

PERSPECTIVES IN SECURITY ASSISTANCE MANAGEMENT

SECURITY ASSISTANCE

HELPING OTHERS HELP US

By

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In the 1980s, we confront a real and serious international dilemma. The security requirements of our friends and allies have been growing rapidly as they attempt to cope with diverse internal, regional, and extra regional-instigated conflicts. If the past is a prelude to the future, much of this conflict and instability will be fomented by the Soviet Union or by countries armed and supported by the Soviet Union, such as Libya and Cuba.

Other tensions may grow out of long-standing ethnic, religious, national, and irredentist divisions and be open to exploitation by the Soviets or Soviet-surrogates. In the meantime, our security assistance programs have not kept pace with the security needs of our friends. If this continues, we face the prospect of reserving for the future those conflicts we are unwilling or unable to confront today.

Over the past few years, the Soviets have seized on the potential benefits of arms transfers including the opportunity for earning desperately needed hard currency, and have used their vast military production capabilities to expand the levels and broaden the scope of their arms assistance. They have penetrated the Third World in such places as Angola, Afghanistan, Ethiopia, Kampuchea and Nicaragua. In the past decade, the Soviets have supplied nearly twice the number of major weapons as the United States to Third World nations.

These trends are even more heavily tipped in favor of the Soviet Union in the more recent time frame. In the past five years they have supplied more than double the number of artillery pieces, combat aircraft, as well as tanks and self-propelled artillery to developing countries as the United States has. They are now training more Third World foreign military personnel in the Soviet Union than we are in the United States and have stationed nearly 20 times the number of military technicians (roughly 20,000 in FY 1981) abroad than we have. Soviet arms shipments include a far larger proportion of lethal items than United States deliveries -- between 60 and 70 percent of their transfers -- while United States weapons and munitions sales amount to less than 40 percent of Foreign Military Sales contracts, the rest being in areas such as training and construction.

But, the point here is not that we should or must match the Soviet effort dollar-for-ruble, trainer-for-trainer or weapon system-for-weapon system. Rather, we need to make further improvements in our security assistance program to maximize the return we derive from our international involvements.

Yet, in the conduct of United States foreign and defense policy, few programs have evoked as much controversy or been characterized by as much misperception as our security assistance program. Conversely, few programs have generated as many positive contributions to our national security or as many improvements to global stability as the security assistance we have provided to other countries. Over the past 30 years, the security assistance programs has been a centerpiece of United States foreign policy and achieved high visibility even though it has involved a comparatively small expenditure of United States dollars. Very few foreign and defense programs can claim to be as cost-effective as our military aid program.

HISTORICAL ROLE

Despite the controversy in the United States and its many benefits and some setbacks, security assistance has been a crucial instrument of our foreign policy during the entire post-World War II period and, at one time or another, in every region of the world. It has been indispensable in furthering United States national security and strengthening our global defense posture.

From its beginning, the post-World War II period, the security assistance programs was predicated on the need to deal with a changed international security environment. As a nation, we have never enjoyed the economic resources or had the political desire to police the entire world, but we recognize that cooperation with friendly and allied nations is necessary to establish a viable system of collective security that is essential to our own security. The transfers of military equipment, training and services to allied and friendly countries have been integral to furthering that goal.

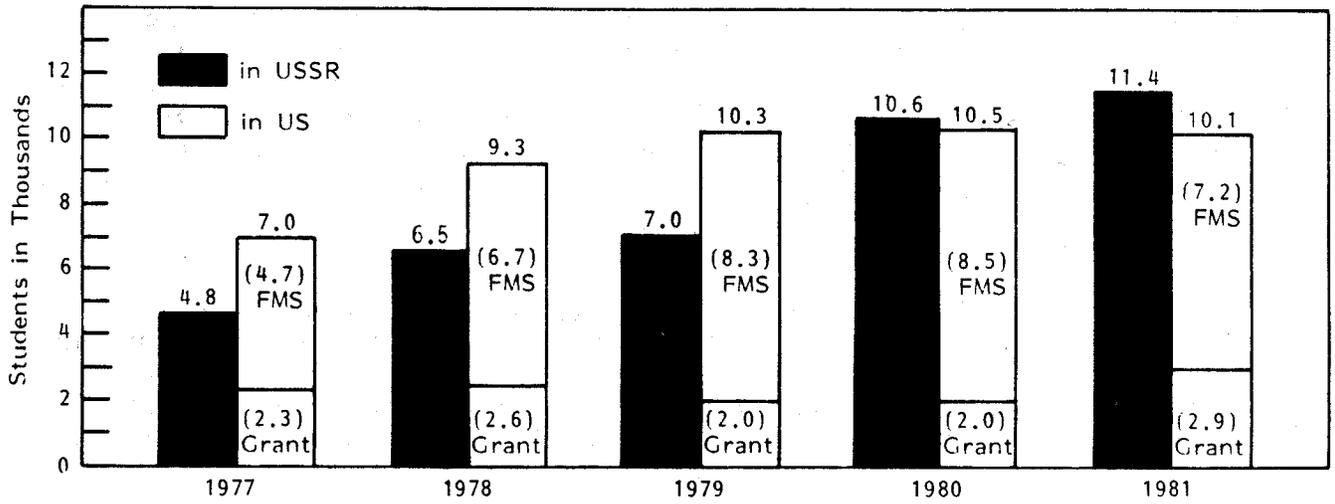
The history of the United States foreign policy after World War II exemplifies the central role of security assistance in that policy. United States military aid made possible the containment and helped finance European rearmament in the 1950s; it was instrumental in supporting allied cooperation in Southeast Asia during the 1960s and early 1970s; it played a decisive role in making the Camp David Accords possible in the 1970s; it has contributed to the stability on the Korean Peninsula for the past 30 years; and is now assisting states in the Persian Gulf/Indian Ocean and Caribbean subregions to cope with threats to their security. The clearest evidence of the historic visibility of the program is the long list of countries with whom we have a lasting and positive relationship: Israel, Jordan, Saudi Arabia, South Korea, Spain, Portugal, Greece, and Turkey illustrate the continuity of our bilateral aid ties, as do our ties with Thailand and the Philippines.

STRATEGIC OBJECTIVES

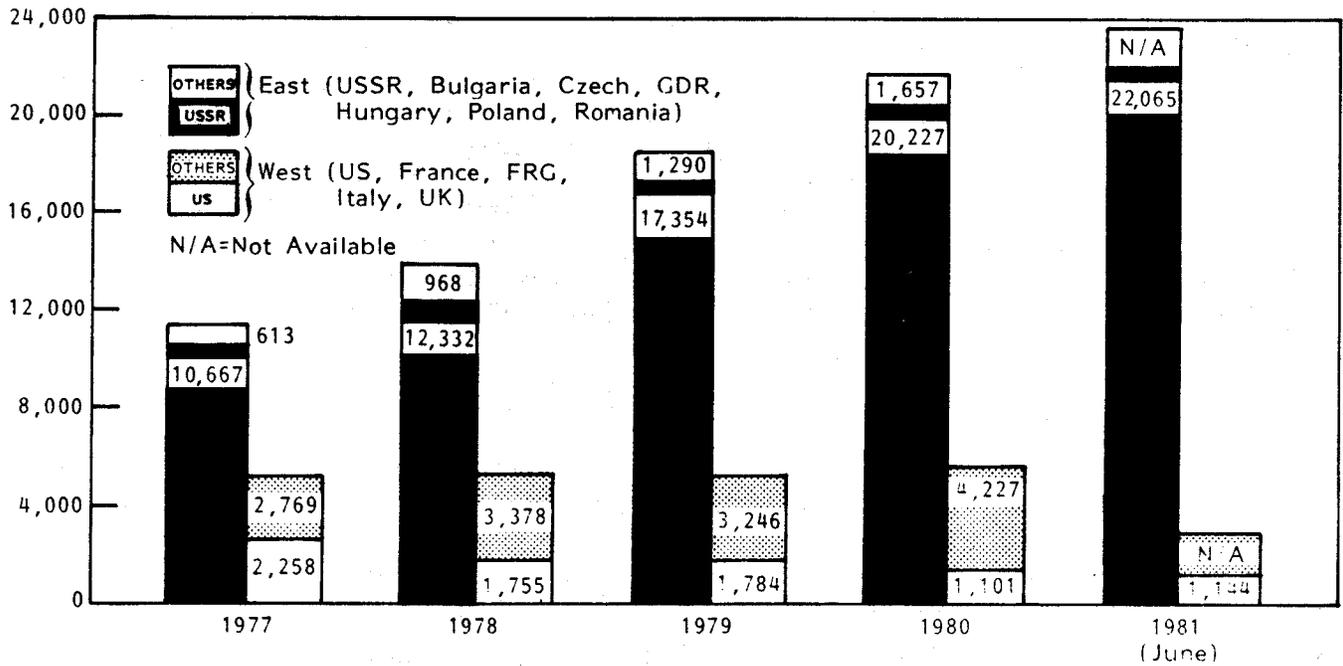
Our security assistance program furthers our national security in inter-related ways by:

- Helping friends and allies cope with genuine regional threats to their security.
- Helping secure enroute access, overflight, transit and base rights essential for rapid force deployments to troubled areas, such as Southwest Asia.

FOREIGN MILITARY TRAINING



MILITARY TECHNICIANS ON EXTENDED TOURS ABROAD



- Promoting force commonalities, thus improving the ability of United States forces to operate more effectively with friendly armed forces in situations of mutual threat, should deterrence fail.
- Establishing opportunities for United States influence abroad and minimizing Soviet and Soviet-surrogate influence.
- Provide a means to improve or maintain access to critical raw materials.

In addition to these primary strategic objectives, the security assistance program also contributes to a host of secondary United States domestic goals. The Foreign Military Sales part of the program:

- Reduces the unit cost of United States-produced equipment for United States service procurement.
- Generates foreign exchange and contributes to more favorable balance of payments accounts.
- Improves our defense industrial mobilization base.
- Provides employment in key sectors of the United States economy.

Such international and domestic benefits support and further our national interests, lessen the likelihood United States forces will be called upon to intervene abroad, symbolize the continuity of United States commitments, and provide a clear signal to friends and adversaries of United States intent and resolve. Security assistance, therefore, is an investment in United States security, no more or no less than the defense budget is an investment in United States defense readiness and national security. One key difference is that the portion of the security assistance which is funded by the United States is microscopic when compared to defense spending -- less than 2 percent by comparison.

Most United States Foreign Military Sales of equipment, services and construction are straight cash transactions. Typically, less than one-quarter of these sales are financed by the United States. In any given year, the largest slice of this financing is in guaranteed loans which do not involve tax dollars in the budget, but do require that countries pay going interest rates -- currently around 14 percent. Grant monies for security assistance are typically no more than one-third of all Foreign Military Sales financing and most of these on-budget funds are earmarked for Israel and Egypt. It can be argued that dollar-for-dollar, we derive as much, if not more, in return for the investment in security assistance than we do in many Defense Department programs.

RECENT CHANGES

Upon coming to office, the Reagan Administration took decisive steps to bolster the United States security assistance program. It sought higher funding levels for security assistance; it sought to lighten the repayment burdens of recipient nations by increasing on-budget grant monies (grants had sunk to about one-fifth of what they were in the early 1950s); it sought to improve the flexibility, reliability, and predictability of our aid program by

removing or modifying legislative restrictions and by entering into multi-year aid commitments with selected countries. It created the Special Defense Acquisition Fund, which is funded with receipts from foreign governments, for the procurement of high demand items in anticipation of sales in contingency situations which cannot await normal lead times. The Administration achieved successes in all areas, but each improvement represents a modest beginning which must be sustained and improved upon over time. In the case of the Special Defense Acquisition Fund, the Congress has only recently given the Administration the authority to obligate funds to actually procure items.

In the presentation of the annual Foreign Aid bill, the Administration also placed a greater emphasis on strategic objectives such as the Middle East peace process, military access, alliance relations, and confronting the Soviets. This change essentially transforms security assistance from a country-by-country presentation to one which relates more convincingly to United States strategic interests abroad. While restoring military grant aid levels to a more useful level may be taken to imply a shift towards military aid and away from economic assistance, the value of our grant and concessional economic assistance programs is far greater than our military programs -- more than three times greater.

The Administration also has a new, more positive, arms transfer policy which stresses that the transfer of conventional defense articles and services is an essential element of our global defense posture and an indispensable component of our foreign policy. The policy is designed to maximize United States decision flexibility by replacing universalistic decision criteria with more country-specific criteria so that each foreign request is considered on a case-by-case basis. The highest decision criterion is the consideration of how much United States interests are advanced by approving or disapproving any foreign request.

These developments -- increased security assistance funding, liberalized financing terms, more and improved planning, greater emphasis on strategic objectives, more decision flexibility, and fewer legislative restrictions -- are necessary to make the program a flexible instrument of policy and to meet real security needs of our friends and allies. Now that the Congress has agreed that defense expenditures cannot grow as fast as previously thought, the viability of our security assistance programs becomes even more critical as a mechanism for improving our national security.

FUTURE TRENDS AND PROBLEMS

Past trends, of course, do not always provide a clear guide to the future. There has been much talk that the recent policy changes herald a sharp increase in the value, sophistication, and volume of United States military transfers. Some commentators have forecast Fiscal Year 1982 sales levels in excess of \$30 billion, and others have predicted burgeoning arms sales in the wake of the Falklands conflict, the Iran-Iraq war, and the Arab-Israeli fighting in Lebanon. Such talk has caused alarm among public and private groups interested in the issue of military assistance.

These concerns, however, are based on faulty assumptions about actual trends in United States security assistance and international arms transfers

over the past several years. Despite appearances to the contrary, there has been no meteoric rise in the real value of United States arms agreements during the past decade. In constant dollar terms, the value of United States Foreign Military Sales has been fairly even for the past 10 years although there have been many year-to-year fluctuations. Arms sales clearly have not grown out of control or spiraled off the charts. The same is true of the volume or number of United States arms supplied to Third World countries.

Despite rising dollar levels, when measured in current year terms, we are actually providing fewer weapon systems to developing countries than in the past. Inflation combined with the growing cost of military technology, in fact, have reduced the purchasing power of United States dollars to the point where higher dollar values do not necessarily translate into more arms exports. It should be remembered that \$25 billion in Foreign Military Sales in today's terms actually buys less than what \$10 billion bought in the early 1970s.

There are several forces at work which may constrain real growth in United States military exports during the 1980s. One factor is the aggressive marketing of arms by France, the Soviet Union, and other nations whose products will, on occasion, provide attractive alternatives to United States equipment and services. Some countries, especially in Europe, have developed their own arms industries and will prefer reliance upon their own industrial output rather than foreign imports.

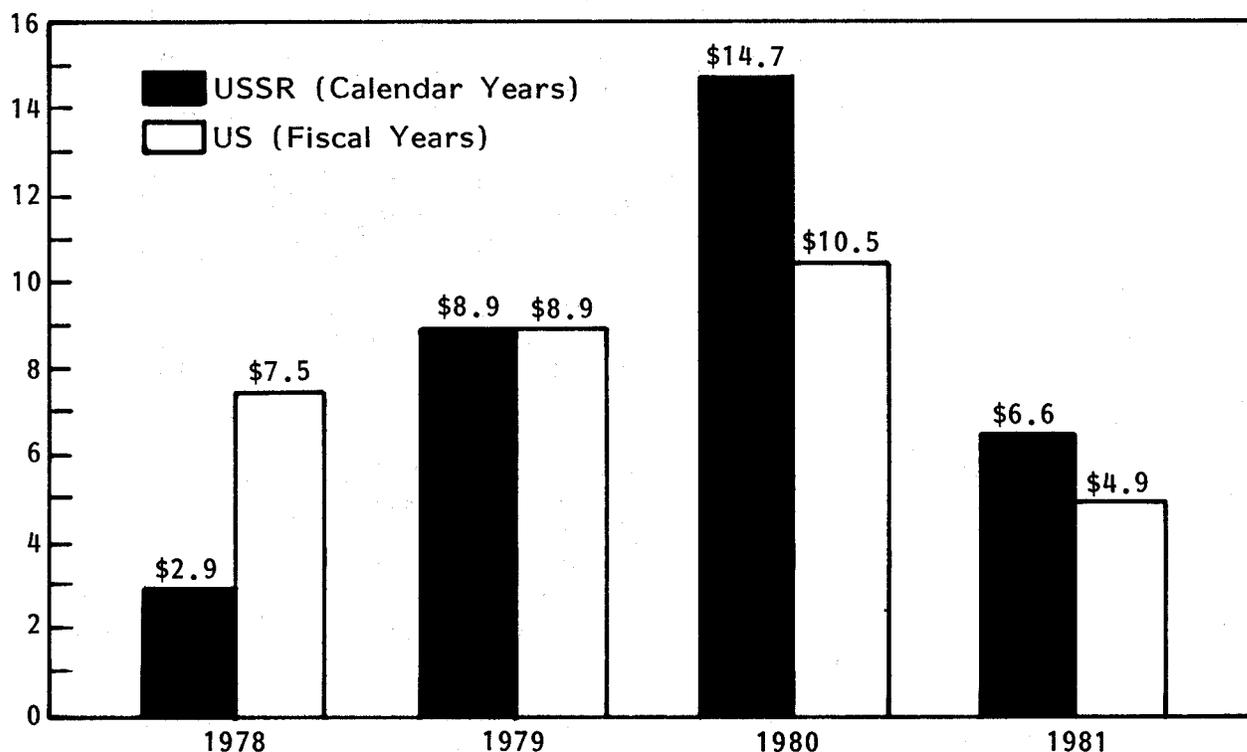
Another factor that is restraining arms transfers in the 1980s is the high interest rates and stiff repayment terms the United States charges its foreign customers. Some customers may not be able to afford United States military credits provided at 14-15 percent interest, while others may need longer repayment periods. The chronic international economic stagflation and its effects on individual nations will, in some cases, dampen plans for acquiring costly state-of-the-art technology. Hard-pressed countries may shave defense costs by deferring modernization programs, by seeking better terms from other suppliers, or by forgoing new acquisitions of current generation equipment. The congressionally-mandated limits on financing levels and the stiff repayment terms on credit purchases help explain why most United States sales go to those countries which can afford to pay cash -- the industrialized nations in Europe, Australia, New Zealand, Japan, and several oil-rich countries.

The rising costs of United States military technology is another salient factor which may inhibit real growth in United States international arms transfers. The cumulative impact of inflation has ratcheted costs upwards. Even discounting the pernicious effects of inflation, the rising real prices of United States equipment means that increases in United States funding do not necessarily translate into increased procurement or into greater capabilities for purchasing countries. More United States credits, in short, may actually buy less equipment.

In the past six years, for example, the average fly-away purchase price of an F-5F aircraft has grown by some \$5 million per copy and the price tags on other major weapon systems have outpaced inflation and outdistanced increases in United States funding assistance.

U.S. AND SOVIET ARMS SALES TO THE THIRD WORLD¹

(In Billions of Dollars)



¹Third World excludes all NATO and Europe, Japan, Australia and New Zealand.

U.S. AND SOVIET ARMS DELIVERIES TO THE THIRD WORLD

CY 1977 to 1981

	USSR	US
TANKS AND SP GUNS	7,065	3,220
ARTILLERY	9,570	3,155
COMBAT AIRCRAFT	2,525	955
HELICOPTERS	910	225
SURFACE-TO-AIR MISSILES	11,680	7,860

The consequence of these trends is that the actual buying power of purchasing countries has eroded. With the exception of a few affluent countries, the United States has almost priced itself out of the international combat aircraft market. In 1981, for example, the Soviet Union exported more than two-and-a-half times the number of aircraft exported by the United States. Indeed, very few countries' credit programs are large enough to cover aircraft purchases because of the high price tag and because of the restrained funding levels. The aircraft pattern exemplifies the norm -- despite the rising value of United States exports over the past decade, the United States today is actually shipping fewer major weapon systems to our friends and allies -- a function not only of rising costs and limited funding but also of long delivery leadtimes and the high proportion of United States-provided funds devoted to follow-on support and basic maintenance.

In the 1980s, we need to develop ways and means to get the most from the resources available to us. Above all, we need to provide consistency, continuity, and predictability in our security assistance relationships with other countries. To achieve this, we must seek higher funding levels and more on-budget financing from the Congress, achieve more flexibility, responsiveness, and long-range planning in our security assistance management, and strive for shorter lead times and greater price stability for our customers.

We also have to address and correct the many myths and misperceptions about security assistance so evident in the news media and within public opinion. Contrary to widespread opinion, security assistance is not a "give-away," and does not require large United States budget outlays. Virtually every dollar we provide friends and allies is spent here in the United States and most of these dollars are paid back with full interest.

Foreign Military Sales are not inherently destabilizing or evil, and United States arms sold abroad are rarely used in conflict, they have had a far more important role in deterring conflict, as in Korea. Therefore, we need to inform and better explain our security assistance to the American public and to the Congress which represents it, if we hope to further our foreign and defense objectives. The quality of United States foreign policy and the improvement of our defense posture, in no small way, may be dependent on the success of this effort.

ABOUT THE AUTHOR

Dr. Semmell is a foreign affairs specialist with the Defense Security Assistance Agency. Dr. Semmell, who joined DoD in 1979 as an Intergovernmental Personnel Act Fellow has also served as a policy analyst in the area of international security. He holds a BA degree from Moravian College, an MA from Ohio University, and a PhD from the University of Michigan.