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ARMS TRANSFERS

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NEW HOPE FOR ARMS TRADE RESTRAINT

The Honorable Bill Clinton
Governor's Mansion
Little Rock, Arkansas

Dear President-elect Clinton:

Congratulations on your election.

For good reason, "jobs" were a resounding theme of your campaign. As you prepare for your Administration, though, we urge you to balance the concern for jobs and job creation with U.S. national security considerations.

While campaigning in September, and largely to garner arms industry workers' votes, President Bush approved $18 billion in foreign arms sales to countries in unstable Third World regions. While these sales will protect some defense jobs, the respite will be only temporary. The security consequences, however, in the form of regional instability and arms races engendered, will be long-term.

Very much to your credit, you spoke often during the campaign of the need for government-supported conversion of the arms industry. Reducing output is vital to alleviating jobs-induced pressures to sell arms abroad. And, because the previous Administration has resisted aiding the transition to a post-Cold War industrial base, your government must immediately and aggressively support such efforts. In addition to dispersing wisely the $1.5 billion Congress just appropriated to aid this transition, creating pools of R&D money for the serious infrastructure, technology and transportation needs of the country, will both encourage our arms industry to diversify and increase our competitiveness in global commercial markets.

This adjustment from a war economy to a more peaceful economy, we know, will take some time and cause some pain. But it is important that you resist using arms sales in the interim to ease that pain, allowing the defense industry to put off its inevitable conversion/diversification and sending a message to other major sellers that economic motivations are a legitimate excuse for indiscriminate sales.

The Bush Administration has, since prevailing in the Gulf War, squandered a unique opportunity to rein in the arms trade. Instead of supporting conversion, it has increased government assistance for exports in order to help soften the blow to industry of this transition. This validation of global free-market arms sales has fueled regional arms races, and provided the new justification for continued large U.S. military budgets.

Open Letter to Bill Clinton

Following the war over Kuwait, an unprecedented level of governmental attention and rhetoric focused on the international arms trade and its role in bringing about that war. Determined to prevent another Iraq, many leaders put forward proposals to limit the trade. But post-war efforts to buttress Saudi Arabia's security through arms transfers, combined with business as usual otherwise, produced record U.S. arms transfers.

FAS asked Lora Lumpe, Director of the Arms Sales Monitoring Project, to recommend steps the new Administration could take to exercise leadership in restraining regional arms races and getting international control efforts back on track. This open letter and Public Interest Report is the result. •

Your Administration should act immediately to salvage the sputtering arms transfer control talks initiated among the Permanent Five U.N. Security Council members after the war and infuse them with real purpose. These five countries together account for about 85 percent of all arms sales made and, for the most complicated and expensive systems, are the only exporters. Thus, they can go a long way toward curbing arms proliferation.

President Bush's September arms selling spree, in combination with his Administration's demonstrated lack of seriousness about curbing the spread of conventional weapons (even though his Pentagon has repeatedly identified such proliferation as a grave threat to U.S. national security), has severely eroded the high degree of consensus and momentum toward restraining this trade which existed after the war.

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Recommendations for viable international arms sales restraint follow. Taken in combination with measures to down-size and convert America's and other countries' arms output, such policies will enhance U.S. national security.

Specifically, the Federation of American Scientists asks you to:

- Consider the long-term consequences of the F-15 and F-16 sales rushed through Congressional notification just prior to the election. These two sales seriously undermine the United States' credibility in calling for a halt to "destabilizing" sales by the other participants and also call into question the future of Chinese participation in the talks. If possible, reconsider the sales themselves; if not possible, make it clear that the U.S. will refrain from making further such deals while negotiated restraint is pursued;

- Conclude procedures among the five major exporters for consultation and pre-notification of arms transfers, making clear that this is a jumping-off point and not the end goal of the talks;

- Lead the five forward into discussions on *meaningful restraint* in arms trade that will include bans on:

—licensing production of major military systems, such as aircraft, main battle tanks and submarines to countries which do not already produce them

—transfers of certain categories of particularly offensively oriented weaponry, such as *e.g.*, submarines and helicopter gunships and

—sales of weaponry that is prone to cause widespread civilian casualties, such as *e.g.*, land mines;

- Restrict transfers of military aircraft capable of performing or aiding regionally strategic bombing missions

- Agree to measures to limit government assistance in marketing and financing arms sales;

- Negotiate restraint on sales for which two or more of the five are competing, and for which a major justification seems to be that "if we don't sell, they will";

- Seek quantitative limits, either by dollar value or by unit volume, on certain types of weapons transferred to certain regions; and

- Investigate integration and cooperative production of armaments as much as is feasible, and the creation of a market sharing strategy among the major suppliers, to alleviate some of the over-capacity and pressures to sell abroad.

Because the U.S. is both the largest arms vendor and the world's leading political power, enacting the above measures will require bold leadership by your Administration. Failure to exhibit this leadership will very likely see the creation of another super-armed "Iraq" somewhere else, necessitating once again that U.S. soldiers be sent abroad to mop up the mess created by the free trade in arms. □

FAS

The Federation of American Scientists (FAS), founded October 31, 1945 as the Federation of Atomic Scientists (FAS) is the oldest organization in the world devoted to ending the nuclear arms race.

Democratically organized, FAS is currently composed of 3,500 natural and social scientists and engineers interested in problems of science and society.

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Opportunity Lost? U.S. Leadership Lacking: Arms Keep Flowing

In September, two weeks before it was to recess for the year, the Bush Administration notified Congress that it intended to sell nearly $18 billion of America's most advanced combat aircraft, supporting infrastructure and munitions to several Third World countries (*See* box). To put this in perspective, that's over three times the amount of weapons sold to the Third World by the Soviet Union (the world's second largest arms merchant) in all of 1991.

Congress barely objected, leaving the Administration free to consummate these deals. This from an Administration and a Congress that professed often after "Operation Desert Storm" to be committed to preventing further destabilizing arms races in the Third World.

What happened to bring about this change of policy?

Post-Cold War arms industry lay-offs, aggressive lobbying by the defense industry, the recession and, most importantly, the November elections, converged to make this huge amount of arms trafficking appear routine and non-controversial.

Demonstrating the political nature of these deals, President Bush announced the two largest—a sale of 150 F-16 aircraft to Taiwan and 72 F-15s to Saudi Arabia—during campaign rallies at the arms makers' plants. Bush has, however, not been alone in acting to politicize these sales. Presidential candidate Bill Clinton supported both transactions, in an apparent effort to win the workers' votes. And powerful Members of Congress from states with significant arms industry—and with re-election anxieties of their own—lobbied hard in Congress for these sales. Members who in the past voted on the side of restraining Third World arms races remained silent, mindful of sabotaging election bids.

Arms trade control efforts, already limping along, faced off against "jobs now" in September. Jobs won.

Congress' Role In Arms Sales Decisions

While the conduct of foreign policy is primarily the purview of the Executive Branch, Congress has both a Constitutional and legislated role in arms sales decision-making. The decision to sell weapons originates in the State Department and Defense Security Assistance Agency at the Pentagon. But the Arms Export Control Act of 1976 mandates that Congress be notified by the Executive Branch of any arms sales over $14 million and given 30 days to consider those sales before the weapons may formally be offered.

In order to block a sale, Congress must pass a veto-proof (two-thirds majority) resolution of disapproval in both chambers. This has never happened, in part due to the difficulty of introducing and moving a resolution through Congress within 30 days. Nevertheless, the possibility that Congress might succeed has prevented sales in the past. The Bush Administration withdrew several proposed sales in the face of unrelenting opposition and has held back

Sales in September: U.S. In A Race Against Itself?

Taiwan F-16 Deal—On 14 September the Pentagon tells Congress of its plan to sell 150 General Dynamics F-16A/B fighter aircraft to Taiwan. In addition to the aircraft, 1,500 air-to-air missiles, 500,000 rounds of ammunition, spare parts, training and logistics support will be sold—a deal totalling $5.8 billion.

Saudi F-15 Sale—Also on 14 September Congress receives formal notification from the Pentagon of its plan to offer Saudi Arabia 72 F-15 "XP" aircraft in a deal worth $9 billion. The F-15XP is the F-15E "Strike Eagle" with somewhat down-graded avionics and munitions. Because of its bombing capacity, the F-15E has never before been exported to any country. The sale also includes: advanced navigation and targeting pods for 48 of the 72 aircraft, 900 Maverick air-to-ground missiles, 600 air-to-air missiles, 600 cluster bombs, 700 laser-guided bombs and spare parts.

F-16 Sale to Greece—On 18 September the Pentagon formally notifies Congress of its plan to sell Greece 40 F-16C/D fighters, 10 spare engines and 40 sets of LANTIRN navigation and targeting pods for $1.8 billion. In late August the Greek National Defense Board determined that the Greek Air Force needed these 40 aircraft to counter the 40 F-16s which the U.S. sold Turkey in March.

Helicopter Sales to Taiwan—On 21 September Congress is notified by the Pentagon of a $161 million sale of 12 anti-submarine warfare helicopters to Taiwan.

AMRAAM to Turkey—On 22 September the Pentagon tells Congress it intends to sell Turkey 20 AIM-120 Advanced Medium-Range Air-to-Air Missiles for its F-16 aircraft. The sale is worth $17 million.

Compensation for Israel—On 27 September the press reports that the U.S. will give Israel an undisclosed number of Apache and Blackhawk attack helicopters in partial compensation for the F-15 sale to Saudi Arabia. Negotiations for a package of additional security assurances to Israel have, at this point, been underway for several weeks. Under consideration are: greater access to U.S. satellite intelligence; increased pre-positioning of U.S. military stocks in Israel; and a long-term commitment to Israel's annually legislated $1.8 billion in military grant aid from the U.S.

TOTAL: OVER $17.779 BILLION

from sending some to Congress, fearing a politically costly fight.

In addition to this legislated role, Article III of the Constitution gives Congress the power to regulate commerce. Over the past two years, arms sales have clearly become more commercially instigated and less motivated by foreign policy national security concerns, making this Congressional prerogative more germane.

Because Congress is not required to approve each sale (or each major sale) by recorded vote, Members are afforded the luxury of sounding off against the arms trade without actually having to do anything to stop it, or to take any responsibility for its passage.

And sound-off they did: In the 102nd Congress, which ended in October, more hearings were held and more legislation was introduced concerning arms sales and the proliferation of weaponry than ever before.

Middle East Arms Moratorium Proposed, Abandoned

A July 1991 Congressional Research Service report catalogued more than 30 pending bills relating to arms sales, the most notable and far-reaching of which proposed a moratorium on sales to the Middle East. Initiated by five House leaders—Fascell, Gejdenson, Gephardt, Hamilton and Obey—the bill called on President Bush to temporarily halt U.S. arms sales to the Mideast as a show of good faith, while seeking to negotiate some rules of the road with the other major arms suppliers to prevent further free-market driven arms buildups in the region.

Their proposal was widely criticized by the U.S. arms industry and by the Bush Administration as being unilateral in nature, and therefore not only doomed to failure, but also dangerous. It would, the opposition argued, result in a loss of moderating U.S. influence and control in the region, while others would nevertheless step in to sell arms to the region.

Testifying in July 1991, Undersecretary of State Reginald Bartholomew asserted that: "any unilateral action by the U.S. in seeking a change in the global arms trade, such as implementing a moratorium, is a non-starter. . . . More than likely, a moratorium would impede our efforts to construct an effective international supplier restraint system, deter the other major suppliers from working with us, and would allow 'renegade' suppliers to simply step in and take our place."

Representative Lee Hamilton, a leading advocate of the proposed legislation, asked Bartholomew why a sales moratorium would hamper arms transfer control efforts more than massive U.S. sales to the region. Hamilton received little clarification.

At every stage of the legislative process, the bill was weakened. The resulting language, as passed last October in the fiscal year 1992 State Department authorizing bill (P.L. 102-138), mandated simply that the Administration continue the process of dialogue on the arms trade it had already begun with the four other major weapons sellers.

Even more far reaching rhetoric was bouncing off the walls of Congress in Spring 1991.

Rep. Anthony Beilenson said that "the United States should lead the way to ending all arms sales world-wide. . . . It is dangerously shortsighted not to apply the lessons of the Gulf War beyond that one region." Rep. Romano Mazzoli suggested in a floor speech that, "what is really needed . . . is an absolute total ban on sales of arms of all types."

In the Senate, Joe Biden, an influential member of the Foreign Relations Committee, sponsored legislation calling for the Administration to develop a plan for "halting the flow of unconventional weapons and controlling the transfer of advanced conventional arms to the Middle East." He also called for the government to make "a good faith effort" to convene a conference of the key supplier nations to establish "an effective operational system of limits and controls."

An Agenda for the New Congress

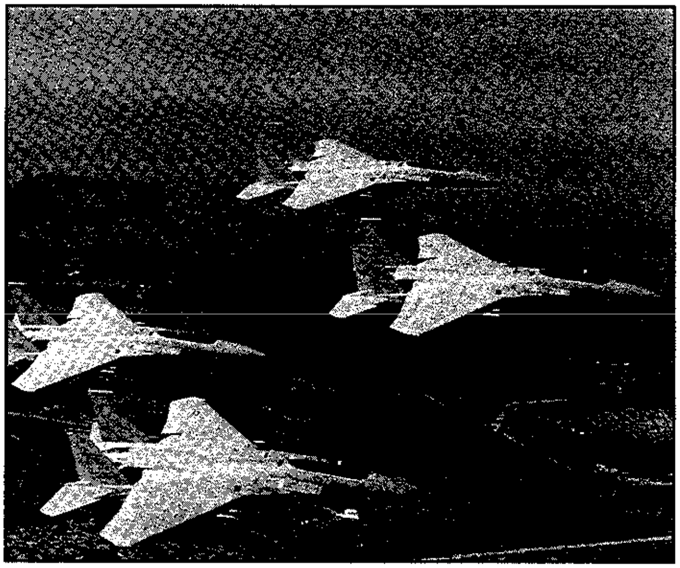
The 103rd Congress must continue to focus on long-term plans to help downsize and convert the U.S. defense industry, and when appropriate, foreign suppliers' industries as well. Only by doing so can the overwhelming economic and political pressures to allow massive overseas arms sales be alleviated.

The fiscal year 1993 Pentagon authorization bill contained $1.5 billion for conversion programs. Congressional oversight and follow-up to ensure that these monies are dispersed as intended is critical, since in the past the Pentagon has resisted doing so.

At the same time, Congress needs to exercise its responsibility in the arms sales decision-making process to the fullest, considering the national security, diplomatic and arms control, as well as economic consequences of U.S. sales. Congress also must ensure that U.S. laws governing arms sales—the Arms Export Control Act and the Foreign Assistance Act—are enforced. In the past, several of the well intentioned provisions of the two laws have been routinely ignored by the Administration and Congress.

In addition, procedural changes to the law must be made to prevent a recurrence of the situation this September, when Congress and the public had insufficient time to consider the pending F-15 and F-16 sales. At a minimum, the 30 calendar-day notification period called for in the Arms Export Control Act should be changed to 30 in-session days.

Further, Congress should resist the arms industry's efforts to promote arms sales abroad as part of a jobs program here, but rather should negate specific Bush Administration policies that seek to routinize and commercialize these transactions (*e.g.*, arms bazaar participation that is funded by taxpayer money should be banned, and the Export Import Bank should not be permitted to provide financing for arms sales). ■



McDonnell Douglas manufactures the F-15E. In September, the Bush Administration approved the sale of 72 F-15 "XP"—a somewhat scaled-down version of this sophisticated fighter-bomber—to Saudi Arabia.

House Majority Leader Dick Gephardt, wrote in April 1991, "I hope the President will . . . join with the Congress in imposing a temporary ban on any American arms transfers to the Middle East—a pause to which other principal supplier states must be asked to adhere." He even proposed that "Once the United States has established itself as an example, American sponsorship of a Security Council resolution to suspend all shipments of military supplies to the region would be an ideal basis to start Administration-Congress cooperation."

A metaphor for what happened in Congress, less than a year later Gephardt was no longer talking about halting shipments to the region. Rather, he was twisting his colleagues arms for support of a massive sale of F-15 aircraft to Saudi Arabia.

The aircraft are made by McDonnell Douglas Corporation, which is located in St. Louis—in Gephardt's district. Since the U.S. has purchased all of the F-15s it intends to buy and the production line is slated to close down, McDonnell Douglas claimed that the sale would save as many as 40,000 jobs for a few more years.

Administration Started Fast But Finished With The Pack

Right after the Gulf War, it seemed like there might be an Executive-Legislative meeting of the minds on the need to control the conventional arms trade.

On 6 February 1991, while the ground war in the Persian Gulf was being prosecuted, Secretary of State James Baker appeared before the House Foreign Affairs Committee to outline the administration's long-term, post-war goals for the Middle East. Regional arms control, specifically conventional arms control, was among those goals. "The terrible fact is," he said, "the conventional arsenals of several Middle Eastern states dwarf those of most European powers. . . . The time has come to try to change the destructive pattern of military competition and proliferation in this

F-15 Sale to Saudi Arabia: A Case Study in What's Gone Wrong

The buckling of Congressional resolve to affect the international arms trade can best be seen in the F-15 deal with Saudi Arabia. The sale dates back to 1985, when Saudi Arabia requested and the Administration proposed to sell more F-15s, including F-15Es to Riyadh.

The deal met with tremendous Congressional opposition and in the end Saudi Arabia was limited by Congressional edict to a total of 60 F-15 aircraft, which they already had. Any new aircraft would have to be transferred on a one-for-one replacement basis. Congress also explicitly banned sales of the "E" to Saudi Arabia, because of its offensive capabilities.

In August 1990, however, President Bush authorized the emergency transfer of 12 more F-15s under a national security waiver, eliminating the Congressional cap and ban on selling F-15Es.

Last November, McDonnell Douglas Vice President Bob Trice announced that Saudi Arabia was seeking 72 new F-15 aircraft. Congress was quick to react. Democratic Senator Howard Metzenbaum and Republican Senator Bob Packwood immediately gathered 67 signatures on a letter expressing concerns about such a sale while the Middle East peace talks were on-going.

McDonnell Douglas began pressing hard. The corporation sent members of Congress, the media and trade unions glossy promotional brochures and thick studies outlining the number of jobs in each Congressional district that industry-economists claim are tied to the proposed sale. Two videos touting the alleged economic and national security benefits of the sale were produced and played for the members of Congress and the media.

McDonnell Douglas also formed a "Jobs Now" coalition with six other aerospace corporations and six labor unions, holding rallies around the country in support of this arms-sale-for-jobs. The coalition ran full-page ads in major newspapers to garner support, and reportedly generated 20,000 letters to Congress and the White House in favor of the sale. McDonnell Douglas even hired a well-respected, high-powered Jewish defense analyst to serve as a bridge to the pro-Israel lobby and to weaken its opposition to the sale.

By the time the sale was finally sent to Congress in September, Congress had been so thoroughly worked over on the jobs issue that only 30 members on the House side went on record opposing the sale.

In the Senate, only Sen. Paul Wellstone was brave enough to even suggest that the decision on the sale should be delayed until early next year, when the decision could be divested of politics and Congress would have adequate time and focus to thoroughly consider the sale. ■

region and to reduce the arms flow into an area that is already very over-militarized."

President Bush, addressing a joint session of Congress a month later, reiterated Baker's points: "It would be tragic if the nations of the Middle East and Persian Gulf were now, in the wake of war, to embark on a new arms race."

Tucked in between their two speeches, however, and on the very day the war ended, the U.S. announced it was selling Egypt 46 new F-16C/D aircraft, bombs and missiles for $1.6 billion. A month later, $900 million of weapons were sold to Saudi Arabia.

And so the pattern has since continued—rhetorical support for arms restraint, followed by sizeable, sometimes massive, arms deals. The net result, since the end of the war over Kuwait, is $26.8 billion of U.S. arms sales to the Middle East alone, and $46.6 billion to the developing world overall (*See box*).

Five Power Arms Transfer Talks

Partly to mitigate the possible consequences of Congressional and international efforts at restraining the global arms trade, on 29 May 1991 President Bush announced a plan for post-war Middle East arms control. Among its points was a call for the largest five arms supplier nations—which are also the Permanent Five members of the U.N. Security Council—to develop guidelines for restraining "destabilizing" arms transfers and technology relevant for weapons of mass destruction to the region.

Responding to this call, the five first met in Paris in early July 1991. At the meeting the group endorsed common goals for the control of nuclear, chemical and biological weapons and ballistic missiles in the Middle East. At their second meeting, 16-17 October of that year in London, voluntary guidelines for "responsible" arms transfers were adopted.

Guidelines Focus On Notification

These guidelines, among other things, include agreement to consider whether sales meet the recipient's legitimate self-defense needs; increase tension in a region or contribute to regional instability; or introduce destabilizing military capabilities into a region. The five nations also agreed to inform each other about transfers to the Mideast of seven types of weapons (tanks, armored combat vehicles, artillery, military aircraft and helicopters, naval vessels and certain missile systems), although the notification process was not finalized.

The guidelines adopted are so subject to interpretation that they are nearly meaningless, and as would be expected, Administration officials have testified that none of the $26 billion in U.S. sales to the region since the war would violate them. Even so, they have not yet been implemented, as consensus on when and how the notification should take place has still not—a year later—been achieved.

Although this was the main issue on the agenda of the group's February and May meetings this year, a mechanism for "meaningful consultation" was not established. The "sticky" point is that China wants to notify the others at the time of delivery, instead of earlier in the process, for example after the agreement to make the sale is concluded.

Selling Big While Negotiating Restraint

The U.S. goal in these talks does not appear to be restraining arms transfers—at least not transfers of U.S. arms.

Defending sales of unprecedented amounts of arms to the region while engaging in these discussions, former Assistant Secretary of State Richard Clarke explained in the summer of 1991:

"It is not U.S. arms transfers that have been the problem in the Middle East's becoming over-armed and falling into

Foreign Military Sales to Third World Countries Cleared by Congress Since the End of Desert Storm

28 February 91	$1.6 billion	Egypt
22 March	$919 million	Saudi Arabia
22 March	$350 million	Israel
25 April	$33 million	Turkey
31 May	$65 million	Israel
11 June	$150 million	Bahrain
11 June	$682 million	UAE
11 July	$473 million	Saudi Arabia
19 July	$150 million	Oman
19 July	$250 million	Morocco
19 July	$146 million	Egypt
23 July	$2.8 billion	Turkey
24 July	$365 million	Saudi Arabia
16 September	$70 million	Egypt
17 September	$350 million	Kuwait
19 September	$70 million	Turkey
14 November	$60 million	Turkey
5 December	$3.3 billion	Saudi Arabia
11 March 92	$28 million	Turkey
26 March	$1.5 billion	Turkey
31 March	$2.5 billion	Kuwait
7 April	$28 million	Egypt
2 June	$1.88 billion	Saudi Arabia
14 September	$9 billion	Saudi Arabia
21 September	$17 million	Turkey
EST. Subtotal	**$26.786 B**	**MIDDLE EAST**
8 July 91	$5 billion	South Korea
19 July	$34 million	Brazil
25 July	$55 million	Taiwan
16 September	$119 million	Taiwan
17 September	$547 million	Thailand
17 September	$117 million	South Korea
19 September	$120 million	Greece
1 November	$605 million	Greece
25-27 May 92	$58 million	South Korea
28 May	$426 million	Taiwan
28 July	$997 million	South Korea
4 August	$3.94 million	Taiwan
14 September	$5.8 billion	Taiwan
18 September	$1.8 billion	Greece
21 September	$161 million	Taiwan
EST. TOTAL	**$46.565 B**	**THIRD WORLD**

wars. Patriots to Israel, AWACS to Saudi Arabia, M-60s to Egypt, F-16s to Bahrain, I-Hawks to the UAE. They have not been the problem. No Middle East state with which the United States had an on-going military relationship at the time has been an aggressor. It was not Kuwait that invaded Iraq. It was not Tunisia that attacked Libya. We have such relations with Morocco, Tunisia, Egypt, Israel, Jordan, Kuwait, Bahrain, Saudi Arabia, and Oman. They are not the problem. . . . "

Rather than seek to limit arms to the region, the Bush Administration has basically sought through the talks to export to the other four sellers the American way of publicly conducting arms sales. While this transparency gives a clearer view of the situation, it does not lessen the flow of weaponry to the Middle East. Ironically, China, which has been in many ways the most recalcitrant of the participants in terms of openness, is the only one that has even suggested real reductions in the trade.

Future of Talks in Doubt

Now, even the continuation of the talks is in doubt. The next meeting, which had initially been scheduled for September and then for December, in Moscow, has been postponed. And, in response to the Bush Administration's decision to sell Taiwan 150 F-16 aircraft in September, China announced it was withdrawing from the next round, if not the entire process.

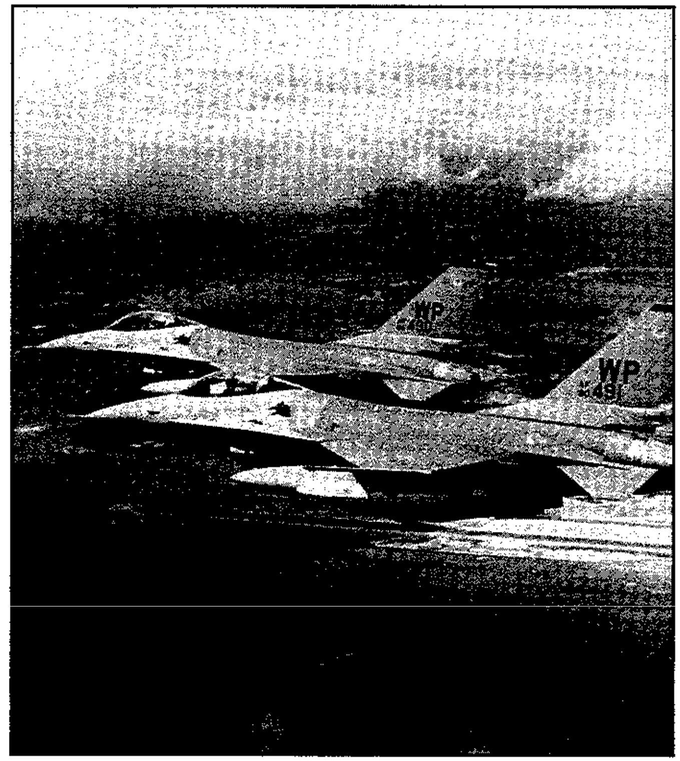
The Chinese say this sale contravenes a 1982 Sino-American accord in which the United States promised "that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan."

This nearly $6 billion deal not only contravenes the accord by dwarfing the highest single-year sales figure of $800 million, it comes close to equalling the ten-year total of U.S. arms sales to Taiwan.

Global Overcapacity In Arms Production

The reluctance of the United States and other suppliers to limit arms sales is due to several factors. Lingering Cold War strategic rationales for arms sales—the need to "maintain influence," "reward" allies and maintain military basing rights— still play an important role. But economic imperatives—the desire to preserve jobs, maintain an arms industrial base and garner hard currency—have clearly taken on greater importance in all countries' arms sales decision-making.

A tremendous glut in global arms productive capacity exists. The dramatic reduction in East-West tensions and the cessation of several U.S.-Soviet proxy wars, coupled with the fact that more countries are producing their own weapons, have conspired to create a buyer's market at the arms bazaar. The decrease in domestic arms procurement by the United States and its NATO allies is forcing the over-abundant industries in Europe and America to rely more heavily on overseas sales to stay in business—or at least to keep certain production lines open.



The F-16 tactical fighter aircraft is manufactured by General Dynamics. In July, the Bush Administration sold 120 of these craft, as well as the technology to produce them, to South Korea. In September, the Administration approved the sale of 150 to Taiwan. Now, South Korea, Turkey, Japan and The Netherlands produce the F-16 under license.

Similarly, the demise of the Warsaw Pact and the Soviet Union, and the reduction in East European and former-Soviet domestic weapons consumption has resulted in another source of surplus arms and arms production capacity.

Third World Industry Adds To Glut

In addition, several developing countries are producing and exporting weapons, competing with the Americans, Russians, West European and Chinese for a piece of the pie. All told, more than 30 developing states have now acquired some indigenous arms production capabilities. Due to the demand generated by the eight-year Iran-Iraq war, the emerging export industries of Brazil, Iraq, Israel, and North and South Korea blossomed. But, with the end of that war and resolution of other long-running regional conflicts since then, these nascent industries are now severely depressed.

The marketshare in arms exports held by developing countries peaked in 1988 at 12 percent and has since declined to less than 10 percent, mainly comprising sales of small arms, artillery, mortars, armored personnel carriers, and some light aircraft. Sales by developing countries will continue to account for a minimal portion of the export market, but they do not and cannot afford to produce the big ticket items which only the Big Five suppliers produce.

A noteworthy trend in this regard, though, is the requirement by more and more developing countries that

Stop Selling the Store

Enactment of a global ban on co-production and licensed production arms deals with the Third World would be a meaningful step, and one on which Congress and the Administration could likely agree.

Almost all of the already-established Third World arms industries were developed through co-production and licensed production arrangements with arms industry from developed countries. Once a country achieves the "know how" to produce a weapon system, that country will first fulfill its domestic requirements and then seek entry to the export market.

Aside from the obvious increase in the amount of weaponry and competition this produces, an expanded base of weapons producers has another down side—it reduces what leverage the seller may exercise over the recipient's use or non-use of the weapons sold.

Withholding parts, servicing or ammunition becomes less effective as a control mechanism when there is a choice of producers of the same or very similar product. Additionally, arms control is made significantly more difficult the more suppliers there are. Coordinating and enforcing arms embargoes become harder tasks.

Currently, United States law, as codified in the Arms Export Control Act, encourages the transfer of military production technology to NATO and "major Non-NATO allies." Moreover, this law treats transfer of military production technology to developing countries no differently than a sale of armaments: it merely requires that Congress be notified of the transaction and given thirty days within which to contest the arrangement.

Although these deals do not serve U.S. industry's long-term interests because they create future competition, as long as some countries demand such technology and other countries will provide it if the U.S. does not, American industry will subjugate its long-term interests to short-term profits to make the sale.

Such a ban would take steam out of the argument often made by the U.S. industry that if it refuses to sell, countries who want the weapons will develop an arms industry of their own. Given the huge R&D costs for major weapons systems, it would be unlikely that many countries would or could acquire such an indigenous capability, except by licensing fully developed technology from other countries.

Thus, a co-production/licensed production ban should not apply only to the Big Five suppliers (U.S., Great Britain, China, France and Russia), but to other European suppliers, like Germany, Italy, Spain. ■

weapons purchases be accompanied by some technology transfer component in order to assist in the creation of an indigenous arms industry. "Offsets," the means by which these technology transfers occur, are the sweeteners arms manufacturers use to induce foreign buyers to choose their product over their competitor's product.

There are several types of offset agreements: licensed production, co-production, or subcontractor production arrangements; promises of overseas investment or technology transfer; and counter-trade, where there is a pledge to purchase some amount of the recipient country's product.

The U.S. sale of 120 F-16 fighter-aircraft to South Korea last year is an example of the use of offsets to build a domestic industry. Under the agreement, twelve of the aircraft will be sold directly off the shelf, 36 will be shipped in pieces to Korea for final assembly there, and 72 will be built under license by a Korean aerospace company.

Arms co-production is most likely to be demanded by "Asian tigers" like South Korea, Taiwan and Singapore, which have highly skilled work forces and an industrial infrastructure. Once a country that is granted a license fulfills its domestic requirement for the weapon being produced, it will want to market the product— aircraft, tank or whatever—to other countries. Since the licensing country will, inevitably, not be able to control sales by the industries they have helped establish, weapons proliferation concerns are magnified, while the "save the jobs" justification for the sale flounders.

Many of these deals also lead to a loss of *commercial* technological advantage. As Senator Alan Dixon, a critic of the South Korean fighter deal, said, "This [deal] is a first step to our once again surrendering U.S. technology and expertise to be used in competition against us."

Conversion Is Key To Controlling U.S. Sales

This global over-capacity in arms production is taking its toll, and at the same time taking some countries in new directions.

A reduction in arms purchases by developing countries in 1988-1989—due in large part to the winding down of the Iran-Iraq war, a decrease in Soviet subsidies for arms purchases and the saturation of the market—has compelled arms manufacturers in some countries to diversify their production to include more civilian products.

Other countries, namely the new East European democracies, have sought to enact restrictive arms export policies on moral grounds and, thus, are striving to convert their rather sizeable weapons production capacity into civilian manufacturing. Russia, too, has major efforts underway to change a good many of its weapons production complexes into facilities for the production of badly needed civilian goods. These efforts are painful and costly, and are not proceeding as expeditiously as might be hoped.

In the United States, some sectors of the defense industry (especially subcontractors) have come face to face with marketplace realities and are diversifying. Many of the prime contractors however, remain steadfastly on Cold War footing and are trying to avoid conversion. They say that other industries they might move into are already saturated, and few can promise the historical profits realized in arms sales. Moreover, years of doing business only with the Pentagon have not encouraged many of these companies to be particularly cost competitive.

In February, the Congressional Budget Office and the Office of Technology Assessment released studies on the economic consequences of down-sizing Pentagon budgets.

The CBO report found, not surprisingly, that Pentagon budget cuts will hurt the nation's short-term economic recovery—possibly resulting in the loss of 600,000 military-industry jobs—but strengthen the economy over the longer haul.

The OTA report asserted that while Pentagon cuts will hit the defense community hard, the impact on the economy as a whole will be minimal. In 1991, it noted, arms industry jobs accounted for one-fifth of one percent of the 119 million jobs in this country. Deep DOD cuts will not cripple the economy, provided that some of the resultant savings are spent to assist affected workers and communities, it said.

In 1990 Congress appropriated $200 million in the DOD funding bill to ease and assist conversion efforts. However, this money was not fully utilized by the Pentagon, because of internal, Executive-Branch opposition to Congressionally mandated conversion. The Bush Administration even sought to shut down the Department of Labor office responsible for overseeing and dispersing the funds.

In this year's Pentagon bill, $1.5 billion was authorized for personnel retraining, industrial reinvestment, and community adjustment programs.

Industry Lobby Effective With Bush Administration

Instead of playing a proactive role in conversion and global arms sales restraint, the Bush Administration during and since the Gulf War aggressively *supported* U.S. arms sales abroad.

Even though arms industry jobs account for a very small percentage of the total jobs in this country, the arms industry lobby has been extremely effective in exploiting the jobs factor to obtain increased assistance in arms export promotion. Among the changes it has sought and achieved is increased Pentagon involvement at international marketing expositions.

In 1991 the Pentagon implemented a policy of loaning the manufacturers Pentagon-owned aircraft and, in some instances, personnel for marketing display at shows. At the Paris Air Show in June of that year, the Pentagon flew in a stealth fighter, A-10 "Warthog" tank attack planes, F-15 fighter-bombers, F-16 fighters, Apache gunship helicopters and Patriot tactical anti-missile systems to name a few, with battle-hardened pilots standing by to tout the various systems' virtues in battle.

"Hands Off" on "Offsets"

Industry has also succeeded in getting the White House to adopt a "hands-off" approach by the White House to regulating "offsets"— the side deals that arms sellers must make in order to cement a deal in today's buyers' market. This means that more arms production technology—the offset of choice—is going overseas, as well as the weapons. They have also received from the Bush Administration a repeal of some recoupment fees, charges included in the price of foreign military sales for recovering a portion of the tax-payer funded research and development costs.

Overseas assistance in marketing weapons was stepped up with a memo by Under Secretary of State Lawrence Eagleburger to U.S. embassies in July 1990 and subsequent "Eagleburgergrams," urging embassy personnel to assist industry in making arms sales. And, in a subtle and seemingly innocent show of support for industry aims, the Administration has changed the name of the State Department arms licensing bureau from the Office of Munitions Control to the much less restrictive sounding Center for Defense Trade.

Congress, too, has been lobbied heavily—and effectively—with industry using the jobs argument to gain Con-

Arms Industry Wish List

Arms industry lobbyists are seeking to have weapons sales treated the same as sales of any non-military product. A paper issued by the Aerospace Industries Association in May of this year ("Maintaining an Internationally Competitive Aerospace Industry") recommended the following steps, among others, should be taken to help U.S. military industries' grab a greater share of the shrinking world arms market.

• The Executive Branch and/or DOD should review all current regulations and practices regarding arms exports. "Such a review would have as its objective the elimination of impediments to sales of defense products and the support of defense exports on an equal basis with all other exports, when such sales were deemed consistent with U.S. foreign policy and security objectives."

A clear directive should be issued from the White House stating that "it is the job of all U.S. government senior executives, inducing military and diplomatic personnel, to support U.S. exports, when such exports do not conflict with U.S. policy objectives."

• A new loan guarantee facility should be established specifically for weapons sales.

• Pentagon policy should allow ***commercial*** interests to be considered when deciding on government participation at international arms marketing shows.

• "Economic impact" reports, describing among other things the impact on U.S. jobs, should be prepared each time the government decides to impose unilateral export controls on the sale of weapons or weapons-use technologies to countries for foreign policy purposes. ■

gressional support for initiatives when necessary and to approve specific arms sales (*See* F-15 Sale, page 5).

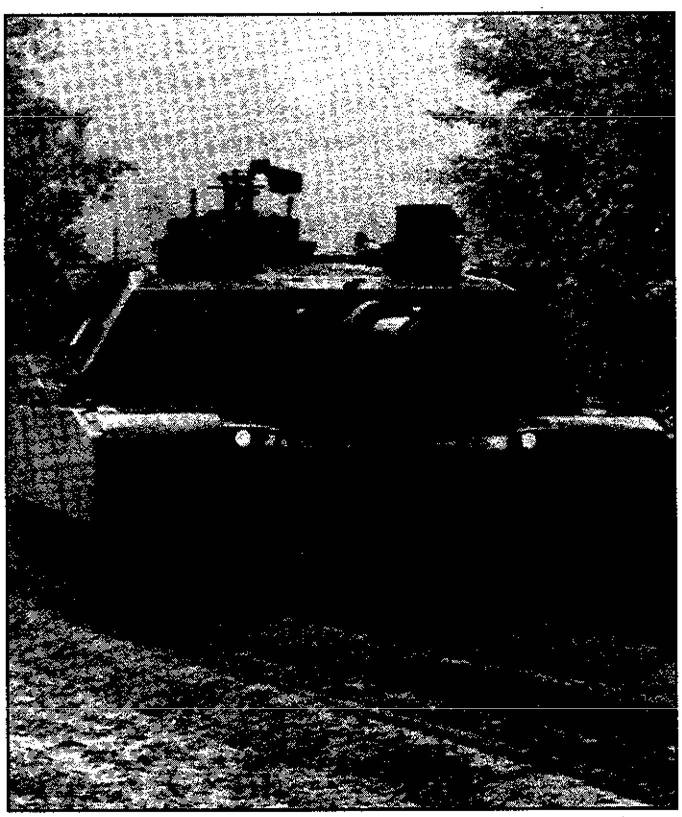
Third World Instability Is The Threat

The worst feature of the Administration's particular brand of arms control (controlling as much of the market as possible) is that, now that the "evil empire" is gone, global arms sales policies are being used to justify spending in the next year a chunk of the $270 billion military budget on next generation weapons.

Defense Secretary Richard Cheney testified in early 1991 that the Department's focus had shifted from the need to counter the Soviet threat toward regional threats. U.S. arms sales, and our lack of effort to restrain those made by our allies, perpetuate Third World arms races and instability, creating these new "threats."

The Director of Naval Intelligence, Rear Admiral Thomas A. Brooks, testified in early 1991 that the "global proliferation of ever more lethal military hardware continues to make the Navy's role of protecting U.S. interests abroad more dangerous and complex. Sophisticated weapons and delivery systems are being transferred to and/or developed by Third World states that are proving increasingly able to use them effectively. These are not just weapons of mass destruction but are also medium-and high-technology systems, usually of Western manufacture."

Given that there is no consensus among the arms selling states on which countries are "irresponsible", and given the fact that the U.S. is selling arms at record-breaking levels, sales by the other major suppliers to Syria, Iran, Pakistan and other states of concern will continue. (Countries out of favor with the U.S. are the only markets left open to the other major suppliers, many of which face political and economic pressures to sell weapons much more severe than those encountered by the U.S.)



The M1-A1 is currently the top-of-the-line main battle tank deployed with the U.S. Army. Over 300 of the next generation of "Abrams" tanks (the M1-A2), although not yet built or deployed with U.S. forces, have been sold to Saudi Arabia.

Only if the U.S. shows some restraint can it credibly ask that other countries slow or stop their arms sales to these countries. Andre Kokoshin, a high-ranking Russian military official, said of Russia's decision to continue arms sales in 1992 "I think if other countries would have started reducing arms deliveries, this would have had some effect, but it turned out that most democratic countries are not stopping arms sales, but increasing them."

Recognizing this dilemma, Secretary of State Baker testified in February "It's very hard, of course, for us to say to these countries [Russia and East European], 'You cannot sell conventional weapons,' if we ourselves want to retain the right to sell conventional weaponry. And to some extent, we do want to retain that right. . . . "

The U.S.: An Arms Export Powerhouse

In 1991, according to an annual Congressional Research Service report on arms transfers to the Third World, the U.S. moved way out in front. Although U.S. foreign military sales agreements—deals brokered by the Pentagon—fell from a record $19.1 billion in 1990 to $14.2 billion in 1991, they still represented over 57 percent of all sales to the Third World.

Foreign military sales to Turkey and Greece, amounting to $3.6 billion in 1991, are excluded from this figure, because those countries are not considered part of the "Third World." Direct commercial sales from industry to foreign governments (but still licensed by the State Department) are also excluded. According to the *Congressional Record* of 24 January 92, a total of $12.6 billion in licenses for commercial arms exports to the Third World were granted in FY91.

Business for U.S. arms merchants continues to be brisk. If all sales sent to Congress for consideration this year are finalized, the U.S. will have made $22.671 billion in government-sponsored deals to the Third World alone in 1992.

Russian And Chinese Marketing Over-played

A feared "fire sale" of former-Soviet arms is often played up as a reason why arms sales control can't work. But Soviet sales fell from $11.8 billion in 1990 to $5 billion last year—only a 20-percent market share with Iran and China their largest buyers. More recently, the sale by Russia of 24 Su-27 fighters to China was used by the Bush Administration and members of Congress as justification for the U.S. sale of 150 F-16 fighters to Taiwan in September. Other recent Russian sales have included advanced Russian fighter aircraft, surface-to-air missiles and 3 diesel submarines to Iran.

The Russian government has said that it intends to continue selling weapons in order to garner hard currency for use in converting more of its over-sized armament industrial complex into desperately-needed civilian goods. As such, they have initiated an aggressive marketing plan: showing off their top-of-the-line equipment, such as Tu-22M "Backfire" bombers, at Western arms bazaars and marketing their weapons to former adversaries.

There are, however, several countervailing forces that make large-scale Russian weapons sales unlikely: stiff competition in a shrinking world arms market, inability to provide credit or financing for arms sales, a perception that Soviet-made weapons performed poorly in the Gulf War, and the collapse of the former centralized arms sales bureaucracy.

China, too, is used by opponents of conventional arms control as an example of why it can't work. Often cited as being the "rogue elephant" of the international arms trade, China is said to be unstoppable in pursuit of hard currency and influence. The facts do not support this viewpoint. In 1991, China sold less than $300 million worth of arms (1 percent of the trade), falling from the third-ranked sales position in 1990 to eighth in 1991. Beijing was also the 6th largest arms *importer* in 1991, buying $1 billion of weapons, mostly from the Soviet Union.

European Sales Turn Downward In Volume

At $2.8 billion in sales, the four largest European suppliers (France, Britain, Germany and Italy) together accounted for just over 11 percent of all sales made to the Third World in 1991. French sales declined precipitously from $3.3 billion in 1990 to $400 million in 1991.

Dassault, France's largest aerospace company, has not made a foreign military aircraft sale in six years. Britain's sales increased slightly from $1.8 to $2 billion, making the U.K. the third largest seller in 1991. Germany went from $315 million to $400 million in sales, and Italy fell from $200 million in 1990 to "virtually nil" in 1991.

In the past, ideological competition with the U.S.S.R. drove most U.S. Third World arms sales. Now it is primarily business competition with these European arms suppliers. The mantra "if we don't sell, someone else (read Britain or France) will" can be heard all over Capitol Hill and throughout the State Department and Pentagon. Rather than testing this platitude through the P-5 process, ostensibly set up to do just that, the Bush Administration accepted it as truth. Pitted against the U.S. for sales, particularly to the wealthy Persian Gulf countries, European industry is not faring well.

The Long Legs of Uncle Sam

Global Outreach: The U.S. Military Presence Overseas, prepared by the Congressional Arms Control and Foreign Policy Caucus, notes that almost two-thirds of the governments with which the U.S. has military access agreements are non-democratic. And more than half of them have repressive human rights records, according to the State Department's annual human rights reports and CIA analyses. The compilation also shows that countries providing the U.S. with base and other access rights accounted for 85 percent of all U.S. arms sales in a five-year period. At the same time, military aid grants to countries providing such access currently total $1.4 billion per year.

In the past two years, the U.S. has stepped up military relations—*i.e.*, pre-positioning, training exercises, arms exports—with all regions of the world.

Sizeable arms sales are under negotiation with Chile and Argentina for the first time in several years, and military aid for the "drug wars" in Peru, Bolivia and Colombia is climbing. Restrictions on U.S. arms sales to several East European countries—Poland, Hungary, Czechoslovakia—have been lifted within the past year, and these former Warsaw Pact countries are now looking at American weapons. Military training exercises in Sub-Saharan Africa have increased in the past year, causing some alarm in Congress.

Sales Lead To U.S. Involvement

But, by far, the area of the greatest sales and military training activity is the Persian Gulf. Since the war, U.S. military ties to the Gulf Cooperation Council (GCC) states—Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar and Oman—have increased dramatically. The U.S. signed a 10-year defense cooperation agreement with Kuwait last September and with Bahrain last October, each allowing U.S. access to military facilities and pre-positioning of military equipment.

In June 1992, the U.S. signed a similar 20-year defense cooperation agreement with Qatar, and the government already has a long-standing pre-positioning agreement with Oman. The U.S. is now discussing with the United Arab Emirates and Saudi Arabia access to host military facilities and permission for pre-positioning U.S. military equipment on their soil.

These military cooperation agreements help ensure markets for U.S. military equipment. Most recently, a travelling road show of U.S. M1A2 Abrams main battle tanks and their companion Bradley Infantry Fighting Vehicles (IFV) toured the Persian Gulf. They were pitted in a sales war against the British Challenger 2 tank/Desert Warrior IFV duo for the lucrative United Arab Emirates and Kuwaiti markets. High-ranking Pentagon brass, such as Army Chief Michael Stone and Secretary of Defense Richard Cheney, even showed up in the region to stump for the Abrams/Bradley combo.

Since the war, $20 billion of U.S. weapons sales have fattened corporate income statements. But while these agreements might mean money to the defense contractors, they are not without cost and danger to the U.S. Not only do they mean that the U.S. is more likely to be involved in a future war in the region, but in August two U.S. Marines were killed when their Cobra helicopter crashed during military exercises in Kuwait. The following week, a U.S. Navy Harrier jet fighter crashed in the exercises, killing its pilot. They were taking part in nearly month-long military exercises called (in inimitable Pentagonese) operations "Intrinsic Action," "Eager Mace" and "Native Fury."

What is the goal of this massive military interface? Not defensive self-sufficiency: these countries are too small demographically to defend against their larger neighbors. Rather, these weapons and training exercises are designed to allow Kuwait, Saudi Arabia, *et al.* to stave off an invasion by Iraq or Iran until help—the U.S.—can arrive.

However, given that the U.S. just made clear its resolve to come to the aid of its Gulf allies, with whom defense relations were less formalized at the time of the Iraqi invasion of Kuwait, it is very difficult to imagine either Iran or Iraq fool-hardy enough to invade. On the other hand, this arming and large U.S. presence is certain to heighten Iran's perceptions of insecurity, causing it to seek more arms.

Dramatic Saudi Arms Build-up

In 1991, Saudi Arabia contracted to buy $7.8 billion of weapons, the highest dollar volume of all Third World countries. $5.6 billion of that total was from the U.S. During 1984-1991, the Saudi kingdom was by far the largest overall importer, purchasing $67.7 billion of arms.

Since August 1990, the Administration has notified Congress of $25.68 billion of weapons sales it planned for the Saudis. These are top-of-the-line systems, many of which were used by the U.S. in "Operation Desert Storm." Among them: F-15 C/D and E aircraft, Apache attack helicopters, Patriot anti-missile systems, Stinger shoulder launched anti-aircraft missiles, TOW II anti-tank missiles, Bradley Fighting vehicles, Multiple Launch Rocket systems, "Humvee" infantry combat vehicles, cluster bombs, iron bombs, "Hellfire" missiles, etc. Some of the weapons sold to Saudi Arabia, such as the MIA2 main battle tank, have not yet even been fielded with U.S. forces.

By comparison, Iran, which was identified by Assistant Secretary of State Edward Djerjian in June as being "in pursuit of a destabilizing arms build-up," was the fourth largest arms importer in 1991, buying only $1.9 billion of arms. Over the seven-year period 1984-1991, Iran purchased less than $20 billion of second-rate weapons, mostly from China. □

—Lora Lumpe

Saudi Arabia: Another Iran?

Opposition to massive Saudi arms sales has been raised on many grounds, in addition to arms control. For example:

- Saudi Arabia is not a democracy.
- Amnesty International, and even the State Department's human rights reports have noted abuses in Saudi Arabia against infidels, women and resident aliens, as well as against some U.S. citizens.
- Fourteen commercial disputes with American businesses, valued at nearly $1 billion, remain unresolved.
- Saudi Arabia remains in a nominal state of war against Israel.
- Saudi Arabia participates in the economic boycott against Israel and against companies doing business with Israel.
- Saudi Arabia deported second and third generation Saudis of Yemeni descent during the war in retaliation for Yemen's opposition in the U.N. Security Council to the war.
- Saudi Arabia has border disputes with Yemen, Iraq and Qatar.
- Strong anti-West (and anti-American) attitudes persist among the Islamic jurists and the conservative wing of the royal family. ■

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