United States Arms Exports Prevail Even in the Face of Steeper Competition

By
Robert Wall
***Aviation Week and Space Technology* Contributing Author**

[The following article originally appeared in *Aviation Week and Space Technology*, November 30, 2009.]

China, France, and Russia are increasingly aggressive in courting customers for their military products; but it is the United States that is raking in the big dollars—and increasingly so. What is more, the United States's improving relationship with India could signal that record high levels of military exports are not just an aberration but are sustainable. This prospect would bring relief to United States defense companies, which face the prospect of shrinking modernization projects when Washington starts focusing on cutting its massive budget deficit.

A decade ago the United States booked about $10 billion in foreign military sales (FMS). When those contracts reached $28 billion in fiscal 2008, many in the Pentagon thought it was an aberration, especially given the $10-billion jump from the year before. But there has been no sign of a let-up. Vice Admiral Jeffrey A. Wieringa, Director of the Defense Security Cooperation Agency, says the value of FMS commitments signed during the last fiscal year reached $38.1 billion, and this year's total could top $50 billion based on estimates of deals in the negotiating pipeline.

Is the United States bucking a trend? Some defense suppliers, such as Saab, have suggested that sales are suffering because potential buyers are holding off on big-ticket spending decisions; others, such as the Stockholm International Peace Research Institute (SIPRI), note that nations such as Thailand or Malaysia are curbing expenditures. But at a broader level, SIPRI sees "few signs that the global financial crisis is significantly affecting decision-making" among major arms importers.

Moreover, the amount of money being spent under the so-called Section 1206 authority—a mechanism created in the fiscal 2006 budget to train and equip foreign military forces—has risen steadily.

For the United States, securing arms deals brings many advantages, including the fact that such links make it easier to operate with allies that use similar equipment. These contracts also help shore up the nation's fragile industrial base. Without procurements from Singapore and South Korea, for example, Boeing would have had to shutter its F-15 production years ago. Similarly, exports are keeping Lockheed Martin's F-16 line alive, helping the Fort Worth facility bridge its workforce until F-35 production ramps up. But the United States cannot be complacent. Countries that previously could be counted on to buy what Washington had on offer are becoming more judicious in their procurement processes.

Japan is a case in point. The Eurofighter Typhoon consortium is aggressively courting Tokyo. The group is promising to give extensive work to Mitsubishi Heavy Industries. A few years ago, the notion of Japan buying a front-line combat aircraft from a non-United States supplier would have been laughable; but that is no longer the case.

The Europeans acknowledge the challenge. “It is a big task for us to convince them,” says Peter Anstiss, Managing Director for Typhoon’s export campaigns. While United States suppliers remain the odds-on favorite, United States military officials recognize it is not a done deal.

Perhaps the most important new market for United States industry is India. After years of steering clear of United States products, improved ties between Washington and New Delhi have translated into orders—most notably India’s purchase of Boeing P-8 maritime patrol aircraft and Lockheed Martin C-130J transports. A recent meeting between the United States and the Indian Defense Procurement and Production Group was the most positive in the series, says Wieringa. This comes at a critical time, since India is considering the purchase of up to 10 C-17s and there is a running competition for at least 126 fighters. The United States has the F-16 and F/A-18E/F in the running, which are vying against the Dassault Rafale, Saab Gripen, Typhoon, and MiG-35.

However, Washington’s technology-release reputation constitutes a big stumbling block. Such concerns were underscored recently when Brazilian Defense Minister Nelson Jobim raised the issue in the midst of his country’s fighter campaign, in which the F/A-18E/F is squaring off against the Rafale and Gripen.

United States officials argue that these types of comments stem from problems during a previous era, and the United States is just as ready as other nations to work with foreign partners. In addition, Wieringa points to the Obama Administration’s decision to review export control policy, including restrictions on dual-use items, although prior reform efforts had little meaningful impact.

Meanwhile, beyond the perception that Washington is too lackadaisical toward potential international customers, United States companies are suffering from the reputation that they are not as aggressive as their European rivals when courting foreign buyers through partnerships. A senior industry representative from the United Arab Emirates (UAE) recently chastised United States executives for not doing enough to help create jobs and build up the UAE industry.

Still, for the near term, the United States stands to benefit from several major projects under negotiation. Saudi Arabia and the United States are in the midst of high-level discussions over a range of items. These include the sale of F-15s and Patriot air/missile defense equipment, as well as the eastern fleet modernization project. The latter would involve overhauling equipment such as MH-60 helicopters and the sale of Fire Scout unmanned aircraft.