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**OBAMA ADMINISTRATION MAKES SMALL MOVE TO END TAIWAN ARMS FREEZES**

The US-Taiwan Business Council welcomes the Thursday, August 12 decision by the Obama Administration to notify Congress of three Taiwan arms sales programs related to radar upgrades for Taiwan's Indigenous Defense Fighters (IDF). These relatively small programs - held at the U.S. Department of State since late winter of 2010 - were Direct Commercial Sales (DCS) but required congressional notification given their value of greater than US\$50 million.

Council president Rupert Hammond-Chambers noted, "The Obama Administration released several Bush-era programs for congressional notification on January 29, 2010. At that time, a decision was made to submit no further notifications for the year. However, that approach has caused some serious difficulties in areas of long standing bilateral cooperation, and the Council is encouraged by this apparent change in policy."

The recent policy under both the Bush and Obama Administrations - freezing Taiwan arms sales notifications and then releasing them as packages - has had the inverse effect of its apparent intent. By creating multi-billion dollar packages that capture headlines, the policy has increased Chinese ire at such sales rather than reducing it. China has rightly deduced that the process is vulnerable to external pressure, and recently applied such pressure by threatening sanctions against American companies and by denying entry to China for U.S. Secretary of Defense Robert Gates.

China is employing a carrot and stick strategy with Taiwan, offering significant economic incentives with the recently signed Economic Cooperation Framework Agreement (ECFA) while continuing military modernization and expanding the material threat represented by the People's Liberation Army (PLA) - as noted in the recently released and renamed "Military and Security Developments Involving the People's Republic of China 2010". This strategy compels a response from both Taiwan and the United States. Allowing China's military threat to go unmet threatens any hope of long-term success in reducing cross-Strait tensions.

Both the U.S. and Taiwan must determine which actions to take in support of Taiwan's national security, without caving to pressure from China. The August 12 decision represents a small step away from the package-freeze-notify approach, instead moving back toward the pre-2007 era in which programs went to Congress as the bureaucratic process was completed. Regularizing the Taiwan arms sales process will in the long term make support for Taiwan's defense needs more transparent and stable.

Hammond-Chambers also noted, "The U.S. Department of Defense is due to submit to Congress a second report by the end of 2010 examining the current balance of airpower in the Taiwan Strait and making recommendations for U.S. action. This will include consideration of the impact of replacement fighters for Taiwan's aging air force. F-16s are the only platform under consideration for Taiwan, but the F-16 manufacturing line will begin to wind down in July of 2011. This leaves a narrow 10-month window for a decision on making the requested 66 F-16s available to Taiwan. Taiwan is also looking to upgrade its current fleet of 145 F-16s, and in the absence of political obstruction a congressional notification is due for this program some time in the winter of 2010-2011."

Hammond-Chambers went on to say, "The Chinese believe that Taiwan should be denied access to replacement fighters for their aging F-5s and Mirage-2000s, recognizing the serious detrimental effect such a denial would have on Taiwan's military readiness; on long-term American support for Taiwan military modernization; and on the regional view of America and its willingness to make difficult decisions in the face of Chinese opposition."

**About the US-Taiwan Business Council:**

The US-Taiwan Business Council ([www.us-taiwan.org](http://www.us-taiwan.org)) is a membership-based non-profit association, founded in 1976 to foster trade and business relations between the United States and Taiwan. The Council provides its members with business intelligence, offers access to an extensive network of relationships, and serves as a vital and effective representative in dealing with business, trade, and investment matters.

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