

SECURITY ASSISTANCE AND THE DEFENSE MISSION

The following represents an address by the Honorable Caspar W. Weinberger, Secretary of Defense, presented to the American League for Exports and Security Assistance, Inc. (ALESA) in Washington, D.C., on 7 October 1982. ALESA is a labor-management organization comprised of four national and international unions, and 38 American corporations engaged in exporting American manufactured goods and services. As its principal goal, ALESA seeks "to encourage exports of American goods and services, in consonance with the security and economic goals of the United States."

I am delighted to join this distinguished group today to discuss a topic vital to our nation's security. I feel a close kinship with the members of the American League for Exports and Security Assistance. Recent events around the world have convinced me that we in the Defense Department must maintain a sharp global vision. Your counsel and assistance in that is indispensable.

Those of us who are concerned with protecting America's vital overseas' interests face increasingly more difficult challenges. The international environment in which we work has become far more complex, and in many cases, more dangerous. As the nations of the world become more interdependent economically, trade competition and resource dependency is also increasing. And the emergence of the Soviet Union as a global power has made our access to those resources, particularly Southwest Asian oil and the strategic minerals of the Third World, increasingly vulnerable.



Caspar W. Weinberger
Secretary of Defense

If we are to assure the peace and stability necessary to assure our overseas interests, we must both strengthen our own armed forces and revitalize our security assistance programs to help our friends contend with new strategic realities. These two efforts are closely linked and mutually reinforcing; they represent two different approaches to furthering a common end--the security of the United States.

Today I will discuss how industry and government can coordinate their efforts to meet the challenges for security assistance that we can expect in the coming decade. Security assistance has a multitude of benefits. It is a key to the successful implementation of our regional strategies. It is a vehicle for increasing commonality between U. S., allied, and friendly forces, an objective which

enables our forces to operate more effectively with foreign forces, should that ever become necessary.

Our assistance programs are also essential instruments for obtaining access, overflight privileges, and base rights overseas. Most importantly, our security assistance enables participating countries to deter regional threats on their own.

As you are also aware, the assistance we provide and the export sales we approve have domestic benefits as well. They help strengthen our defense industrial mobilization base, keep production lines operating and available for the needs of U.S. armed services, create jobs, and stimulate the U.S. economy.

But our security assistance works successfully only if the Department of Defense and industry work closely together. This means removing unnecessary obstacles and constraints, while also establishing practical guidelines.

In some cases, the priorities of the U.S. government may differ from those of U.S. industry. For example, the law establishes limits on waivers or reductions of recoupment charges on non-recurring R&D costs and on asset use charges. We can grant only those requests which further U.S. interests in standardization and advance other priority foreign policy or national security objectives. Our intent is not to deny potential sales but to abide by the spirit of the law.

We have a similar view on international co-production arrangements. We are concerned about the possible adverse effects they may have on the transfer of sensitive technology, on the U.S. economy, and on U.S. jobs. Therefore, we must weigh very carefully the advantages and disadvantages of any proposed co-production to the United States, to our industry, or to friendly foreign governments.

Moreover, we continue to believe that within limits the details of offset agreements between an American firm and a foreign government should be determined by the parties themselves. Although we are completely disinterested, the Department of Defense does not guarantee offsets.

These same concerns have led us to take a restrictive view of foreign requests for the use of U.S. credits "off-shore." Since the foreign military sales credit program began in the mid-1950s, we have authorized the use of U.S. credits in other countries in a very small number of cases. The law states that FMS credit recipients use their credits for procurement in the United States: this is a sound requirement and I see no reason for changing it now.

For these and all other areas, the overriding criterion on how we should proceed must be the national security interests of the United States. On occasion, a prospective sale to a foreign government will have to be delayed or turned down so that the priority

needs of the U.S. services can be met. On other occasions, we may have to deny the release of certain advanced technologies to a foreign government.

We have had to tighten our controls over the transfer of technology to the Soviets. In recent years we discovered that the Soviets have used a variety of methods -- both legal and illegal -- to raid our technology base. Through legal purchase, for example, they acquired American grinding machines that enabled them to produce the high-precision bearings that improved the accuracy of their intercontinental ballistic missiles. In another case they tried to steal a multispectral scanner, which is indispensable to military air and satellite reconnaissance. Fortunately it was intercepted as it was being smuggled out of the country on a corporate aircraft. When the Soviets steal scientific ideas, a lucrative target of their spying in the United States, it is more difficult to apprehend them.

As we tighten our own safeguards over technology, we must be prepared for the Soviets to target our friends and allies even more heavily. The restrictions we have applied to our security assistance program have one purpose -- to insure that we do not sell the Soviets the rope to hang us.

I also want to put to rest the notion that the government-to-government foreign military sales program is in competition with commercial military export sales. In reality, this is not the case. The Department of Defense does not compete with private industry for FMS sales and seeks no comparative advantage for FMS. We respond only to formal requests from foreign customers who express an interest in government-to-government procurements.

In many cases, especially those which do not require extensive training or follow-on support packages, it is more advantageous to encourage the use of commercial export channels because doing so may result in faster deliveries, less bureaucratic red tape, or in the avoidance of FMS administrative fees. In fact, recent data indicate an upward trend in commercial exports. The value of exports under commercial licenses in 1981, for example, exceeded the \$2 billion mark for the first time, and I'm told that the figure will be substantially higher in fiscal 1982.

Along these same lines, let me explain that we support the export of the FX fighter aircraft because it fills a gap between older generation, low capability aircraft, and the newer, more advanced, and more expensive front-line fighter planes. The FX fighter fits this requirement perfectly.

Ultimately, the wisdom of the FX decision will be dependent upon the procurement decisions of sovereign governments. They must make the decision on how best to meet their defense requirements. We have encouraged U.S. military personnel to consult with their counterparts abroad, and where appropriate, to offer advice on the suitability of various aircraft. They are not instructed to tell their counterparts what to buy or even if they should procure

an aircraft; I can't think of anything that would be more counter-productive than this kind of approach. But we should not shy away from sharing our expertise with others to aid them in making their procurement decisions.

Let me shift now to a brief discussion about security assistance funding. Since coming to office, we have sought more funds for security assistance programs. We are trying to modify and remove both general and country-specific legislative restrictions and to attain softer terms, including more grants, to lighten the repayment burdens of recipient nations. We also sought the establishment of the Special Defense Acquisition Fund (SDAF) to improve our ability to respond to contingency situations overseas which cannot await normal leadtimes.

We have achieved successes in each of these areas, but we still have a long way to go. For example, we just received the first obligational authority for the Special Defense Acquisition Fund. Though much smaller than we wanted or needed, it provides a base on which on-going capitalization of the fund can grow and advanced procurements can expand.

Because we are currently being funded under a Continuing Resolution Authority (CRA), we are limited to FY 82 funding levels. In real terms that translates into program reductions. We would have difficulty in meeting major new commitments to Egypt, Israel, Pakistan, and Spain and we would not be able to respond to increased security threats in other areas of the world. We are all aware of the competing national priorities and the need for trimming budget outlays, but I am convinced we can not back away from commitments made to our friends abroad.

We need, therefore, to convince the Congress to pass the FY 1983 foreign aid bill. As you know, foreign aid and security assistance have no organized national constituency to defend, lobby, and argue for annual legislation. When the Congress reconvenes later this Fall, we hope they will be persuaded on the merits of the FY 83 bill.

Unfortunately, support for security assistance is often hindered by mistaken perceptions that it is a "give-away" to foreign governments who return very little to the U.S.. In reality, almost all of security assistance financing is spent in the U.S. These funds help sustain our defense industrial production base, create jobs in crucial sectors of our economy and, through foreign sales, help improve our balance of payments account. Besides, the grant portion of our military assistance is about one-fifth what it was in the early 1950's.

A second misperception is that U.S. arms sales are out of control. There are several reasons why this is misleading. Although the current value of FMS agreements in FY 1982 -- about \$21 billion -- is higher than previous years, the \$21 billion actually buys less than \$10 billion could buy in the early 1970's when constant terms are applied.

A recently released report by the Department of State concluded that for the period 1972-1981, U.S. arms sales actually held fairly even when measured in 1972 dollars. More importantly, the number of major weapon systems we have supplied to Third World nations has not increased during this same period. [This State Department report, "Conventional Arms Transfers in the Third World, 1972-1981," was republished in the DISAM Journal, Fall, 1982, pp. 1-21.]

In 1982, most of the FMS agreements worldwide have been with industrialized countries of Western Europe and the Far East and with the more affluent developing countries. The bulk of these contracts have been signed with only a small number of countries -- about fifteen countries account for more than ninety percent of these sales. Finally, since we support the weapons we sell, and provide other services, the average cost for actual weapons is only about 40% of the total.

Few commentators have noted that last year (FY 1981) our arms sales agreements totalled \$8.5 billion, the lowest level in eight years. The \$21 billion level for 1982 is partly traceable to a number of on-going cases that have been gestating for years; for one reason or another, these were completed in FY 1982. The conclusion should be clear: U.S. arms sales are not out of control.

Our security assistance program has suffered from past misunderstandings and neglect. Only if government and industry work together can we correct that. It is crucial that we do, for in the final analysis we defend ourselves and freedom when we help to arm countries friendly to us and countries that share our values.