee in 1984, stated that the Chinese "have made it clear that . . . their military problem of modernization is simply too great for China's economy to bear the expense of purchasing finished good military weapons from overseas in any significant quantity. Therefore, their interest would be in obtaining the technology and, over a period of time, developing the weapons themselves." Kelly further noted that this Chinese interest includes "co-production of relatively modern equipment, including both the weapons technology and the production technology itself." United States-China Relations, op. cit.; p. 247.

14. For a detailed discussion on the Sino-Soviet military balance, see United States-China Relations, op. cit, pp. 197-198.

15. Ibid, p. 201.

16. Ibid, p. 193.

17. For example, Paul Wolfowitz, Assistant Secretary of State for East Asian and Pacific Affairs, in commenting on the Taiwan question, said that the issue was one for the PRC and Taiwan to resolve by themselves. "Our sole abiding concern . . . is for any resolution to be a peaceful one." Ibid, p. 189.

18. The civilian version differs from the military Black Hawk in its lack of armor, external fuel tanks, armaments, and exterior gun or cannon mounts. With the exception of a more powerful engine, the "White Hawk" version being sold to the PRC is reported as being the same as those the United States agreed to sell commercially to Taiwan in September, 1983. Defense Week, August 6, 1984, p. 5.

19. Sikorsky contract data provided by United Technologies Corporation's Sikorsky Aircraft Division, October 15, 1984; May 23, 1985; and July 2, 1985.

20. United States-China Relations, op. cit., p. 247.

21. Washington Times, June 15, 1984, p. 6. Far Eastern Economic Review, June 28, 1984, pp. 12-13.

22. Among the publications referring to sales of these items are: The Washington Post, January 5, 1985, which stated that the United States has reached "an agreement in principle (with the PRC) to sell...anti-tank weapons"; The Christian Science Monitor, January 14, 1985, pp. 9-10, that "China

most needs to upgrade its...anti-tank defense"; The Philadelphia Inquirer, June 15, 1984, p. 1, that "the U.S. would probably sell China TOW anti-aircraft missiles, improved artillery and some other military technology."

23. For background, see Jane's Infantry Weapons, 1984-85, p. 743-745.

24. Report to Congress, FY 1986, by Secretary of the Navy John F. Lehman, Jr., p. 9.

25. The Washington Post, January 12, 1985, pp. A-1, A-17.

26. Defense Week, January 21, 1985, pp. 1, 3. In subsequent interviews with the authors, experts noted that the sonars under consideration did not include towed-arrays.

27. Defense Week, January 21, 1985, pp. 1, 3. More specifically, this article described the torpedo as "Honeywell, Inc.'s MK46 lightweight torpedo." The MK 46 was also referred to in: Washington Post, January 12, 1985, p. A-17; New York Times, January 13, 1985, p. 12. Jane's Weapon Systems, 1984-85, pp. 893. Gas turbine engines were also discussed in the above Defense Week and Washington Post articles.

28. For background, see The New York Times, January 13, 1985, p. 12. Jane's Weapons Systems, 1984-85, pp. 148-149.

29. Far Eastern Economic Review, June 28, 1984, p. 12-13. Also see The Philadelphia Inquirer, June 15, 1984, p. 1.

30. New York Times, June 15, 1984, p. 10.

31. In both the case of an I-HAWK system and an F-8 avionics upgrade, experts interviewed stated their belief that the U.S. would be willing to sell these items to the PRC. In addition to The Philadelphia Inquirer mention on June 15, 1984, The Washington Times stated that, "The U.S. would likely sell Hawk air defense missiles" to the PRC. Washington Times, June 15, 1984, p. 6.

32. Far Eastern Economic Review, June 28, 1984, p. 12. Deputy Assistant Secretary of Defense James Kelly also indicated in his testimony on June 5, 1984, before the House Foreign Affairs Committee, that the United States was prepared to explore with the Chinese the "modernization of interceptor aircraft." United States-China Relations, op cit., p. 248.

33. Washington Post, January 12, 1985, p. A-17; also see Far Eastern Economic Review, June 28, 1984, p. 13. This Far Eastern Economic Review article further stated: "Such avionics would include radar and fire control instruments that would enable an F-8 pilot to engage enemy aircraft head-on and fire missiles with greater efficiency." In subsequent interviews with the authors, specialists noted that the sale of air-to-air missiles was not under discussion.

34. Aerospace Daily, May 21, 1985, p. 119. One other report suggested that the United States might upgrade and modernize 50 of the Chinese F-8 fighter aircraft with Emerson Electric's APG-69 radar. Washington Times,

May 22, 1985, p. 2. In addition, a recent Hong Kong news account stated that a 21-man U.S. Air Force team had visited China to discuss modernizing the F-8 with Emerson Electric's APG-69 radar. South China Morning Post, May 2, 1985, p. 24.

35. Far Eastern Economic Review, June 28, 1984, p. 12-13; Jane's All the World's Aircraft 1984-85, p. 37.

36. United States-China Relations, op. cit., p. 197-198.

37. Testifying for the Administration before the House Foreign Affairs Committee, James Kelly said:

[the weapons systems likely to be discussed] are those which are defensive in nature and which should not be alarming to our friends and allies in the region. . . . Over the past several years, China has moderated its foreign policies and demonstrated a real desire to improve state-to-state relations with its Asian neighbors. One of our aims in strengthening the defense component of our relations with China is to reinforce these positive trends in Beijing's foreign policies."

United States-China Relations, op. cit., p. 194, 200.

38. For improvement in Sino-Soviet relations, the Chinese have said that the Soviet Union must: (1) withdraw from Afghanistan; (2) cease its support of the Vietnamese in the Vietnam-Kampuchean conflict; and (3) withdraw its troops from the Sino-Soviet border. Experts interviewed believe it is unlikely that the Soviet Union will meet these three conditions. Some observers also believe that the potential for Party-to-Party relations has been enhanced by recent changes in the Soviet leadership, and an apparent effort by Soviet Party Leader Mikhail Gorbachev to improve bilateral relations.

39. Section 3(a) of the Arms Export Control Act (AECA) sets the condition that transfers of military items provided by the United States may not be re-transferred without the prior consent of the President, and that before such items are originally sold to a country, that nation must have agreed to this condition. Section 3 of the AECA further sets out the possible penalties for violation of the above condition. In addition, Section 42(e)(1) of the AECA stipulates that: "Each contract for sale entered into under sections 21, 22 and 29 of this Act shall provide that such contract may be cancelled in whole or in part, or its execution suspended, by the United States at any time under unusual or compelling circumstances if the national interest so requires." The Administration has publicly noted that all of the re-transfer provisions of U.S law apply to China and that the Chinese have agreed to them. See United States-China Relations, op. cit., p. 201.