

MYTHS AND REALITIES OF U.S. SECURITY ASSISTANCE

Mr John T. Tyler, the Deputy Director for Plans for the Defense Security Assistance Agency (DSAA) presented the following address before a meeting of the Construction Industry Manufacturing Association (CIMA) in Chicago on 28 September 1982.

It is a genuine pleasure to be here today and to have the opportunity to discuss with you certain aspects of our security assistance and arms sales programs with foreign governments. This is a subject which evokes strong reaction and emotion among different publics -- some expressing outright condemnation, even horror, that the United States engages in the "dirty business" of providing arms to other governments, while others applaud our efforts to shore up friendly regimes, recognize that our military assistance is in the forefront of improving our defense posture, and then lament the fact that we don't provide enough assistance, that we provide it too late, and at too high a cost to recipient countries. I believe very strongly that security assistance is an indispensable tool of our foreign policy and a key element of our overall defense posture and, therefore, will not try to straddle these competing perspectives in my discussions with you today. Rather, I want to take this occasion to discuss some of the reasons why these contrasting viewpoints have evolved and try to correct a few of the major misperceptions about security assistance prevailing in the U.S.

What are the origins of this dissensus? Historically, the breakdown of consensus in the United States surfaced visibly in the mid to late 1960s at roughly the same time we experienced a breakdown in consensus on overall foreign policy purposes and goals. During this period, the security assistance program experienced two fundamental changes -- one geographic, the other financial. The geographic focus of our programs at that time shifted from assistance to our allies in Europe and NATO and from other so-called forward-based countries on the periphery of the Soviet Union (e.g. Korea) to countries in the Third World, especially in Southeast Asia and later in the Middle East. By this time, we were providing support to both allies and friends, the number of bilateral aid programs increased, the geographic scope of our programs expanded, and the driving force behind U.S. funding extended beyond strategic considerations to include political motives as well. The purpose of the program during this transition period became clouded and confused and, to a degree, remains so today.

During the late 1960s and in the early 1970s, the U.S. funding base for security assistance also shifted from one based largely on grants (MAP) to one dominated by direct cash sales and then by a combination of cash and credit purchases. This transition, over time, has meant that many of the newer, typically impoverished states in the Third World have been compelled to pay for defense articles and services with their own resources or from credits provided by the U.S. -- a hardship for most, but not all, developing countries. The foreign military sales program, therefore, evolved into one which became very much determined by U.S. financial considerations, i.e.,

above all, minimize the cost to the U.S. of the foreign aid we provide to other countries. Strategy, and to a degree political motives had to compete with financial guidelines, and this further hampered the overall effectiveness of the security assistance program. In fact, by the 1980s, the grant portion of military assistance had all but disappeared as a significant factor in our annual security assistance planning, and this has occurred at a time when many foreign governments have been unable to purchase U.S. weapon systems and services with their national revenues or, in some cases, with the high interest loans we offer to them. Over time, in effect, we have lost sight of the critical strategic rationale which was the hallmark of our program in the 1950s, and we have moved, instead, to a business oriented model of financing, precisely when we should be providing lower cost assistance on better terms and with fewer strings attached.

Some of the points I have raised may be arguable, but it is perfectly clear that historic trends do reveal a steady decline in funding levels and in grant funding as well as a gradual diffusion of purpose away from the strategic rationale so critical to the success of the program in the past. We need to recover and reverse these trends and failure to do so will only add additional confusion and uncertainty to our program.

Myths and Realities

These basic developments have spawned concerns in the Congress and in the American public and have ushered in a host of Congressional controls, limitations, and oversight requirements. Most of these have been helpful, but in the wake of the conflict in Southeast Asia and the shifting rationale, geographic focus, and financial imperatives, certain perceptions about the security assistance programs were born and given credence by ardent critics and students of security assistance. I would like to talk about a few of the more intransigent misperceptions, or myths if you will. And, I also want to try and correct these views with what I believe are the realities of our international programs. For those of us who believe strongly in the value and wisdom of military assistance to other governments, there is no more engaging or no more important task than correcting these faulty perceptions. If we are to return to the days of bipartisan support in the Congress and broad popular support among the American people, a clear and uncluttered understanding of security assistance is a prerequisite.

For the sake of brevity, I would like to discuss three different misperceptions which appear frequently in the media and in other public information outlets. These pertain to:

- U.S. financing of arms sales and defense-related services.
- The levels of U.S. arms sales in the past, present, and future.
- The items we sell in foreign military sales agreements.

U.S. Financing of Arms Sales

One of the most persistent and most pernicious misperceptions of our security assistance program is the belief that arms sales to foreign governments are a "give-away." Simply put, dollars flow out and little flows back. They gain, we lose. This perception probably stems from the earlier period -- the 1950s -- when virtually all U.S. military aid under the Military Assistance Program (MAP) was grant-based. As I mentioned earlier, this is no longer the case. The grant portion of our military assistance today amounts to about one-twentieth of the level of the early 1950s, if measured in constant dollar terms. The decline has been steady for the past three decades. In the past year, though, we have experienced a slight upturn in grant aid, but considering the enormous needs of many countries and the limited purchasing power stemming from the international economic downturn, the meager increase will have only marginal effects on the ability of economically hardpressed countries to meet their defense needs.

In our annual security assistance program, the proportion of our foreign military credits which are "on-budget", i.e., require Congressional appropriations, is quite small, roughly 24% in 1982 (including MAP). Most of this, moreover, has been programmed for Israel and Egypt to further the peace process in the volatile Middle East. The remaining credits are repayable loans made available "off-budget" to foreign governments at interest rates equivalent to what it costs the U.S. Treasury to borrow on the open market -- now about 13-14%, but higher until recently. Even the repayment periods on these loans are not 'soft' and usually require payment-in-full within eight to ten years, oftentimes with a one to two year grace period. I regret to say that these stiff terms have raised doubts about U.S. priorities and reliability among foreign governments -- some countries have been reluctant to accept these loans while others have delayed accepting them in the hopes that they could negotiate better terms and thereby ease future repayment obligations.

Virtually all these credits are spent in the United States, not abroad, and thereby help sustain our industrial production base, create jobs among critical sectors of our economy and, through export sales, contribute to improvements in our balance of payment accounts. The myth about security assistance is that it is a "give away", a kind of international military welfare program that takes away from the American taxpayer large amounts of their scarce capital resources. The reality is that security assistance is revenue-enhancing, that it costs the American taxpayer less than \$15 per capita per annum, that it helps lower the unit costs of equipment being procured by our own Armed Forces, and that it helps create employment for American workers.

Several studies conducted by the Congressional Budget Office in 1976 concluded that, all things being equal, an \$8.2 billion Foreign Military Sales program generates about \$560 million in cost savings annually, keeps about 350,000 American workers employed, adds

more than \$7 billion to the value of our exports, and contributes upwards of \$20 billion to our GNP. These studies show that our international sales are not a one-way street. There are reciprocal gains shared by us and by other friendly governments. If the 1976 figures are extrapolated to the projected 1982 sales figures of \$21 billion, the comparable contribution to the U.S. economy amounts to almost 900,000 workers employed, more than \$1.4 billion in cost savings to the U.S. armed services and a nearly \$18 billion gain in export earnings.

Having said this, it bears repeating that, unlike most other major and minor arms supplier nations, the economic rationale for U.S. arms sales is secondary to the positive contribution they make to improving U.S. security and to strengthening the capabilities of our friends and allies to cope with internal conflict and regional threats. When you consider the stiff repayment terms we require by law and the comparatively low levels of grant assistance we now provide, our program can be described as anything but a hand-out. If there is a flaw in our financing of foreign sales, it is that our terms are too hard, not too soft.

In sum, security assistance is a low cost investment in U.S. security, no more or no less than defense budget dollars are an investment in strengthening the security of the U.S. Those funds which are utilized for our export sales generate a high rate of return for U.S. security because whenever we enhance the security of our friends and allies, we also improve our own security. In the final analysis, military aid is a far less costly approach to international peace and stability than one which requires the use of U.S. forces abroad.

Levels of U.S. Arms Sales

Now, I'd like to discuss a second prevalent misperception -- the rising value of U.S. arms exports. Over the past several months, there has been a veritable landslide of commentary in the media containing forecasts that U.S. arms agreements in 1982 will reach \$25 billion or, in some cases, exceed the \$30 billion mark. Associated with these figures is the myth that U.S. arms sales have run amok, that they are out of control, and that the U.S., under the new conventional arms transfer policy, is ready and willing to sell arms to any customer having the resources to buy them.

Fiscal year 1982 is just now ending and the data are not yet final, but it looks like U.S. arms agreements will total around \$21 billion -- far less than projected by some analysts, but clearly a higher figure than in past years. It is this increase which has prompted concern among observers and critics.

Statistics, as you know, can conceal many things and rarely, if ever, speak for themselves. In this case, the \$21 billion figure masks the fact that last year's arms sales level was the lowest in the past seven or eight years (\$8.6 billion), a figure which is almost never cited in the same press reports highlighting the 1982 sales

totals. The high 1982 sales figure also conceals the reality that \$21 billion in 1982 actually buys somewhat less than \$10 billion could buy in the early 1970s. Moreover, rising sales figures do not necessarily translate into equivalent increases in the number and/or sophistication of U.S. equipment sold abroad. The plain truth is that U.S. military technology costs more today than it did in the past, just as cars, wrist watches, houses and most other consumables cost more. For this reason alone, you would expect overall sales figures to rise. The pernicious effects of inflation and the steady increases in the production costs of military technology contribute to these escalating prices -- not the alleged dogged pursuit of arms sales by this Administration, or I might add, the previous one.

The 1982 sales figures are in dollar terms only, they do not tell us about the number of weapon systems, the amount of training, spare parts, or support equipment we actually sell to foreign governments. A recently released study by the Department of State concludes that for the period 1972-1981, U.S. sales levels held fairly even -- in constant dollars -- as has the number of major weapon systems we have supplied to Third World recipients. The reality of U.S. arms sales levels is that while the levels have risen over time in current dollar terms, they have not undergone any meteoric rise in real terms, nor have foreign governments been buying vastly more weapons than they did with smaller funded programs just a decade ago.

This angle of vision gives a different image about recent arms transfer practices, and yields an important insight on how our program compares to Soviet security assistance activities in the Third World. I don't want to get into a lengthy exegesis on Soviet arms sales in the Third World but I will say this: Soviet arms transfers to the Third World now match or exceed our own, the number of Soviet military advisors in developing countries dwarf our own (roughly twenty Soviet advisors for every one American) and they train more foreign military personnel in the Soviet Union than we do in the United States. This comparison does not lead to the conclusion that we should match the Soviets dollar-for-dollar or system-for-system, it merely points to the fact that we operate in a highly competitive environment where the security stakes are real and high. We do ourselves a disservice when we fail to judge sales levels in real dollar terms and in terms of the activities of other arms suppliers whose sales activities have risen more sharply than our own.

Foreign Military Sales Items

The final misperception I want to discuss refers to the things we actually sell to other governments under our foreign military sales program. Most public commentary strongly suggests that most, if not all, of our military exports consist of lethal weapons and ammunition, the kinds of items which kill, destroy, and otherwise harm people and inflict physical violence on property. This is the third myth I want to talk about.

In reality, most U.S. arms sales agreements and deliveries consist of non-lethal defense items and services. Over the past three decades, less than 40% of all foreign military sales involved contracts for weapons and ammunition, and the remaining sales agreements (over 60%) included a combination of support equipment (e.g., cargo aircraft, trucks, and communications gear), spare parts and modifications (e.g., for vehicles, communications equipment, and missiles) and defense services, especially military construction, but also training and repair and rehabilitation work. In Fiscal Year 1981, for example, less than thirty percent of all our foreign military sales included weapons and ammunition. Indeed, almost eighty percent of the purchases of our biggest FMS customer, Saudi Arabia, have been non-lethal, most of which consists of defense services intended to upgrade or develop a viable military infrastructure. This works out to roughly \$18 billion in military construction alone since the inception of our program with the Saudis. In FY 1982 so far, we have signed military construction contracts with the Saudis totalling more than \$1.8 billion.

Once again, the Soviet foreign military sales pattern provides a useful contrast. Estimates show that roughly two-thirds of all Soviet arms transfers to the Third World consist of lethal weapons. This is a unique feature of the Soviet arms supply system -- they simply do not provide a full arms package the way we do, including equipment, support, spares, and military service, but prefer to replace older equipment with new systems, pour large numbers of Soviet military advisors into recipient countries, and send damaged systems out of the country for major repair work. The practice makes recipient states heavily dependent upon Soviet supply and vulnerable to Soviet manipulation, and it is also deeply resented by these countries. This is one major reason why our security assistance program, despite recurring problems of long delivery lead times, high interest charges and uncertain funding, is superior to the Soviets. You can be sure that the Soviets would leap at the chance of substituting their clients for ours, especially in the volatile Middle East.

Conclusion

These, then, are three major misperceptions about U.S. security assistance. I have sought to correct the faulty beliefs that it is a give-away to foreign governments, that arms sales have spiralled off the charts, and that we sell mostly lethal equipment. The facts are at variance with these prevailing beliefs.

There are other myths of course: (1) one states that we sell mostly to poorer third world countries unable to afford U.S. arms, when, in fact, most sales go to the industrialized world and the rich Less Developed Countries (LDCs); (2) another contends that we support repressive regimes, when, in fact, human rights remain a key decision criterion on proposed sales, and most of our transfers go to democratic regimes in Europe, East Asia, and elsewhere; and (3) still another holds that arms sales stimulate regional arms races and are the proximate cause of instability, when, in fact, arms sales are intended to stabilize tensions and to deter regional conflicts. Very

few concrete examples can be cited where instability has resulted directly from U.S. sales. This list could easily be lengthened. Suffice to say that, as with the international environment in which we operate, our security assistance program is not perfect or free of faults. Unquestionably, we have experienced setbacks over the years, but the record of achievement has been a positive one. Our success in deterring conflict on the Korean peninsula for the past twenty-nine years, and the positive role security assistance has played in moving Europe away from the internecine conflicts of the first part of the twentieth century exemplify the record of success. So, too, does the long list of countries with whom we have maintained long-lasting security assistance relationships, many stretching back to the late forties.

As important as our various programs have been in the past, they will become more important in the future. This is why it is so essential we have a better and fuller understanding of what our international programs are intended to accomplish and how we go about implementing them. The perpetuation of myths like those I touched upon could serve to retard, even undermine, the viability of our program and, therefore, limit the contribution it can make to our security in the 1980s. In this effort, we need the support of the American people and public interest groups such as CIMA and I welcome all the support you can offer.