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TO AMEMBASSY TAIPEI IMMEDIATE

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E.O. 11652: XGDS-3

TAGS: PFOR, PINR, TW

SUBJECT: ROC COVERT EFFORT TO ACQUIRE TORPEDOES IN US
EYES ONLY AMBASSADOR, POPPLE AND FLITCROFT

1. FOLLOWING IS FURTHER FBI REPORTING ON ROC INTEREST IN COVERTLY ACQUIRING MARK 37 TORPEDOES IN US.

2. BEGIN TEXT: SUBJECT COLITTI ARRIVED SAN FRANCISCO AIRPORT FROM LOS ANGELES ABOUT 11 A.M. FEBRUARY 8, 1975, AND MET BY SF T-1 AND UNDERCOVER AGENT. MEETING HELD UNTIL ABOUT 1 P.M. AT WHICH TIME COLITTI TO RETURN TO LOS ANGELES.

3. COLITTI STATED AS FOLLOWS: HE RETURNED FROM WASHINGTON D.C. ABOUT 9 P.M. FEBRUARY 7, 1975, HAVING ARRIVED IN WASHINGTON, D.C. EVENING FEBRUARY 6, 1975. HE AND REFKIN HELD MEETING THAT NIGHT WITH ADMIRAL CHIU AND IT APPEARED THE TORPEDO DEAL WAS MOVING AHEAD. DISCUSSIONS HELD RE

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SPECIFIC METHOD OF SHIPPING THE TORPEDOES THROUGH USE OF CHINESE BUSINESS FIRM IN ORDER TO HIDE TAIWAN GOVERNMENT INVOLVEMENT. CHIU ADVISED ROC CURRENTLY IN PROCESS

OF OBTAINING TWO DESTROYERS FROM U.S. GOVERNMENT AND ARE PARTICULARLY FEARFUL THAT IF TORPEDO DEAL KNOWN TO UNITED STATES THE DESTROYER DEAL WOULD FALL THROUGH. IN THIS REGARD CHIU SAID THE TORPEDOES WOULD BE PLACED IN CLANDESTINE STORAGE IN TAIWAN UNTIL SUCH TIME AS DESTROYER DEAL IS COMPLETED. AT THAT TIME THE TORPEDOES WOULD BE PLACED UPON THE SUBMARINES AND THE ROC "WOULD NOT CARE AT THAT POINT IF THE UNITED STATES FINDS OUT." THEY SET FURTHER MEETING WITH CHIU FOR A.M. FEBRUARY 7, 1975. AT TIME THAT MEETING CHIU TOLD HIM HE HAD EARLIER THAT MORNING RECEIVED MESSAGE FROM TAIPEI THAT HE (ADMIRAL CHIU) SHOULD IMMEDIATELY DISCONTINUE HIS NEGOTIATIONS FOR THE TORPEDOES. ACCORDING TO COLITTI, CHIU INTERPRETED THIS MESSAGE AS BEING THAT FURTHER TORPEDO MEETINGS WOULD BE HANDLED DIRECTLY BY ADMIRAL WU (PH) OR ADMIRAL SWONG IN TAIPEI. IN ORDER TO CLARIFY THIS SITUATION COLITTI AND REFKIN CALLED RETIRED ADMIRAL ALFRED TAI IN TAIPEI FEBRUARY 7, 1975. HE SAID HE WOULD LOOK INTO THIS MATTER.

4. COLITTI CONTINUED THAT ON EARLY MORNING FEBRUARY 8, 1975, ALFRED TAI CALLED REFKIN AND ADVISED HIM THAT THE TORPEDO DEAL IS OFF. HE EXPLAINED TO REFKIN THAT HE (TAI) WAS CALLED IN BY TAIWAN OFFICIALS, TOLO TO DISCONTINUE THE TORPEDO DEAL, AND WHEN TAI ASKED FOR AN EXPLANATION NONE WAS GIVEN TO HIM.

5. UNDERCOVER SA MADE PHONE CALL TO REFKIN FEBRUARY 8, 1975, AND REFKIN EXPLAINED IN DETAIL CONCERNING THIS MATTER ALMOST IDENTICALLY AS SET FORTH BY COLITTI. BOTH SUBJECTS STATE THEY ARE MAKING FURTHER CONTACTS IN TAIWAN AND WILL KNOW BY FEBRUARY 10, NEXT WHETHER THERE IS ANY POSSIBILITY IN RESURRECTING THE DEAL. THEY WILL CONTACT SF T-1 RE RESULTS.

6. NOTE: BOTH SUBJECTS ADVISED THEY FEEL TORPEDO NEGOTIATIONS HAVE BEEN STOPPED AT THIS TIME SOLELY BECAUSE ROC OFFICIALS FEARFUL OF EXPOSURE THIS MATTER TO U.S. AUTHORITIES. END TEXT. INGERSOLL

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