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Testimony of Anne H. Cahn, Director, the  
Committee for National Security

Unlike its predecessor, the Reagan Administration contends that the United States should place heavy emphasis on arms transfers as a foreign policy instrument. According to James Buckley, former Undersecretary of State for Security Assistance, "Security Assistance is the most cost-efficient investment we can make both to meet the challenges of today and to enhance the prospects for a safer future." As a consequence of increasing security assistance, the Administration hopes to: promote peaceful solutions to regional rivalries; assure access to military facilities and strategic raw materials; confront military threats from the Soviet Union and its "proxies;" revitalize American alliances; and boost American defense production capabilities. In addition, the Administration expects increased arms sales to result in a more favorable balance of payments, higher employment, and greater economies of scale in weapons procurement, which would result in lower unit costs.

Despite the Administration's high hopes, increased transfers of conventional weapons, however, will not necessarily expand the influence of the United States, nor will the military and strategic benefits always be realized. To evaluate the impact of arms transfers, policy makers must understand that recipient nations will always follow their own national interests and these may not be congruent with those of the US. As a result, the United States does not always acquire influence through arms sales, and the strategic and military impact of security is difficult to predict. In fact, arms transfers to the Third World may exacerbate tensions in a region instead of deterring aggression. Furthermore, arms transfers may contribute to internal tensions, thereby contributing more to instability than to stability.

Although arms transfers appear to be viable solutions to friendly regimes beset with growing internal dissent or aggression from neighbors, and in the short run may boost US national security, their impact is unpredictable in many cases. Because most arms transfers are cash sales, recipients do not always feel obligated to heed the wishes of the supplier, be it the United States or the Soviet Union. For example, shortly after Congress approved the

AWACS sale, Saudi Arabia raised the price of oil, condemned Oman for permitting US military equipment to be based there, and resumed diplomatic relations with Libya. The Soviet Union has also experienced difficulties with major clients. China, Egypt, Somalia, and Indonesia have not only sought to restrict Soviet influence, they have rejected ties with the Soviet Union despite or possibly even because of massive doses of Soviet security assistance to each country. In addition, states compete for leading roles within their own regions; as a result, they may not wish to be too closely tied to either of the superpowers.

Besides seeking to maximize influence, the United States also desires to bolster political ties with friendly regimes. In addition to military sales, the US provides International Military Educational Training, which is designed to foster long-range cooperative relationships with military and civilian leaders. Although these leaders are exposed to American values, their decisions, once they return, will not necessarily reflect the beliefs to which they have been exposed; rather, they will be influenced by factors such as their nation's role as a regional actor, rivalry with other states, strengthening their own domestic power base, and their cultural heritage.

In the past, the United States has relied on security assistance to support the stability of friendly regimes faced with internal opposition. By overemphasizing arms transfers, the US may overlook several processes which will minimize its influence and destabilize the political setting of the recipient state. For example, as a Third World nation begins to develop, the expectations of the population for economic and social advancement escalate. Also a fundamentalist reaction to a change in cultural values resulting from rapid economic development may arise. Unless the recipient state develops the capacity to meet a controlled level of demands and expectations, and the political system provides the framework for the aggregation of demands, the regime is likely to experience growing internal instability.

Often arms transfers are justified as symbols of friendship and reliability. Difficulties arise, however, when the US arms two rivals. For instance, in the Anglo-Argentine conflict over the Falkland Islands, the US had to choose between two states, both of which it had been supplying with arms. Earlier examples are India-Pakistan and Israel-Jordan.

The question of who derives political influence over whom from an arms transaction is a complicated one. The relationship is neither linear nor uni-directional. That is to say, the amount of influence does not necessarily increase with the size of the transaction nor does the influence necessarily flow from supplier over the recipient. Many variables can intervene. The following matrix illustrates some of them:

| Supplier's influence is maximized when the recipient:   | Recipient's influence is maximized when the recipient:  |
|---|---|
| <p>Has no alternate sources of supply.....</p> <p>Cannot pay for the arms.....<br/>Is a "pariah" state within the international community.</p> <p>Has no indigenous weapons-production capability.</p> <p>Does not occupy a strategic geographic position.</p> <p>Has a small storage capacity for spare parts.</p> <p>Perceives a real threat to its national survival.</p> <p>Does not possess scarce unsubstitutable raw materials.</p> <p>Requires supplier personnel for weapons maintenance and training.</p> <p>Perceives that receiving arms from supplier is particularly prestigious.</p> <p>Has such a strong ideological orientation that switching suppliers is precluded.</p> | <p>Has multiple sources of supply, especially cross-bloc.</p> <p>Can pay cash.<br/>Has multiple diplomatic and cultural relations within the international community.</p> <p>Can produce weapons indigenously.</p> <p>Occupies a strategic geographic position.</p> <p>Has ample storage capacity for spare parts.</p> <p>Does not perceive a real threat to its national survival.</p> <p>Possesses scarce unsubstitutable raw materials.</p> <p>Has sufficient technically trained indigenous personnel.</p> <p>Perceives that the seller's prestige is "on the line."</p> <p>Is ideologically unhindered in switching suppliers.</p> |

These variables are not presented in rank order nor are they mutually exclusive; indeed several are interrelated. The pariah state syndrome -- the diplomatic isolation of Israel or South Korea -- is intimately connected with the non-availability of alternate sources of arms.

In determining whether an arms transfer agreement will promote national security, the Executive Branch must evaluate the military and strategic effects of such a sale. The current Administration, contending that the Soviet Union has delivered substantially greater numbers of weapons to the Third World than the US has, insists that weapons are a significant factor for countering threats

of aggression from the Soviet Union and its client states. In cases in which a client of the Soviet Union clearly confronts a friend of the US, arms transfers has served to deter aggression as well as provide the friendly ally with the means to preserve its territorial integrity and sovereignty; examples are South Korea, Thailand, and Sudan. There are other instances in which friends of the US feel threatened, but the threat is either not as ominous or there are other variables which complicate the situation. For example, Saudi Arabia may perceive a threat from Iran or from South Yemen, yet aid to this conservative Arab state alarms Israel.

Because there are a few instances in which a friend of the US is challenged by a Soviet client state, the Administration, when assessing the security implications of security assistance, should also consider the situation from a perspective which does not stress conflict in a bipolar context. A notable example of failure to do so is the agreement to sell Venezuela twenty-four F-16s. This deal represents the introduction of highly advanced aircraft into Latin America. Although Cuba may pose a threat to Venezuela, the nature of the threat does not warrant such sophisticated aircraft. Besides possibly provoking a Cuban response, the sale heightens tensions with other South American states such as Guyana and Colombia. Other Latin American nations will now also desire sophisticated weaponry, and the United States, wishing to be viewed as a reliable ally, may feel compelled to make available advanced armaments to other nations in the region. Thus, in attempts to achieve regional stability through a balance of power, arms transfers may actually produce undesirable consequences.

In addition to seeking regional balances of power, the United States employs security assistance as an instrument to secure strategic access to military and intelligence facilities. In return for a transfer agreement, the recipient may grant the privilege of overflight, permanent military facilities, and sites for repair and refueling, as well as facilities for satellite tracking, submarine detection, nuclear test detection, and navigational aid systems. The right to use these facilities may be withdrawn, however, or restrictions may be placed on their use. For instance, many nations refused bases on their territory to be used during the 1973 airlift of supplies to Israel. Because arms transfers do not guarantee access to facilities, the influence and leverage on arms suppliers seeking access is diminished.

At times the U.S. has deemed the sale of advanced weaponry necessary for its national security. Because of the nature of these arms, such transfers entail high risks because they could potentially be used against the U.S. as well as against our friends and allies. The proliferation of advanced conventional weaponry increases the likelihood that the Soviet Union will obtain the technology and perfect counter-measures. Recent examples are the compromised F-14s with their Phoenix missiles and the AWACS in Iran. Despite these known risks, the U.S. continues to expand the sale of highly advanced weapons systems. For instance, the U.S. agreed to sell F-16s to Venezuela, Pakistan, and South Korea. In

addition, it has concluded with Saudi Arabia an agreement including the sale of AWACS aircraft and Sidewinder missiles.

If not carefully monitored, the sale of sophisticated weapons may reduce the preparedness of U.S. forces. For instance, from the second quarter of 1982 to the last quarter of 1984, the U.S. will have diverted forty F-16s from its own Air Force to the Egyptian armed forces. Furthermore, the transfer of F-16s to Venezuela and Pakistan will follow an accelerated delivery schedule, thus aggravating U.S. inventory shortages. Besides depleting stocks of U.S. equipment, arms transfers may reduce the pool of trained technicians who are competent in advanced avionics who can provide logistical support for advanced armaments. Further, the presence of U.S. technicians in volatile regions entails some risks because they may be an unintended "trip-wire."

Besides arguing that security assistance remains vital to national security, the Reagan Administration believes that it helps the economy as well. In 1982, National Security Advisor William Clark asserted, "Not only does security assistance offer a cost-effective way of enhancing our security world wide, but it also strengthens our economy in general and our defense production base in particular." Arms sales, therefore, are seen as instrumental in enhancing defense production capability and efficiency as well as alleviating some of the costs for research and development. The Administration argues that armaments exports decrease the balance of payments deficits and provides jobs, but any exports of U.S. products reduce the balance of payments deficits and arms production is primarily capital intensive rather than labor intensive. Thus, per billion dollar of federal expenditures, arms transfers are not good job generators. Moreover, economic criteria should never be the primary consideration in arms transfers. The critical criteria for arms transfers should always be whether they will bolster U.S. national security.

Arms sales may mitigate balance of payments deficits, yet the consequences of these transfers may adversely affect national security. If more stringent criteria were established to determine the feasibility of the sale of military equipment, arms exports might decline, yet this reduction in trade would hardly produce devastating effects on the economy because arms comprise only a small portion of exports. In the short run, arms exports may increase employment in defense industries; however, the overall level of employment will not be significantly affected. As arms exports increase, the dollar is likely to be strengthened relative to other currencies. This appreciation of the exchange rate could lead to a decline in the export of civilian goods and thus to a reduction in employment in nondefense industries. Because the U.S. has targeted a greater portion of its security assistance programs to Third World nations experiencing severe economic problems, the United States faces the risk of these countries being unable to pay for the advanced weapons. Instead of refusing to sell, however, the U.S. has been willing to forgive repayment in some circumstances or at least to grant very generous terms. For instance, in 1983 the U.S.

waived payment of loans to Israel, Egypt and Sudan [sic]\* and offered special repayment terms -- a ten-year grace period followed by a twenty-year repayment period -- to Egypt, Greece, Somalia, Sudan, and Turkey. As a result of these generous agreements, the burden on the U.S. treasury is increased.

Turning now to the recipient countries, military spending may have positive effects on the economies of developing countries. Before a nation can utilize advanced weaponry, it must possess roads, airports, construction equipment, and skilled technicians. If these resources are also used for civilian purposes, they will provide the foundation for the infrastructure of a growing economy. Despite the benefits, recent studies done at MIT, the University of Hamburg and Birkbeck College, University of London, indicate no strong evidence of a positive relationship between military expenditures and growth in developing countries. In the long run, scarce resources such as capital and skilled labor are diverted from the civilian sector. In addition, arms imports soak up the foreign exchange of many developing countries. To pay for these imports, recipient nations must either export crops or raw materials. To export crops, many small farmers are displaced, and arable land is not devoted to producing food to feed the growing urban population. In some cases, co-production does not aid development because the benefits of growth are not distributed. Because military-related industries are capital-intensive and require skilled personnel, very few people in these impoverished countries are eligible to participate in the benefits of growth.

In conclusion, decision-makers should examine closely the political, economic and strategic consequences of security assistance. When evaluating the utility of such an agreement, the Executive Branch must consider that most Third World nations do not share its bipolar view of the world. The regimes of developing countries may face traditional regional rivals, or they may wish to extend their influence in their own region. Consequently, once they have purchased weapons from the U.S. they wish to pursue their own interests independent of the superpowers. Furthermore, arms sales alone will not succeed in balancing power in an unstable region. In fact, it may escalate a regional arms race, heighten tensions between neighbors, divert scarce resources from the fragile economies of developing nations, and lead to confrontation of the superpowers. As an implement of foreign policy, security assistance has a role to play but that role is perhaps better suited to be a supporting actor, rather than the featured player.

\* Forgiven credit to Sudan was appropriated for FY 1982 only.

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Editor's Note: This document represents an increasing effort to reflect in the Journal a variety of views on security assistance and draw more on congressional documents. In this connection, we refer the reader to additional

comments by Congressman Hall on 7 February 1983, when he introduced legislation to limit conventional arms transfers and a resolution to express the sense of Congress urging conventional arms transfer limitation in cooperation with other supplier countries. (Congressional Record, February 7, 1983, pp. H338 - H347; Text of resolution introduced is on p. H347.) Another Congressional document includes the so-called "Byrd Amendment," to ensure more congressional control over US arms transfers. Among its provisions would be the requirement for the full Congress to evaluate, and pass through the full legislative process, all military sales packages valued at more than \$200 million. The Congressional Record, April 14, 1983, pages S4607 - S4610, reports on the bill's introduction and on the recent Congressional Research Service survey of sales to developing countries. Although the bill's life seems not to be very active, its potential is interesting in relation to the 23 June 1983 decision on the "legislative veto." Senator Byrd's proposal pre-dates the decision, but some observers thought the Court's action might strengthen support for the bill as the most effective way for Congress to influence security assistance policy. Again, the goal in reprinting and citing such documents, is to broaden and deepen understanding of US security assistance.

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