
SECURITY ASSISTANCE LEGISLATION AND POLICY

The Changing Nature of U.S. Military Assistance

By

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INTRODUCTION

I am delighted to be here today to discuss the future of U.S. military assistance in a changing world. This conference is particularly timely. Over the past several months, the Administration officials who have gone to Capitol Hill to defend the President's security assistance budget request have faced a difficult task. We have been accused, unfairly I believe, of presenting a Cold War security assistance budget. A moment's reflection will show that this charge is untrue: for the last decade or longer, most of our security assistance programs have had little to do with the U.S.-Soviet confrontation or the balance of forces on Europe's Central Front.

Without a doubt, the world has seen dramatic changes—in Eastern Europe and the Soviet Union—but as far as most of the countries to which we give security assistance are concerned, these changes have been marginal:

- Israel faces no less a threat than it faced in the past. If anything, the threat has grown worse. Radicalism in Iran, the expansion and modernization of the arsenals of Syria and Iraq and, ominously, the acquisition of missile and chemical weapons technology by powers who have shown no reluctance to use them make the Middle East perhaps the most dangerous area on earth.
- Egypt, a vital friend in a difficult region, must deal with the same states, and continues to need our military assistance.
- Turkey still lives in a bad neighborhood and needs our support. To the southwest, it faces Iraq and Iran which, despite having just finished a bloody war, continue to expand their military capabilities.
- There is still civil war in El Salvador, and throughout Latin America the increasingly intertwined problems of narcotics trafficking and insurgency pose problems for friendly governments.
- We have seen a democratically elected government return to the Philippines, but its future is uncertain and the situation there remains grave. U.S. support is essential for continued progress.

Rivalry with the Soviets is not the central factor in these conflicts; thus, even if that rivalry is over, the benefit for these friends and allies is minimal. Equally, the U.S.-Soviet rivalry is not the principal determinant for our security assistance programs; its demise, though welcome, should not lead to the mistaken conclusion that we no longer need security assistance. Once we reject the idea that the *raison d'etre* [reason for the existence] of our assistance was the cold war, there is no validity to the assumption that the marked changes in the world today allow us to end a program that has played a crucial role in preserving stability.

The Bush Administration has begun to adjust our foreign and defense policies to the new Soviet reality. Changes in our approach to security assistance, while taking this new reality into account, must not make the fundamental error of confusing a new Europe for a new world. Security Assistance and a sufficient defense-industrial base remain important for our national interest, and I would like to discuss today the ideas and concepts being bruited about in Washington for changing defense trade and military assistance policies.

THE FUTURE OF SECURITY ASSISTANCE

We face two sets of problems when we turn to security assistance. The first, which I alluded to above, is the misconception about the relevance of the cold war to security assistance. The second concerns the increasing activism of Congress in shaping the security assistance budget. While we must and will work closely with the Congress on arms export regulations and controls, the Administration has considerable regulatory flexibility. In contrast, we have not had that same flexibility with regard to security assistance.

Congress, of course, appropriates the funds with which the Administration carries out its policies, including security assistance. With its increasing activism in using fiscal powers to influence foreign policy, and the inevitable differences of opinion both between the Administration and the Congress, and within the Congress itself as to what that policy should be, the result has been a very difficult environment.

Fully 94 percent of our military assistance funds are earmarked by Congress before they come to the Administration. Since earmarks tend to be [designated] for larger programs, their effect on many of our smaller assistance efforts has been devastating. Earmarking also means, of course, that the Administration has little or no flexibility to meet urgent requirements or respond to new situations without going through a lengthy process of negotiations on the Hill. The difficulty we had in getting money for Panama is one of many examples. This situation simply cannot continue indefinitely, and we are trying to find ways to regain the flexibility we need.

I have already mentioned the two chief misconceptions we face in security assistance: that it is solely a cold war program and thus no longer needed, and that the changes taking place in Europe automatically imply a reduced need worldwide for security assistance. Those who accept these misconceptions conclude that security assistance is outmoded, no longer necessary, and that the resources we now devote to it can become part of the the peace dividend.

Reduced tensions in Europe do not automatically result in reduced security problems in other regions of the world. In fact, the disintegration of the Warsaw Pact and instability in the Soviet Union could contribute to greater regional security problems. Our security assistance, which has always been directed toward balancing regional powers and ensuring regional stability must remain a policy tool to see our friends and Allies through the uncertain years which lie ahead. Thus, the passing of the Cold War could entail greater responsibilities for us and an increased need for security assistance.

The existence of a peace dividend has been debated at length, and I don't propose to enter those murky and shark-infested waters today. I would suggest, however, that at the relatively low cost of some \$15 billion dollars per year—or about sixty dollars a head—security assistance has become one of the major tools for the projection of American influence throughout the world. I know this audience does not have to be convinced of the importance for the United States of not taking the possible end of the Cold War as an invitation to turn away from countries that still need our help and from the active pursuit of our country's interests overseas. Security assistance must remain a major part of our continued global role, and it is our responsibility—collectively and individually—to convince our fellow citizens and their representatives of this fact.

We are putting together the FY 1992 security assistance package in ways that make it more responsive to a changing world. Although it is too soon to make any clear predictions as to how this will come out—I do want to be able to go back to my job after this conference—I can at least outline for you some of the ideas which are being discussed.

One thought is to describe our program more in terms of its functional purposes. Impetus for this comes from the conviction among all of us who work closely with the security assistance programs that describing it as Cold War oriented is not and never was accurate. This is meant not as criticism of those who so describe it, but as self-criticism: we have failed to explain clearly what we are trying to accomplish. Possible functional categories include: promoting the development and growth of democracy; maintaining our overseas military presence and access; assisting the war on drugs; contributing to the fight against terrorism; or promoting regional stability. Some country programs might fit entirely within one of these categories, others could spread across several.

Another area receiving must attention is the financing of defense exports. Many of our foreign customers already finance their purchases through the foreign military sales component of our security assistance program. In the current and anticipated budget environment it is unrealistic to look for any significant increase in direct budget support for the program. So we are looking at other ways to improve countries' access to our defense industries. Possibilities include blended credits [i.e., U.S. government loans combined with private, commercial credits] and direct Export-Import Bank financing of military purchases. We think that these kinds of programs, which blend defense exports with security assistance, will be increasingly important in coming years, at least for those customer countries whose fiscal stability make quasi-commercial lending a real alternative.

A third area under scrutiny is the relationship between the purely military aspect of our security assistance program—Foreign Military Financing—and the economic aid—the Economic Support Fund, or ESF. Over the years ESF has proven to be an extraordinarily flexible tool in assisting friendly and Allied countries through difficult times. It is a tool we can hone more sharply, and which could take on added importance in conjunction with more effective mixed financing of military purchases.

Given Congress' role in appropriating funds for security assistance, any new directions for the program will require its concurrence. An important agenda item for the Administration will clearly be to build a new consensus with the Congress on the size and scope of this critical policy tool. In this context, I would note once again the important role you have as constituents in ensuring that your representatives are aware of the importance security assistance has for you, as well as its importance in maintaining a peaceful, secure world.

DEFENSE TRADE IN A CHANGING WORLD

As you all know, the Department of Defense is going through the wrenching process of cutting the U.S. military. One result of this process is inescapable: the U.S. defense industry will undergo a major transformation in the size and scope of its programs. In these circumstances, business will naturally look to exports to take up some of the slack.

But new export markets will not be easily won. Our Allies in Europe will also be cutting their defense budgets in the years ahead and, with the exception of the Middle East, the market for highly sophisticated weapons in the developing world will decline. Simply put, we are going to be operating in a highly competitive market. The U.S. government needs to actively support our industry if we are to maintain a defense industrial base.

In this environment preserving the health of America's defense industry will be a major priority:

- The squeeze on military procurement threatens the closing of production lines that would be extremely costly to reopen.
- Access to foreign markets can extend U.S. production runs and cut unit costs, ultimately benefiting the U.S. taxpayer.
- A defense industry without adequate sales volume will lack profits to invest in research and development.

This pressure to keep our defense industrial base going has caused us to look at markets abroad in a different way. While we will continue to pursue our regulatory mission, a greater weight is being assigned to the positive benefit for the defense industrial base of exporting a technology or defense articles.

NEW DIRECTIONS FOR DEFENSE TRADE

Regarding munitions control, we recognize that we have been controlling too much on the U.S. munitions list and have not been executing our licensing function well enough. We are taking steps to correct both.

I have created a new organization at State called the Center for Defense Trade. This center is composed of the old Office of Munitions Control—renamed the Office of Defense Trade Controls, which we will roughly double in size to about 80 people—and a smaller office called Defense Trade Policy to develop and explain our policy in this critical area. We have several objectives, including:

- Speeding up the licensing review process
- Reducing the number of licenses required.
- Shortening the U.S. munitions list and rationalizing it with the international munitions list.
- Facilitating and supporting U.S. firms' efforts to compete and/or cooperate overseas.

[Editor's note: see also "New State Department Organization Replaces The Office of Munitions Control," Vol 12, No. 3, *The DISAM Journal*; and "'Project Accelerate' Institutionalized: 92 Percent of Cases Issued or Staffed Within 10 Days," and "U.S. Embassy Support for Defense Trade," elsewhere in this issue.]

We are also pursuing two tracks in an effort to simplify the overall licensing process. On one hand we are seeking to reduce the number of things which require munitions licenses. We are seeking to reduce the size of the munitions list. One of our guiding principles is that the U.S. munitions list should be as close to the COCOM International Munitions List as possible. We now have two full time officers doing nothing but commodity jurisdiction cases and we are strongly encouraging industry to submit proposals.

The other way we are seeking to improve licensing is to reduce the number and types of licenses required. We have a package of several changes which we are designing to make industry's and my life easier. Some examples of these include:

- A Project Marketing License
- Exporters Distribution License
- Exemptions for Temporary Export of Unclassified Hardware and Demonstration Media for Static Demonstration Purposes.
- Elimination of the requirement for a license for warranty repair work (most DSP-61s).

I don't want to sound too bullish. We can help, but the export market is going to be very tough. The bottom line is that State recognizes the increasing importance of defense *exports* and *cooperative* ventures overseas. We can help by encouraging countries to buy American systems and cooperate with our industry. But it will remain a painful experience for defense industry to downsize in response to diminished demand. Joint efforts will have to be evaluated case-by-case, but strong support exists for such efforts not only in State but also in Commerce and Defense.

CONCLUSION

Last year's Baltimore Orioles took as their slogan the phrase: "These are exciting times—you've *got to* be there." The Chinese, of course, had a different perspective, with their famous curse: "may you live in exciting times." We don't choose when we live. What we can do is choose whether we will have an influence on our times or simply let events carry us along. Your participation in this conference shows, I think, that you have chosen the former.

Exciting times imply challenges. Those of you in defense industries certainly will find the coming years challenging. Those of us in Government responsible for national security will find them the same. What brings us here today is a common interest in finding ways in which we can work together to meet these shared challenges.

I've tried to outline for you today some of the ways in which we see the field of military assistance, broadly defined, changing to meet the needs of these exciting times. It should have been clear from my comments that we are far from having a blueprint for security assistance programs in the 21st century. I invite you to help us develop that blueprint. Together we can ensure that these programs contribute to increasing the economic, political, and security posture of the U.S. in the emerging, new world.