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# Current Trends and Issues in U.S. Military Assistance

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Good morning. I am here to tell you a little bit about the current inside-the-beltway follies; that is, the issues that have us running around in intricate patterns as we try to cope with the fallout of the astonishing events in Eastern Europe and the Soviet Union.

The most important result of these events, from this inside-the-beltway perspective, has been the dramatic shift in perceptions on the Hill. And, where the Hill is concerned, perception is reality. The perception is that the events in Europe mean that there is no more need for security assistance. Many on the Hill see security assistance as some kind of cold war artifact, an anachronism now that we have won. They ask, "Why do we need military assistance at all?" They challenge us to explain our rationale for military assistance.

The House Appropriations Committee Foreign Operations Subcommittee has, for example cut foreign military financing by \$335 million over last year's appropriations, itself not a particularly generous one. This was disappointing, but not surprising.

Of course, we still see a large number of reasons why military assistance is still necessary—in some cases, more so than ever. Secretary Clarke has certainly addressed this. Convincing the Hill of this is another matter. We have made a start. Both DOD and the State Department worked hard to raise the initial FMF mark [Foreign Military Financing proposed appropriation], and succeeded in getting an additional \$144 million out of the full House Appropriations Committee. The bill passed the House in late June, and although it still doesn't fund FMF adequately, we did avoid some of the less attractive amendments that had been offered.

The next step is the Senate. The Senate is usually the "house of earmarks," and has, in recent years tended to vote for higher funding levels than the House, while earmarking many more countries. This year, however, the Senate Appropriations Committee Foreign Operations Subcommittee Chairman, Pat Leahy [D., VT], has threatened to cut us even more than his House counterpart, Chairman [David R.] Obey [D, WI].

The good news, or perhaps I should say, the interesting news is that Sen. Leahy has offered to discuss the earmarks issue and is looking at creating a flexibility or contingency fund. How this will all work out is not clear at the moment. If Congress were to use it as an excuse to cut us by the amount of the fund, or to earmark the rest of the account, we could even be worse off than before. The other question is one of where the money is coming from. Since another of the current perceptions is that DOD is an inexhaustible cash cow, there will probably be proposals to take it from Defense. How this will play out in the current budget climate remains to be seen.

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Nevertheless, if we don't get the FMF levels up, we are in serious danger of having to make hard choices—something nobody inside-the-beltway wants to do. A number of countries may have to be zeroed out, while others will be cut back severely. Just a year ago, the President's War on Drugs looked like one new issue in security assistance that was assured of Congressional funding support. But the drug war alone isn't enough to persuade the Congress that we're moving in a radically new direction. It just isn't that big a program. In the meantime, some of the countries—particularly Peru—may not want to play.

However, wrangling with Congress over money isn't the only thing we're up to these days. We also manage the daily business of providing military assistance to friends and allies. I'd like to tell you briefly about some of the bigger issues on our plate, at least from my parochial perspective.

The Korean Fighter Program deal—the KFP—is almost ready for program start-up. As you may know, the KFP is an arrangement associated with providing Korea 120 F/A-18s. At points it looked like this could turn into another FS-X, with uninformed or malicious critics accusing the Administration of selling out the last great hope of American industry—aircraft. Fortunately, a solid base of support on the Hill has been created for the KFP; this is hardly surprising, since it is difficult to be against a \$5 billion export program representing almost thirty million manhours of aerospace industry work. We've also demonstrated that we have protected critical technologies with the FMS-Must list and our subcontractors with the “no-directed-buy-backs” policy. These things probably extended the negotiations by eighteen months, but they certainly attenuated Hill criticism.

That said, we're not out of the woods yet. We still have to hope that KFP doesn't turn into a political football at the last moment, like FS-X. If it does, we and Commerce will all be working very hard to keep the deal on track.

One of the more interesting issues keeping us busy at the moment is the problem of the M1 Tank line. The Army, under pressure to meet a budget bogey, honestly believes it wants to shut down the line after producing just 62 tanks in 1992. It argues that if it needs the tank line in the late 1990s, it can just start the line up again.

Frankly, I am less sanguine about it all. We still have some tanks to deliver to the Egyptians, about five hundred of them, and what happens to the tank line has a discernable effect on the manufacturer's ability to help us meet that commitment. Furthermore, the Saudi's have just agreed to buy 315 M1A2s. This latter fact represents a major development in the world-wide tank competition. For the French, the British, and the Brazilians it represents a real loss of a potential, broader production base. As a result, their domestic tank production becomes both less rationale and less sustainable.

The British will soon be picking a winner in their main battle tank replacement competition. The understood halving of the numbers in the competition coupled with the loss of the Saudi market makes it very hard on Vickers with respect to overhead loading and therefore, price. We could end up selling even more M1A2s down the road. The Senate is helping by setting aside money to procure kits for the conversion of M1A1s to M1A2s; if the House follows suit (and we believe it will) then General Dynamics Land Systems will have the start toward the minimum production it needs to sustain the tank line.

This also means sustainment of the tank production and industrial base—which has about 10,000 different subcontractors—and is unique. Building tanks is not like building airplanes; there are not multiple contractors in the arena vying for the business. Once the little-guy subcontractors fade and the welders (who it takes ten years to qualify) find new jobs, then you can't plan on just

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spending a few billion to reconstitute the industry. You've lost something, and you've permanently given up market share.

This issue is a perfect example of one of the more fascinating problems we face in these times of international upheaval and budgetary cutbacks. That is, how do you balance the need for cuts today against possible opportunities or threats of tomorrow. Terminating the tank line has an irreproachable logic, but it may fly in the face of several realities, not the least of which is the rust-belt political reality. How does one balance inside-the-beltway politics with/against foreign policy needs or against the equally real budget realities. If there is such a thing as a less-than-zero-sum game, we may be trapped in it.

We happen to believe that security assistance and arms sales can play a very important role in helping preserve our core defense industries and industrial base in times of such budgetary constraints. But this is not a view that is shared by everyone. It goes back to perceptions. Some people believe that there is no longer any reason for the U.S. to worry about its defense industrial base—after all, as even [Chairman of the Joint Chiefs of Staff, General] Colin L. Powell has noted, "We've won." Others persist in the belief that arms sales are morally wrong and should not be a part of U.S. policy. Others simply don't perceive that longer term concerns about core defense industries or the supportive high technology base are important. But we have to keep on worrying. We have to keep on trying to figure out how not to throw the baby out with the bath water through serendipitous neglect.

On another tack, arms sales to the Saudis or to other moderate Arab states are generally interesting. They stand a good chance of generating some interest on the Hill, and in the past, we have been unable even to get things up to the Congress for their informal, much less formal, consideration. More recently, as in the sale of the F/A-18s to Kuwait, we have had some successes. Last month we notified the Congress of our intent to sell the Saudis light armored vehicles and some AWACS improvements. Interestingly, the Congressional resolution of disapproval got only twenty signatures. I hasten to note that in my opinion this does not mean that the Israeli lobby has lost its clout. It does mean that it is being more selective in its targets.

The test will come later when we ventilate the replacement for the Saudi F-5 force. The Saudis, we know, would prefer to buy more F-15s. However, they already have sixty of them, and current law precludes their having more in-country. It is going to be a good go. The recent announcement by McDonnell-Douglas [the F-15 prime contractor] of several thousand layoffs in the Saint Louis area will not likely be lost in the noise level of the coming debate. [Editor's note: in response to the current crisis in the Middle East, on 29 August 1990 the President authorized \$2.2 billion in emergency arms sales to Saudi Arabia, including 24 F-15 aircraft (C&D models) as well as AIM-9L (Sidewinder) and AIM-7F (Sparrow) missiles; also included in the package were 150 M-60 tanks; \$13 million worth of depleted uranium anti-tank rounds for the M-60; and 50 Stinger launch tubes with 200 Stinger missiles. The aircraft, tanks, and ammunition will come from existing Air Force and Army stocks. The President's actions, which waive the reporting requirements to Congress and waive the ceiling on F-15s in Saudi Arabia, were taken under the special authority of Section 36(b)(1), Arms Export Control Act, and Section 614(a)(2), Foreign Assistance Act.]

All of these issues point to a much broader question, something we are seriously working on—that is trying to chart the future course of the program as a whole. It is clear that there will be real changes. We cannot continue business as usual in such a radically altered context. We've got to change, not only to satisfy the insistent demand for change from the Hill, but because we will have real needs for security assistance in the future. But, what? That is the problem. Lots of unknowns plague us. These are times of major uncertainty. Will the Soviet Union really evolve into a peace-loving democracy?

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The opacity of the future leads us to be cautious, in a sense. We need to preserve capabilities. Access and power projection capabilities can be critical in unforeseen contingencies. Unfortunately, many of the same countries that provide base rights and access, such as Portugal, Greece, Turkey, and the Philippines, are closely linked in the mind's eye with our cold war containment strategy, and are therefore under heavy attack on the Hill. It is much easier to defend a program (and to vote for it) if you can point to a discrete threat, than if your only justification is that a threat might arise.

There are those who see the future of the program as helping to prevent—or support—low intensity conflicts (LIC) in the Third World. But security assistance cannot live by LIC alone. There is no appetite in this country for taking on added responsibility for brushfire wars. The ones we are involved with now are controversial enough.

In the past, our Third World involvements tended to be justified in the overall context of East-West confrontation. But now, our North-South relations have lost their East-West context. Whatever direction we take, it has got to be more than just counternarcotics.

One direction we are considering taking in the program is to make a subtle shift away from "Military Assistance"—defined as giving away money and materiel—to "facilitating defense exports." This makes a great deal of sense from a number of perspectives. With the defense budget tending downward, we will become more attracted to the utility of defense exports to keep our core defense industrial base going. Exports provide economies that make our own procurement more productive, and which help keep our industry closer to the leading edge. You cannot mothball a production line and dust it off five or ten years later. Again, we cannot know whether we may need any particular industrial capability five years from now. As I mentioned before, one of the things we planners try to do is to avoid throwing babies out with the bath water. Facilitating defense exports may give us some very crucial hedges against uncertainty.

However, in both Congress and in other parts of the Administration the idea of facilitating defense exports is not necessarily an idea whose time has come. The fact is, without active government involvement and subsidies, the French, the British, and others would be hard pressed ever to make a sale. But our firms do not necessarily compete on a level playing field. Price and quality are not necessarily the determining factors in the defense equipment market, which is getting tighter and more competitive. Whether EC-92 is a threat or an opportunity remains an arguable proposition. Equipment cascaded or declared excess due to CFE [Conventional Forces in Europe negotiations] or restructuring will have some effect on the market for new sales. We cannot draw any conclusions about this yet, but we can note that it reinforces the conclusion that it will become more important than ever for defense industry to be more competitive internationally.

Ultimately, these questions are part of the larger set of dilemmas faced by U.S. policy makers today, which we can aggregate into what I call the "dilemma of purpose." For what reason do we continue to remain a major actor in the world? The main organizing principle of our entire post-war national security policy has been the containment of the Soviet Union. We have to wonder what species of superpower role America will adopt with the Soviets becoming mere Russians?

Here again we delve into the problem of perception versus reality. If you perceive that containing the Soviet Union is the only real reason for a strong defense and for a global political and military presence, and if you perceive that the Soviet threat has vanished, then it becomes difficult to justify doing anything but returning to isolationism. We're not going to do it, and not many people actually argue for true isolationism, but it is a logical end point. We all have to remember that all of these questions and issues which are supposedly in the realm of higher foreign

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policy are actually intensely political—particularly in the budget context. Congress has had its complex eyes on the national security elements of the budget for some time—one need say little more.

Some of us try to be less cynical. The role of the United States will likely change a great deal—we could end up as the only true superpower in both military and economic terms. But, on the other hand, we were never quite so single-mindedly obsessed with the Soviet threat as some have claimed. Particularly since the Iranian revolution and our brushes with Qaddafi, we have been aware of threats to stability outside of the comforting East-West context. We have also become aware that ideologically-based competition is likely to fade as economically-based competition becomes the rule. One of the objectives that we have always striven for has been the establishment of an open, global free market system. While the ideological threat to this goal is all but defeated, there are still threats out there. Security assistance, by helping make the world a more stable place, helps us to achieve this goal.