

Security Assistance Funding

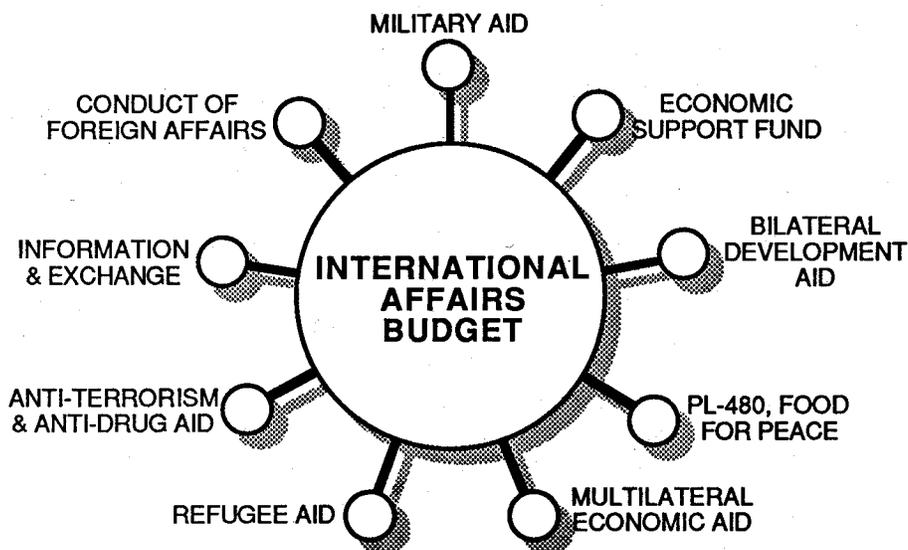
By

Caspar W. Weinberger
Secretary of Defense

[The following is extracted from a congressional statement by Secretary Weinberger which was presented in testimony before the House Foreign Affairs Committee on 18 February 1987.]

Good morning Mr. Chairman. I am pleased again this year to appear before your committee to testify on behalf of the President's FY 1987 supplemental and FY 1988 request for security assistance funding. As you might expect, I shall concentrate on the purely military aspects of the President's request. I must say at the outset that I join the President and Secretary Shultz in making the case that we cannot continue at the resource level provided in FY 1987 without grave damage to our interests. We face a budget crisis that has far-reaching consequences for United States foreign policy and defense strategy. The President's request for the 150 account [i.e. the International Affairs Budget Account] for FY 1988 is a modest one, which recognizes the need to reduce our budget deficit. It is, in my judgment, the amount needed if the United States is to maintain its leadership role and to provide for our security.

CHART 1
International Affairs Budget



The United States has long had an integrated approach to the world, which includes military, economic, political, diplomatic, and purely humanitarian aspects. On this first chart you can see the array of major foreign policy instruments that we employ in dealing with an increasingly interdependent world. While the level of funds requested in each account varies considerably, each of the functions is important to the United States. Military aid, consisting of FMS credits, MAP, and IMET is only a part of the whole. We need the whole request with all of its parts sufficiently funded to serve our broad national goals, both economic and security.

Let me face the issue squarely. All of us are dedicated to helping reduce the deficit, but some critics of foreign affairs funding not only claim it is a give away program, but have also postulated a total competition between domestic spending and money spent for our security and the conduct of foreign affairs. This is a false dichotomy. Our domestic welfare and the U.S. economy is fueled by the engine of foreign trade, which is in turn greatly dependent on world affairs and the degree of stability in regions where we trade. A recent study by the Atlantic Council has detailed what this means in stark terms:

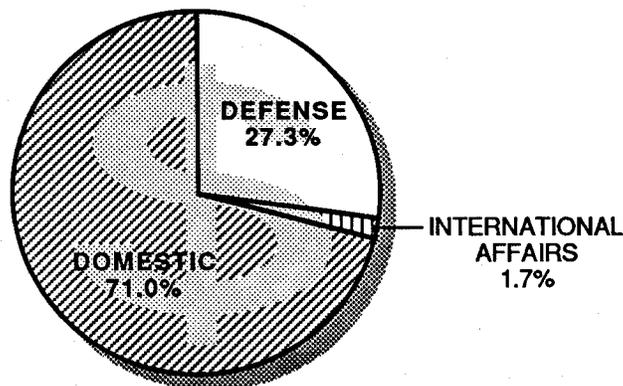
- In the last quarter of a century U.S. foreign trade grew from less than ten percent to more than 25 percent of our gross national product.
- 23 percent of U.S. industrial output is for export.
- One in six American production workers' jobs depend on international trade.
- 40 percent of U.S. farmland produces for export.
- About one-third of U.S. corporate profits are generated by international activities.
- U.S. commercial banks have \$130 billion in loans outstanding to developing countries.

The functions represented on Chart 1 are key to America's ability to deal with the world. The U.S. Government should provide the means to meet our responsibilities if we are going to continue to profit by them for the benefit of our great nation.

These benefits of our open relationships with many regions of the world take various forms. They can sometimes be measured in clear economic terms. Some 375,000 jobs exist today because we conduct foreign military sales, though we conduct them only in support of our foreign policy and our defense objectives. But our objectives are on a much broader plane:

- First, we want to promote democracy because democratic governments are less likely to become involved in wars of aggression.
- Second, we want to maintain an open, stable world economy and free enterprise so that we can expand our exports and investment.
- Finally, by providing assistance to friends and allies, we seek to prevent regional conflicts that threaten our interests, and to enhance the internal stability of friendly nations. Should conflicts occur, we seek to resolve them by helping our friends, rather than resorting to the use of American combat forces.

CHART 2
The President's FY 1988 Budget Request



All too often the debate on how to divide up the pie of budget resources revolves around the split between domestic programs and defense. As Chart 2 shows, international affairs funding is only a tiny proportion of the total request, and tends to be squeezed out in the larger debate. Clearly, without adequately funded domestic programs, the fundamental needs of our society and the individual will not be met. Failure to do so would not only deprive our people but also would not allow us to have adequate defenses nor conduct successful foreign affairs. Each of these broad categories overlap and complement each other. Surely one cannot be increased at the expense of another without paying a price, nor can one of them be unduly weakened, for all three will then be jeopardized.

All the international affairs functions shown on the previous chart consume only 1.7 percent of the total budget request. The military portion of the 150 account represents only one half of one percent. This is a small investment that will return substantial dividends to the American people. I know that there will be a debate about the proper proportions of this budget. There are those who will argue that no more can be spent than was appropriated last year for the entire 150 account. Certainly, there are those who argue that military assistance should not be increased at the expense of domestic programs.

The balance of my presentation will be devoted to presenting a case for returning our assistance program to at least the appropriated FY 1986 level.

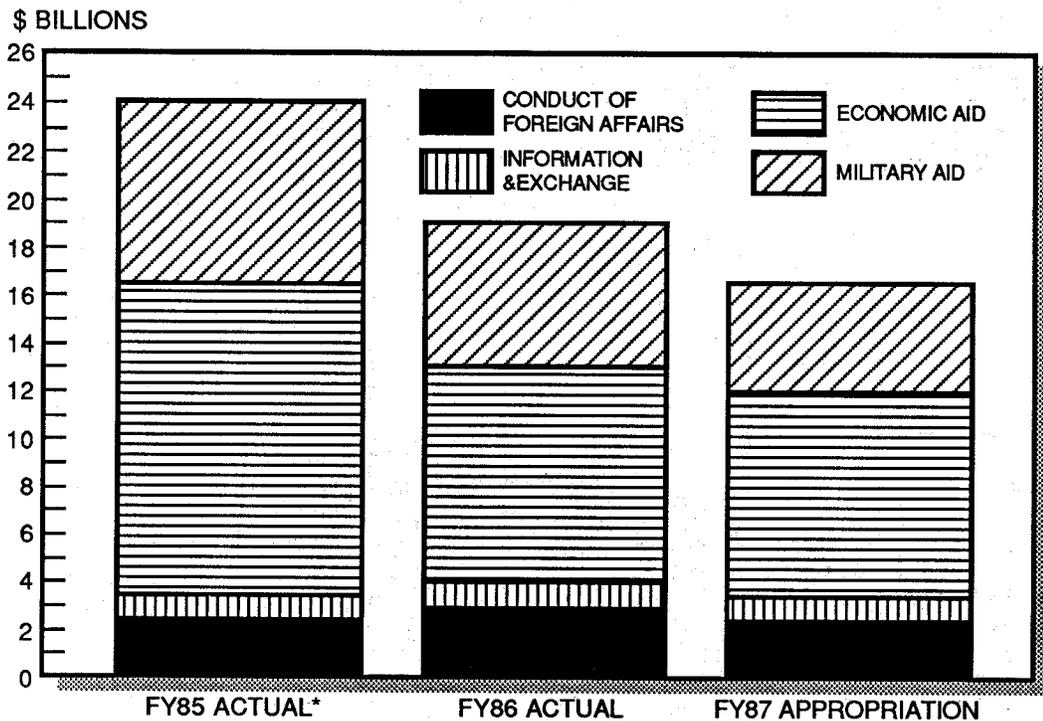
Given the constraints imposed by Gramm-Rudman-Hollings [budget deficit reduction] targets, I agreed this year to a modest growth in the defense budget of only three percent, with the full understanding that we will be relying even more on our friends and allies around the world. So it is especially important this year that Congress support the President's FY 1988 request for security assistance. The increase of only about \$800 million will barely begin to repair the damage done by a two-year cut to the security assistance budget that amounted to almost 26 percent in real terms. If further congressional cuts are made for FY 1988, they will not simply be budget cuts, but will force drastic changes in our foreign and defense policies--changes that a vast majority of Congress would be very uncomfortable with. To compensate for reduced allied capabilities, unquestionably a greater U.S. defense effort would be required.

On Chart 3 [on the following page], I have portrayed the budgetary history of the last three years for the international affairs account. We have divided the bars, as you can see, into the basic components of the conduct of foreign affairs, information and exchange activities, economic aid, and military aid. I want to make two points with the chart. First, using FY 1985 as a base line, the entire federal budget increased by two percent in FY 1987. By contrast, foreign aid was reduced 29 percent in FY 1986 and by another 11 percent in FY 1987. For military assistance, its portion of the federal budget was reduced by about 29 percent over a three-year period.

The military portion consists of Foreign Military Sales Credits, Military Assistance Program grants, and International Military Education and Training grants. Although some insist that the Economic Support Fund (ESF) is military because it is in principle intended for countries with a security problem, it is not military in any sense. It cannot be used for the purchase of military equipment.

It is important to understand where we have been, where we are now, and what is required to get back on track. First, from FY 1981 through FY 1985 the Congress provided rising appropriations at improved terms to meet goals that Congress and the Administration agreed upon. For instance, considerable consensus between the Administration and Congress was achieved on the key issues of Central America, the Middle East, and Pakistan. The Administration then made management improvements aimed at making more efficient use of appropriated funds.

CHART 3
International Affairs Funding: FY 1985 - FY 1987



*INCLUDES \$2,258 MILLION ESF SUPPLEMENTAL FOR MIDDLE EAST

With these instruments in hand, the Administration worked closely with friendly countries to expand dialogues, to plan and carry out programs in ways that responded to countries' defense needs, and to address economic difficulties caused by efforts to meet those needs. The number of countries receiving assistance grew, as did the number of students receiving U.S. military training.

These programs have been responsible for striking results in deterring or resolving conflicts, in improving bilateral relations, in enhancing the worldwide posture of U.S. forces and, overall, in contributing to a more secure world. The resulting worldwide program encouraged a new feeling of confidence in the United States in countries threatened by the Soviet Union or others. Yet, many challenges to our interests remain, challenges which can only be met with resources that allow U.S. commitment and continuity from year to year.

Chart 4 reflects the history of the military portion of security assistance funding over the last seven years. We have placed Israel and Egypt on top to emphasize the rising trend in contrast to a severe downward trend for the rest of the world. In recognition of foreign policy needs and the need to defend the free world, funding rose steadily from FY 1981 through FY 1984. The rise was mostly in Europe, Egypt, Israel, and Pakistan. Growth was significant elsewhere, although the programs are much smaller. To obtain more concessionality, the FY 1985 FMS credit program was put entirely on-budget. The funding was dropped by \$688 million to make this possible.

In FY 1986, Egypt and Israel were restored nearly to previous levels, but the size of the total appropriation was not restored, and this depressed funds for the rest of the world. Then again in FY 1987, Egypt and Israel were increased slightly, while the size of the total appropriation was reduced approximately 14 percent from actual FY 1986 levels. What is of tremendous concern to us is the compression of the resources provided to the rest of the world where we have vast and important interests. The rest of the world had to absorb nearly a 40 percent reduction.

CHART 4
FMSCR and MAP: FY 1981 - FY 1987

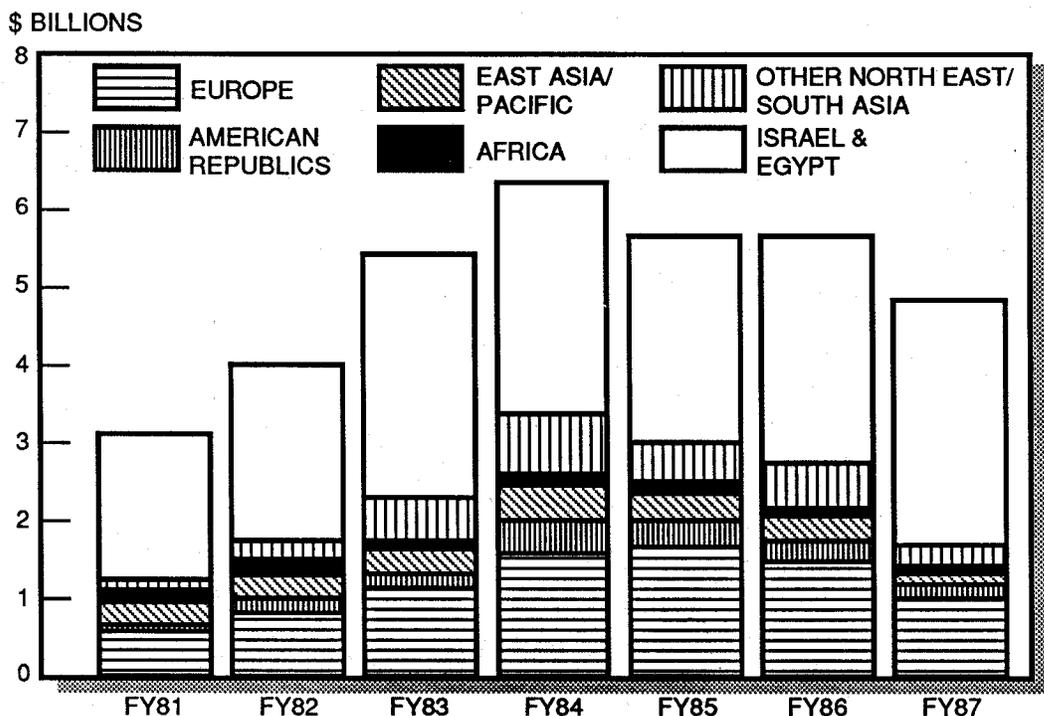
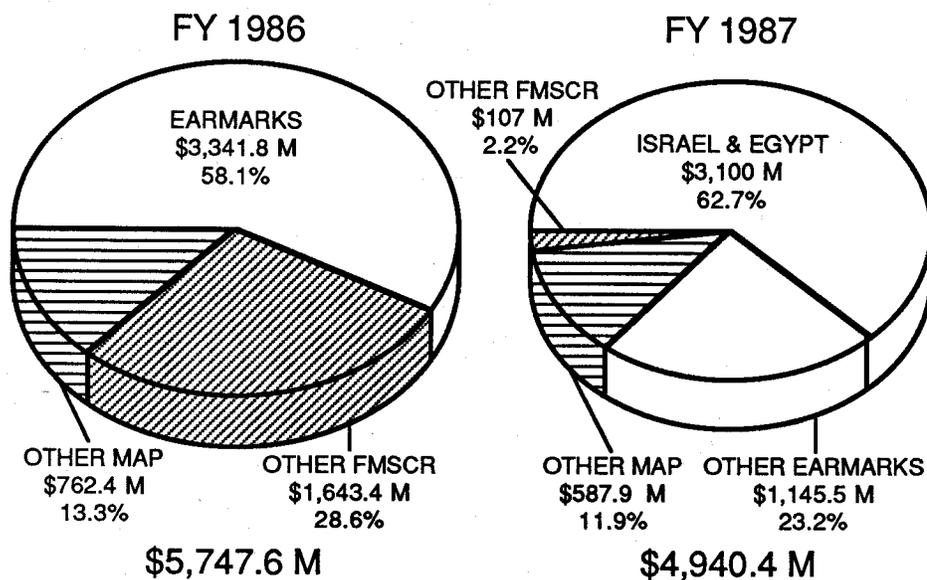


CHART 5
Impact of Earmarks



The two pie charts in Chart 5 reflect Congressional action in FY 1987 to earmark Israel, Egypt, Turkey, Greece, and Pakistan. These allocations consume almost 86 percent of our total military assistance resources in FY 1987. We are not suggesting these countries do not need the resources; they do. Turkey, in particular, needs substantially more. By far the most important message of this chart is that in the rest of the world beyond the earmarked countries, 19 countries

were cut more than 50 percent and others 100 percent. To give the Congress credit, it worked hard in the continuing resolution to give us higher quality aid. This effort resulted in more MAP--\$900 million, up from \$798 million in FY 1986. But what Congress did was to change credits to MAP rather than appropriate more MAP.

Last year there was relatively little dialogue between the Administration and Congress on the importance to the United States of individual countries and regions. Judgements were made by various committees on the numbers for each budget function without much regard for the detail. The process did not serve us.

CHART 6
FMSCR, MAP, & IMET: Reductions from FY 1986 Actual Levels

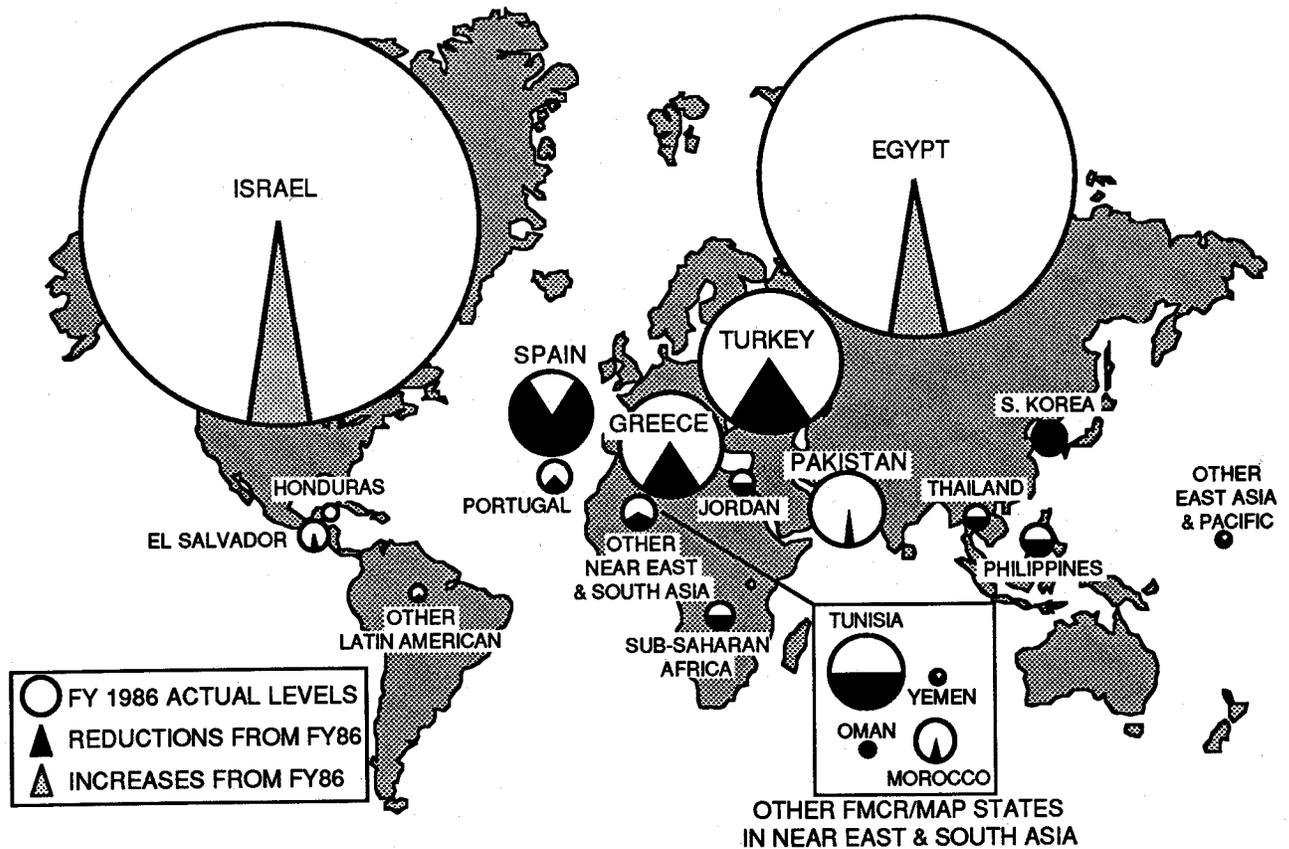


Chart 6 shows the worldwide allocations of the FY 1987 appropriations. Each pie chart is sized relative to actual FY 1986 levels, which themselves were lower than FY 1985 levels. For a sense of the scale of the pie charts, recall that Israel represents \$1.8 billion and North Yemen about \$2 million. The shaded slices represent increases, while the black slices indicate reductions from FY 1986.

Given that 86 percent of the appropriations was earmarked, the Administration faced painful choices during the allocation process. There was no acceptable solution. The resources simply were not there. After extensive and agonizing examination, we concluded that with the exception of Korea, we could not terminate assistance to friends and allies. Instead we chose to work to sustain America's foreign policy and defense strategy to the extent we could.

Beginning at the right and working westward, the decision to zero out South Korea was difficult, particularly since this is a time when North Korea is rapidly modernizing its forces and improving its readiness with renewed Soviet support. Overall, the East Asia Pacific region was reduced by 70 percent, even though we see rapidly growing Soviet military naval capabilities and a major Soviet build-up at Cam Ranh Bay. We allocated only \$50 million to the Philippines funding even though there is a clear consensus between the Administration and Congress on the need to sustain the New Armed Forces of the Philippines. The New Philippines Armed Forces have gone a long way in reforming and need more resources following the termination of the cease-fire agreement. But given the small amount of resources available, fully funding the Philippines would have in fact meant zeroing out most countries in Sub-Sahara Africa or reducing Central America to dangerous proportions. Thailand, which faces a Vietnamese threat on its borders and which has strong support in Congress for its position, was reduced by 41 percent.

The sub-Saharan countries were cut in aggregate some 55 percent. We tried to maintain bilateral programs even at radically reduced levels. Important access countries on the Horn of Africa suffered severe reductions. One of the most drastic reductions was Somalia, which was reduced almost 61 percent after being cut by 42 percent the previous year. I think we can all appreciate the impact that has made in such a poor country that has cast its future with the West and the United States. Kenya was also cut by almost 61 percent and Sudan by 69 percent. We cannot continue to cut these important programs without expecting serious harm to their military programs, making it even more difficult for their leaders to cooperate with us.

As we turn to Near East-South Asia, notice that Oman, another access country, received no credits this year and North Yemen received only \$1 million. We have important interests in this region, but we are unable to apply the needed resources. Jordan, as you know, is an important country for Middle East peace and a reliable friend over the last three decades. Yet, it was reduced considerably below the levels required simply to sustain American equipment--a cut of almost 50 percent. The Syrian threat remains and is intensified by the fact that the Jordanian Armed Forces obsolescence is growing.

Jordan has urgent legitimate modernization requirements. Because of previous opposition in Congress to helping, Jordan has felt it necessary to procure air defense systems from the Soviet Union. Certainly this is not in America's or Jordan's best interest at all. We see too many Soviet weapons in the region and none of them are for the good of Israel. Mr. Chairman, Jordan is only one example of my concern that our friends, in desperation, will turn to the Soviet Union if we do not provide adequate funding or if Congress remains determined to oppose legitimate defense needs.

Tunisia, long a dependable friend, and facing radical Libya, was reduced by 49 percent. Morocco, our friend for 200 years and another access country, now has a program substantially below what it needs to sustain readiness.

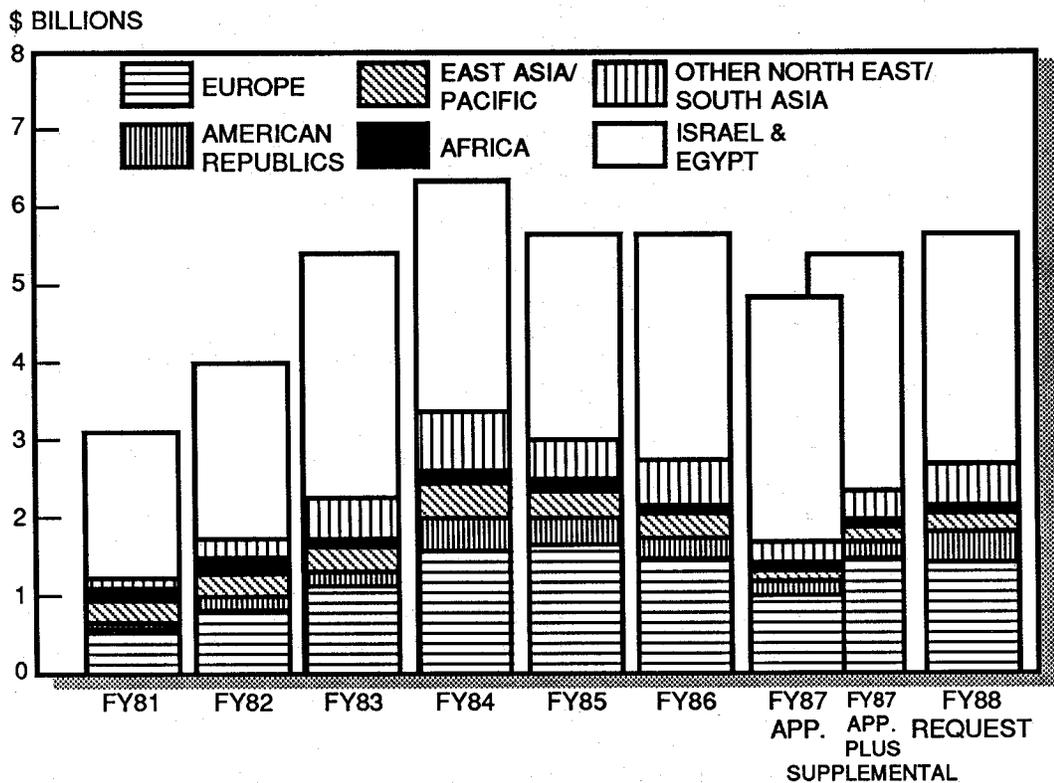
You can readily see the severe reductions we had to impose in the Southern Tier of NATO. At the earmarked level of \$490 million for Turkey--a country of vast strategic importance to the alliance and to the U.S. itself--Turkey cannot begin urgently required and planned modernization programs. It is only enough to protect their O&M [Operations and Maintenance] and ongoing programs for one year. Greece, too, suffered cuts. We could offer Spain only \$105 million of concessional credits instead of the planned \$400 million market rate credits. Portugal was reduced by over 27 percent, despite ongoing modernization and the building of the NATO brigade. When you consider Portugal, please recall how important the strategically located Azores are to the deployment of our own forces.

Lastly, is Latin America. Here we were able largely to protect El Salvador and Honduras. The rest of the region was reduced by 36 percent from FY 1986 levels, which were already too

low. We have wanted to begin serious drug related programs, but lacked the total money for military assistance to fund this important objective adequately.

Before I leave this chart, Mr. Chairman, I want to say that all of us here today should realize that the reliability of the United States as a partner and a source of strength is now being questioned. Some of our traditionally moderate friends cannot help but reconsider their relations with more radical states. I have already spoken of Jordan, but there are others. We may see some aggressors reopen conflicts which had been constrained. Our ability to influence events will be seriously affected and the repercussions will be severe unless the United States provides the resources and equipment required to shore up deterrence.

CHART 7
FMS Credits and MAP: FY 1981 - FY 1988



In Chart 7, we show how the budget proposes to address the severe shortfalls I have described, through a \$1.3 billion supplemental for foreign affairs of which \$461 million is for military assistance. The bar behind the one representing the FY 1987 appropriation shows how the FY 1987 supplemental adds to the FY 1987 appropriation. We put high value on adding back \$50 million to the Philippines. A large portion of the increase is to strengthen NATO--\$355 million.

The FY 1988 request is in fact a modest request sensitive to the tight budget atmosphere. While it asks for \$811 million more for FMS credits and MAP than we got in FY 1987, it is 13.7 percent less than the President's FY 1987 request and approximately the same as FY 1986 actual levels. It attempts to correct shortfalls in the same areas that the FY 1987 supplemental addresses: three-quarters of the proposed increase is for the NATO southern region countries.

Regional Concerns

In Latin America, the threats are only too well known--the destabilizing efforts of Cuba and Nicaragua, inspired and supported by the Soviet Union. Every country in Central America is threatened. We also confront the increasing problem of narcotics trafficking and associated violence. The FY 1987 supplemental and FY 1988 budget requests are needed simply for countries to preserve progress made to date. In the FY 1988 request we have added \$5 million to El Salvador, and \$20 million to Honduras. We have also asked for \$17.5 million for each in the supplemental. To confront the drug problem we have added a total of \$18 million to Bolivia, Colombia, Ecuador, and Peru--not much given the circumstances, but all that can be provided this year.

We must not become complacent about Central America, the Caribbean, and the Andean nations [i.e., Venezuela, Colombia, Ecuador, Peru, and Bolivia]. These areas continue to suffer severe economic and security crises. Fundamental economic and social problems remain major causes of internal unrest, providing a fertile atmosphere for externally-inspired subversion.

From the military point of view, Central America is critical to U.S. strategic interests, and the very existence of Cuba and its Soviet-supported forces are of great concern. Neither can we tolerate Nicaragua becoming another Cuba. We are concerned about the present and future defense of the Panama Canal, a vital link in the use of our sea lanes for the defense of Europe and the protection of U.S. economic and security interests in the Pacific.

Nearly all the major countries have moved away from military to democratic governments. It remains important to the United States to promote these democracies with the help of limited security assistance to support their militaries to pursue a professional course.

Turning to the **Mediterranean Littoral**, we have here a conjunction of interlocking strategic concerns of critical importance to America. Perhaps no other region holds as great a potential for the involvement of U.S. forces in regional contingencies and the escalation of regional conflicts to a superpower confrontation.

Of vital concern is the promotion of peace in the Middle East. Preserving the independence and security of Israel, free passage through the Suez Canal lifeline of Europe and North Africa, and promoting stability throughout the oil-rich Middle East have long been central tenets of U.S. foreign policy.

Libya's incessant and heavily-armed adventurism in North Africa threatens the security of Tunisia and Morocco, traditional friends of the U.S. Tunisia requires additional funding in FY 1988. Morocco is important because of its continuous close relationship with the U.S. and the valuable access it accords American forces. Containing Libya's active aggression against Chad is essential not only to the sovereignty of Chad but to preventing Libya from escalating its aggression against other states in the region. U.S. security assistance to Chad is an important complement to France's extensive aid.

Three-quarters of the additional \$811 million in the FY 1988 request is for NATO countries, and of that, we are requesting an additional \$295 million for Turkey and an additional \$92 million for Greece. Our request for Spain at \$265 million is still \$135 million short of the \$400 million "best efforts" commitment in connection with our current defense and economic agreement.

The U.S. provides security assistance to Greece, Turkey, Spain, and Portugal to help them contribute to the common defense and to help assure continued American access to key facilities in the region. Our security assistance contribution is all the more important this year because of

ongoing or imminent defense and economic agreement negotiations in Spain and Greece. Although each of the NATO countries is important, I think it is worthwhile to emphasize Turkey.

Congress earmarked Turkey at \$125 million below the FY 1986 level, and \$200 million below the FY 1985 level. The final result of FY 1987 actions was a program of \$490 million, which simply meant sustaining ongoing programs with no resources to meet urgent additional modernization needs.

Turkey lies at the nexus of several of our regional strategies. It is our only NATO ally with a substantial border with the Soviet Union. Its eastern and southern borders adjoin unpredictable and potentially unstable countries, a factor which we must consider when shaping our Mideast policy. The Turks are among the best planners of their defense efforts and their program is one of the most carefully structured to meet NATO requirements. The \$785 million request for Turkey is of paramount importance for modernization to offset the longstanding obsolescence of its forces. It makes programmatic sense and would send the right signal to our allies and adversaries. It is also important to take into account that Turkey hosts major U.S. installations, including air bases, communications facilities, navigation facilities, NATO early warning radar sites, and other invaluable facilities that are crucial to U.S. force projection and NATO critical requirements.

In Africa, the U.S. has chiefly economic assistance programs, but we still have an important political interest in maintaining strong military-to-military ties. For many of the countries, we do this through IMET and small civic action, African coastal security, and health programs. These aim at engaging the militaries in this region in modest, but beneficial projects. In FY 1987 we chose not to zero out most of these countries. The money saved would have been too little to help any of our large programs, and we believed the political cost would have been too high. Nevertheless, in FY 1987 we funded them at only 37 percent of the FY 85 level. The only major restorations over the FY 1987 allocation are for the southwest Asia access countries on the Horn--Sudan, Somalia, and Kenya. Zaire is important too. Zaire has helped in Chad and is deeply worried about Soviet and Cuban supported forces in Angola. Collectively, the military assistance increase requested for Africa over FY 1987 levels amounts to only \$30 million, excluding Kenya, Somalia, and Sudan.

With the Iran-Iraq war heating up, the long-expressed concern of the entire area of South-west Asia with the spread of that war has intensified. These countries feel themselves strongly threatened and look to the U.S. for help. Our proposed financing programs, of course, are briefly with countries with which we have access or pre-positioning agreements. Regrettably, Oman's FMS credits had to be zeroed out in 87. Sudan, Somalia, and Kenya require a restoration of resources. Our proposed programs in FY 88 are not sufficient for the country programs we had previously planned with them, especially in the case of Somalia. The programs are only intended to support our policies at a minimum level and maintain access.

Southwest Asia is important for the western world's concern for continued access to the vast oil reserves in the region. It is essential that the U.S. assist those countries in providing for their own defense. We continue to encourage them to grant access to facilities to our forces in a contingency should our assistance be requested. Pakistan in the east, Oman and North Yemen in the center, and Kenya, Somalia, and Sudan to the west are beset by serious economic problems and hostile foreign threats. The continued Soviet occupation of Afghanistan threatens the security of Pakistan and Southwest Asia. Pakistan also is shouldering an enormous burden by providing for the three million refugees from the Soviet war in Afghanistan, and deserves our full support.

The region hit hardest in percentage terms in FY 1987 was East Asia. We do not propose to fund Korea in FY 1988. We are proposing only a \$10 million increase for Thailand, but the program is now all grants. Mr. Chairman, the decision to allocate only \$50 million to the Philippines in FY 1987 was, to say the least, difficult. We were appreciative of Congress' support for the

supplemental during late FY 1986. We wanted to allocate more, but the resources were not there. To have allocated another \$50 million to the Philippines would have resulted in a discontinuance of most of our programs in Africa or major reductions in Central America. The Aquino government, and in particular, the New Philippines Armed Forces, are greatly disappointed and question our commitment. We must have support for all of the supplemental of which \$50 million for the Philippines is of extreme importance.

We generally support the ASEAN nations' security goals and wish to keep Soviet access and influence strictly limited in the region. Our support for Thai security against Vietnamese aggression is based on a long history of U.S. and Thai cooperation. But we also support ASEAN's Cambodian strategy for the withdrawal of Vietnam forces and through our support for Thailand's territorial integrity and stability.

Arms Transfer Policy

Mr. Chairman, an important and sometimes controversial issue is our arms transfer policy. We need to continue to meet the legitimate requests for the sale of military equipment to friends and allies. In the past we have seen that our failure to provide equipment to friends simply forces them to seek the needed equipment elsewhere, whether from the Soviet Union or a Western supplier. Such denials on our part have several bad results for American interests and objectives. First, our friends and allies begin to see the United States as an unreliable partner. Second, we begin to erode close military-to-military relations that have sometimes been built up over decades. By denying legitimate requests, we risk eroding a government's ability to cooperate with us. We lose the benefit of the strict controls, the most stringent in the world, that we always place on the use of military equipment. We have an excellent record in this regard. Even in the volatile Middle East, no Arab country has attacked Israel using American equipment, and I know of no other place where U.S. equipment has been used offensively. Others cannot make such a claim. We must also understand that ill-found refusals to provide equipment needed for legitimate defense worsens our balance of trade position, means less jobs in America, and reduces our production base. We also miss the opportunity of lower weapon system cost for our forces when we deny legitimate sales. I have in mind the many billions of trade and numerous jobs lost when Saudi Arabia was forced to procure aircraft from another supplier. There will be many more instances if HR 898 receives sympathy in Congress. [Editor's Note: HR 898 represents a proposed revision to the Arms Export Control Act. Formally titled the *Arms Export Reform Act*, and introduced by Senator Joseph R. Biden, Jr., (D-DE) and Representative Mel Levine (D-CA), this bill would require an affirmative vote of approval in both the House and Senate for all proposed sales of aircraft, missiles, ships, and other major/sensitive weapons to any country other than NATO members, Australia, New Zealand, Japan, Israel, and Egypt. The bill would also retain the current "joint resolution of disapproval" provision for the latter exempted countries.]

For all these reasons, the proposed HR 898, also known as the Biden-Levine Amendment, cannot achieve a useful result. To the contrary, it will simply make us less effective, primarily in the Middle East where the stakes for the U.S. are so high. Furthermore, should HR 898 become law, it would be unworkable. A preliminary examination of its application over the last three years indicates that if HR 898 had been in effect, Congress would have faced passing maybe over one hundred separate laws to allow us to sell even at recent low levels of activity. I trust, Mr. Chairman, that as this committee considers the implications of this new and unwarranted approach to the existing legislation governing arms transfers, that you will agree with me that such an amendment is not only unnecessary but extremely harmful to say the least.

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Conclusion

Mr. Chairman, I have testified in detail today about the Military Assistance Programs which are so crucial for our foreign policy and national security. But I am here also to urge you to support the entire request for the International Affairs Budget request of the President--for military assistance, economic assistance, State Department operations, and our information and exchange activities. The American public has a far more vital stake in these international activities than is commonly recognized. We are a major part of the world, and the world intrudes on our lives more than we like to admit. But if we are to control what we can and contribute where we can, we need the resources and the leverage the FY 1988 budget request provides. We need your support.