

Arms Transfers —the Record So Far

Lucy Wilson Benson

One of the more controversial elements of this administration's foreign policy is, without question, its conventional arms-transfer restraint policy. It was launched four months into the Carter administration and is now well into its second year of implementation.

It is controversial to a number of groups for a number of reasons—and I'll mention just a few:

- *to industry*, which fears the policy is, or will be, discriminatory, inconsistent, and an arbitrary restraint of trade;

- *to much of the defense establishment*, which is concerned about the impact of arms-transfer restrictions on our own and allied security interests;

- *to some members of Congress*, who see the policy as a fraud perpetrated by creative bookkeepers who are allegedly keeping several sets of books;

- *to other members of Congress*, who see arms transfers as an essential and very effective instrument of foreign, economic, and security policy that is being dulled and bent by arms-restraint theologians, and who, moreover, view arms transfers as a matter of considerable economic interest to some important constituents in both labor and industry;

- and, finally, *to some sectors of the public at large* that probably share some, perhaps all, of the above concerns but that probably accept arms-transfer restraint as a generally desirable proposition.

I'd like to share some background and thoughts on arms and foreign policy in the first year and a half of this administration.

President Carter came into office with a commitment to control, and indeed reduce, U.S. participation in the international arms market. The enormous growth of that market following the oil price rise in 1973 and our own dominant position within it had created a sense of public unease in the United States that no incoming administration could ignore.

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At that time, the world trade in arms was running at something over \$20 billion a year and the U.S. was doing about half of this business, much of it in sophisticated aircraft. Moreover, the greatest growth in the market was centered on the most sensitive and unstable area in the world—the Middle East. Three countries in particular—Israel, Iran, and Saudi Arabia—were together buying each year \$6 billion worth of weapons, equipment, and military-related services. Their purchases have constituted about 60 per cent of all U.S. arms transfers over the last several years.

In the public mind, and certainly in the Congress, there was a growing belief that much was amiss, that the United States Government had somehow lost control over the activities of the American arms industry. Many people believed that the government deliberately and unwisely was using arms sales to soak up petrodollars *or* to promote American business *or* to reduce the unit cost of equipment for the U.S. military services—purposes, it seemed then, that had little to do with basic U.S. security or foreign policy objectives. To many it seemed that the long-term consequences of pouring arms into the volatile underdeveloped world were being ignored for the sake of short-term financial benefits. President Carter's campaign promise to change American arms-transfer practices therefore struck a responsive chord.

Almost immediately after his inauguration the president ordered an interagency study of arms-transfer activities. It was a complex study, involving almost a dozen separate agencies of the federal government, each with a special expertise and knowledge to offer—State for foreign policy, Defense for military security, AID for development, ACDA for arms control, Commerce and Treasury for international trade and monetary matters, and so on. There were many competing, but legitimate, interests involved. To reconcile these interests in a coherent policy was a monumental task, but it was accomplished, and in May, 1977, the president publicly announced a new policy based on that study:

- We will sell fewer arms (in dollar value) in 1978 than in 1977 to all except NATO, Japan, Australia, and New Zealand.

- We will apply a number of restrictions on what we sell, how we sell, and to whom we sell.
- We will also try to convince our competitors in the arms market to do likewise.

The president's new policy was ambitious. It was also feasible. It responded to an obvious and long overdue requirement to lay out a comprehensive and coherent policy for an activity that had never had one.

It has been my principal responsibility to organize the governmental effort to carry out the provisions laid down by the president. All told, there are ten separate agencies represented on the Arms Export Control Board, the interagency group that is the focus of our arms-transfer policy deliberations. Its most important task at the outset was to set up the mechanism necessary to carry out the new policy. Through the Arms Export Control Board we have, among other things, written new regulations and defined some critical terms (for example, how do we define "arms," and what constitutes an "arms transfer"?). It has also developed new interagency review and clearance procedures, provided new guidelines to industry and U.S. Government officials for dealing with foreign governments on arms-transfer matters, and established a management system to insure that the dollar volume ceiling and the other controls established by the president's policy are enforced. This has proven a time-consuming task, but the system has been in operation now for more than a full fiscal year—and it is working well. Let's look at some of the details of the policy.

The president promised in February, 1978, that in FY '78 he would reduce by 8 per cent below the previous year the dollar volume of all arms transfers to all countries except NATO, Japan, Australia, and New Zealand. In 1977 the total was \$9.3 billion, so with an 8 per cent reduction the new ceiling was set at \$8.55 billion. The fiscal year ended September 30, 1978, and we came in under the ceiling as promised: The FY '78 total was \$8.52 billion, or \$30 million below the ceiling. The president announced a similar 8 per cent reduction for FY '79 and has established a new ceiling of \$8.43 billion. The dollar limit does not apply to NATO, Japan, Australia, and New Zealand. These countries were exempted from such dollar control because they form the backbone of our mutual security arrangements in Asia and Europe. Obviously, it would have been wholly inappropriate to restrict their access to U.S. equipment when at the same time we expect them to participate with us in the joint defense of Europe and Asia.

A second point I should emphasize here is that limiting the dollar volume of what we export is only a part of the policy. Any dollar ceiling is a fairly arbitrary and crude measure of the extent to which the administration succeeds in restraining aggregate sales. The "ceiling" has received a great deal of publicity, but it says nothing about the qualitative aspects of restraint, which are the real substance of the president's policy and which, in the long run, are much more important. I stress this point because there exists in American society a great preoc-

cupation with numbers, particularly large numbers of dollars. We tend to treat them as revealed truth. In fact, numbers demonstrate very little in the business of arms transfers. To focus on only the money side of arms sales is to obscure the more basic qualitative elements of the policy that touch directly on our security and that of our friends and allies, on our political relationships abroad, on regional military balances, and on regional stability.

There are six qualitative controls set forth in the president's arms-transfer policy that are applicable to all countries except, again, our NATO partners, Australia, New Zealand, and Japan:

- The U.S. will not be the first supplier to introduce into a region newly developed advanced weapons that would create a new or higher combat capability.
- We will not sell such weapons unless they are operationally deployed with U.S. forces.
- We will not permit development of advanced weapons solely for export.
- We will not permit co-production by other countries of significant weapons, equipment, or major components.
- We will not allow U.S. weapons or equipment to be transferred to third countries without our consent. The transfer of certain weapons will be prohibited altogether.
- We will not permit our embassy, our military, or U.S. industrial representatives abroad to promote the sale of arms. In fact, we will not permit them even to discuss potential sales without prior approval of the Department of State.

As you will recognize immediately, the qualitative dimension of the policy is far less visible than the dollar ceiling. It is also far harder to use as a public measure of success or failure.

For one thing, when we refuse to make a sale on the basis of one or another of these qualitative controls, that refusal tends to create a certain amount of diplomatic tension in our relations with the country concerned. Our willingness to sell arms is seen by many, indeed by most friendly governments, as a litmus test of our bilateral relationship. A refusal for whatever reason casts doubt on the assumed strength of the bilateral tie and raises real questions in the minds of those whose requests we refuse about the real motives of the United States in so refusing and what it may promise them for the future.

Given the strains that refusals tend to generate, neither the U.S. nor the affected governments like to publicize them, although a few have hit the press—for example, the U.S. turn-down of a Swedish request to sell the Viggen fighter, which has an American engine, to India, a similar turn-down of an Israeli request to sell the U.S.-engineed KFIR aircraft to Ecuador, and the refusal of the U.S. to make a direct sale of A-7s to Pakistan.

But the vast majority of our denials, which last year probably totalled around \$2 billion, we have not talked about in public. It is too bad in a way, because the policy's success must be measured as much by what does not happen—that is, by the sales that are not made—as by what does.

Looking ahead to 1979 and beyond, our most pressing preoccupation will not be the dollar ceiling but, rather, the refinement of the qualitative controls and the pursuit of multilateral restraint arrangements with the USSR and Western European suppliers. Let me deal with this latter point first.

As the president acknowledged in his original policy statement, actual reductions in the worldwide arms traffic will require the cooperation of other nations. He reaffirmed this point last December in announcing the '79 ceiling figure, and noted that we could not go very far alone. He also said that his decision on an arms-transfer ceiling for the next fiscal year, 1980, will depend on the degree of cooperation we receive in the current year from other nations.

We have been carrying on discussions with other principal suppliers of arms in Western Europe to explain our policies and to seek their cooperation in practicing restraint. We have had four meetings with the Soviets. It is too early to tell whether we will reach any concrete agreement, but it is at least clear that the Soviets are interested enough in the problem to continue the talks, which is in itself encouraging.

On the question of the controls themselves, it is my judgment that they are conceptually sound as guidelines but that we must be careful about too rigid an interpretation of what they mean and how they are to be applied. Let me give you a few examples of what I mean.

One of the controls says that we will not allow industrial, military, or U.S. embassy representatives to promote the sale of arms abroad without explicit authorization of the Department of State.

This is a perfectly sound regulation and one that is being rigorously observed. But it has its side effects. The industry describes the implementing regulations that the State Department issued to embassies as the "leprosy directive," since its effect is to deny to the defense industry representatives abroad the usual facilitative services all U.S. embassies routinely provide U.S. businessmen.

It has also had the effect of limiting U.S. participation in international trade fairs—like the Farnborough and Paris air shows. While many might applaud this result, others—including the entire industry and many in Congress—disagree. They argue that events like the Paris air show are not designed to sell major items of equipment like airplanes, but to demonstrate the general technological competence of American industry—a showcase, if you will, for competitive free enterprise across the spectrum of advanced technology, not just in weapons but in such diverse areas as metallurgy, electronics, machine tools, computers, optics, and instrumentation. For those whose business it is to keep the United States in the forefront of technological innovation, it is demoralizing to be denied the right to display such innovation whenever that technology is contained in a piece of military hardware.

This is perhaps a trivial example—except to those touched by the regulation—but it does demonstrate the kind of difficulties even the soundest of new policies can create.

The other examples I want to give you are not trivial

and, in fact, are going to require of the policy managers a great deal of careful thought and attention.

One of the controls states that the development or significant modification of advanced weapons systems solely for export will not be permitted—a sensible control, with whose broad objective no one surely would quarrel. However, back in the late 1960's the U.S. developed a cheap, simple airplane of good but limited capabilities specifically for the export market. It was called the F-5E. Some three thousand copies of the F-5E and its earlier models have been sold to over thirty countries. The idea behind this airplane was to have something to offer countries, particularly in the developing world, that faced only a modest external threat and had only limited funds to spend—countries, in short, that neither needed nor could afford top-of-the-line fighter aircraft.

In the near future most of the F-5E owner countries



will be looking for a replacement for some of these three thousand aircraft. In the first instance they will look to the U.S. The problem is that the only aircraft we have to offer are the top-of-the-line F-14, 15, and 16—all of which represent the most sophisticated technology and highest capabilities in speed, range, and ordnance. Not only is this the level of capability we would be reluctant to introduce in a number of sensitive areas, but it is also very expensive. Relative cheapness was a virtue in the F-5 series and it will remain a virtue in its successor. As a general proposition, none of these advanced aircraft is suitable either in terms of cost or performance as a replacement for the cheap and simple F-5 series.

We have a difficult choice before us: accept the no-development-for-export-only control as binding, and abandon the F-5 replacement market to Western European aircraft manufacturers and the Soviet Union, or make an exception to the policy and try to find some way to fulfill this obvious and legitimate requirement with a follow-on export-only fighter—a move that, I believe, can be defended in terms of the spirit of the policy.

The no-co-production control raises a similar set of legitimate but conflicting objectives. On the one hand weapons co-production not only encourages the spread of advanced military technology, which is generally undesirable, particularly in the developing world, but also raises intense pressures from the co-producers to enter the international arms trade. When national needs for co-produced items are filled, pressures rise to find third-country markets in order to keep workers employed and the plant productive. Unfortunately, many of these markets are in the Third World. It was, in fact, just these considerations that led to the policy stricture on co-production arrangements.

On the other hand co-production is by no means always bad. Indeed, it is a basic element in our NATO policy to encourage both standardization and interoperability of equipment as well as a fairer division of military production between the U.S. and Western Europe. Such co-production arrangements as the F-16 consortium and the U.S.-French-German arrangements to co-produce the French-Roland air-defense missile are a reflection of this explicit NATO policy.

It is crystal clear that if we want the Europeans to standardize equipment—and from a military efficiency point of view it is important that they do—we must offer them economic incentives, that is, access to technology, production know-how, and, above all, jobs and balance-of-payments relief. For big ticket items we are no longer in a position to sell off-the-shelf. Indeed, it is axiomatic these days that, to sell any major item to a developed country, an attractive co-production arrangement or offset of some kind must be part of the deal.

But the liabilities of pursuing the co-production route remain, and they are precisely those I have just noted: What markets, if any, are we prepared to offer co-production partners when their own needs are filled?

A look at the record reveals a dismaying prospect. For example, one of Italy's best military customers is Libya.

Are we prepared to see U.S.-designed military equipment flogged to Colonel Qaddafi? I think not. Should we approve the sale of Swedish Viggen aircraft, with its co-produced American engine, to India? Indeed not, and our recent refusal to countenance that sale cost us dearly in terms of our relationship with Sweden. A similar turn-down of the Israeli proposal to sell KFIR fighters to Ecuador also did nothing to improve U.S.-Israeli relations. Looking ahead to the future, what will we do if the PRC, which has recently had a defense team moving about in Europe, decides to buy military equipment containing U.S. components from France or the U.K.? The potential complexities of this control are only just beginning to surface.

A final example of a serious policy dilemma is the use of arms transfers to promote and advance respect for human rights. Both law and policy require us to factor into the decision process the human rights record of the proposed arms recipients.

It has been our practice to deal with this element on a case-by-case basis—that is, to weigh the defense and security requirements, the human rights element, and the other pertinent factors as equal potential claimants for primacy in the decision process. Obviously, when this is done, the Korean solution will look very different from El Salvador, and rightly so. But it also leads to the charge of inconsistency in the administration of both our arms-transfer policy and our human rights policy. The charge is not difficult to refute—the inconsistencies reflect the reality that not all countries are equal and not all policy objectives are equal in all situations. But nobody likes to argue that case in public, particularly diplomats, nor does one want to name names. It is a very difficult policy problem; over the last year I have spent as much time dealing with the human rights factor in arms-transfer cases as I have on any other single issue.

Obviously, there are no cheap fixes available. As I have said elsewhere, we are operating in these matters in a grey area, where subjective judgment has to supplement inconclusive analysis. It boils down in the end to a common sense weighing of the costs and benefits of the particular choices presented to me, the secretary, and the president.

On the whole I think the first year of the policy has been a success. Much of the controversy, as I noted earlier, revolves around what people thought the restraint policy ought to be rather than what the president said it was going to be. But the fact is, we have met the ceiling and we have managed to turn off or turn down a couple of billion dollars' worth of military transfers—some of them very substantial—on one or another provision of the president's policy. We are now forced to do serious long-term planning, which was never done before, in our transfer business and to observe strict priorities on our transfer activity. All of this imposes a high degree of discipline and order, in terms both of what we sell abroad and of the review procedures that lead to the decision to sell.

In sum, I am satisfied that the government's own arms-transfer community takes the policy seriously and wants to see it work. That is perhaps the most important accomplishment of all.

QUESTION: I've been following the arms trade, the arms-transfer issue, with some interest. Even after your comments, it seems to me that the U.S. decision to establish some kind of arbitrary dollar limit indicates a "father knows best" attitude with respect to those countries that are interested in buying these weapons.

LUCY WILSON BENSON: But, indeed, father does know best...[laughter].

That's the whole pickle. Where do we factor in the concern of those countries that are interested in coming to us for this hardware? We've saved, or prevented, \$2 billion worth of transfers this past year. How much of those sales went to other countries because the buyers could not get these arms from the United States?

I jested about "father knows best," but the fact is that the policy is based initially on the conviction of the president and others who believe very deeply that the international arms market is simply too big for safety's sake. It does not lead to international security. When President Carter says "I don't believe that there should be that many arms moving around the earth," he is saying "I am father and I do know best." So let's put that one out of the way.

That is not the same thing, however, as not caring about the security of your friends and allies. The president made very clear in his policy statement that we would take care of the legitimate security concerns of our friends and allies.

What we're really talking about is trying to make arms decisions on a rational basis, based on the best analysis that we have of the threat that faces a particular country. We don't do this in an arbitrary or unilateral fashion. We work very closely with the countries concerned.

About the \$2 billion that was apparently turned down. Do we have a feel for how much of that went to other places directly?

In fact, as of now, we cannot find that any did. But it will happen.

The volume of European arms exports is nowhere near that of ours right now. How, in the light of that fact, does the administration justify linking U.S. reductions in the years ahead to the cooperation we get from them?

Well, the exports of Britain, France, and Germany combined are still something like 15 per cent of the total. So we're not saying that our allies need to match our reduction. What we're really saying is that we need to talk about it. And we mean talk seriously about it, to come to some kinds of agreements. There are various ways in which one can do this where we would all agree not to sell either certain kinds of weapons or to sell any weapons to certain regions in the world. Restraint on the part of our European allies would be shown by their not rushing in to fill every market we have vacated.

To the extent that you're free to, would you tell us how you would see a pattern of Soviet-American restraint

developing? Would it be qualitative limitations across the board? Would it be quantitative limitations? Would there be regional discussions? If so, how does one proceed down that road? Let me just add a comment on that. In your opening statement, and in a few other statements made over the past year or so, there has been a suggestion that if the multilateral aspect of the treaty does not work, then we cannot expect a unilateral U.S. policy to continue. Now I wonder if that is not putting the situation a bit too harshly.

I am sympathetic with the policy in general. I can understand why it is not possible to maintain a ceiling, or even a greater reduction than has transpired the last two years. It seems to me there is a great deal to be said for maintaining the qualitative restrictions that have been in existence as long as they are applied in the sophisticated manner you have suggested. It seems to me at the same time there is a great deal to be said for unilateral restraint, encouraging British, French, and other allies to go along even without a formal agreement. I do think that a formal agreement might be beyond the realm of possibility.

I agree with you. Even if we are not able to make the idea of multilateral restraint really work, I do not see any reason for giving up the policy. Certainly, there is no reason for giving up the qualitative controls. Certainly, there is no reason for giving up the effort to reach *ad hoc* agreements, which, as you indicated, might be our best hope anyway. If we were able to work together as we have done over the last two years on specific arms export cases, with one or another or in some cases with several of our allies, I think this might turn out to be a perfectly good way to go about it.

What we are really trying to do in the conventional arms-transfer talks is to find both a regional and functional approach with the Soviets. So it's really a two-pronged effort.

You've already answered the essence of my question, but I wanted to know whether there was a specific program that you had proposed to our competitors—say, France or the Soviet Union—with respect to arms control. I might just venture one final little question with respect to the Soviets. Has there been anything in the nature of a specific program presented to the Soviet Union regarding arms control that you can tell us anything about?

Well, yes. We have presented to them, and they have presented to us, a series of papers. We have outlined what we might mean by regional restraint, or what we might mean by functional restraint. And they have responded to this, but it's still at that highly hypothetical and theoretical level.

If a government of an allied country failed to pay for arms they consider necessary, would the U.S. still supply them?

Perhaps. But the funny thing is that almost no one defaults on arms purchases. Sometimes they get a little bit behind, and sometimes—particularly when one country is paying some other country's bills—there gets

to be confusion. If the bills don't get paid or if a country is in arrears, I find out about it very quickly, but ordinarily it doesn't last very long.

How do you evaluate the regional movement on import restraints in Latin America? And why has the Soviet Union become fairly positive in considering export restraint?

I don't think I can give you any kind of really hard answer. I think there has always been a certain amount of interest around the world in restraint of arms. It's risen and fallen over the decades. The Latin American movement has also risen and fallen over the decades. It seems to be much stronger right now. I think it has a great deal to do with U.N. pressure and the development in the U.N. of the Special Session on Disarmament. At the same time that there is clearly more interest in Latin America for arms restraint, as in the Mexican and Venezuelan initiatives, there is also an increasing interest in arms exports in Argentina and Brazil. Both countries are busy developing a defense production industry. Both are turning away from buying their military equipment from the United States, partly because we are causing them so much trouble on human rights scores.

Now why is the Soviet Union pursuing this talk? I think it is part of détente. The Soviets also recognize, and say they recognize, the dangers of an unrestrained arms trade. It can be very difficult for them too, not just for us.

The Israeli Government is said to supply Nicaragua with arms. And Somoza is one of the worst offenders against human rights. Can those considerations affect our policy toward Israel?

First of all, Israel is not the only arms supplier to Nicaragua. For a long time we were the principal supplier. Israel says that it has not exported any arms to Nicaragua since August. That's all I can say on that part of the subject. But as far as our policy is concerned, what we do, of course, with other countries that sell arms to a country we don't want them to sell arms to, is try to persuade them not to do it. If, however, the arms that Israel is selling, or has been selling, to Nicaragua do not contain U.S. components, then we really have no control aside from taking some sort of action in another area.

The president has been pretty clear on his feeling that arms reduction is a moral and ethical as well as strategic question. Are you convinced that our Western European allies are interested in arms sales reduction as a moral/ethical question, or is it purely a matter of strategy with them whether they sell or they don't sell?

Well, that's a funny, loaded question. You're perfectly willing to assume that President Carter feels in a moral way about arms. But your question seems willing to assume that our Western European allies couldn't possibly be interested in the moral aspects of arms.

Only insofar as we consider them competitors. That if we get out, they're going to move in.

I'm loath to cast stones at our allies. Maybe it's because I have a healthy skepticism about all moral

imperatives. I believe that in a very moral and ethical way President Carter believes that arms are not good. And that it would be a very fine thing if we did not have arms. But as a practical matter, the president understands that arms are an important instrument of foreign policy. And he has used arms as an instrument of foreign policy repeatedly. Now with that in view, I'm not willing to say that the Europeans do not also feel the same way about arms as the president feels. That they also recognize that arms are an important tool of foreign policy. So maybe we're no different from each other.

Following up on your statement that President Carter would love to see a world without arms (and wouldn't we all?), but as a practical matter one has to be armed. The question is: Is anybody in the government, or is there any organization of people, thinking about really long-term problems as opposed to everyday problems such as do we give arms to a country right now? Is somebody actually trying to study what we'd like in the year 2000 and trying to organize game plans on how one might get to the year 2100 or 2000 without arms?

It's a good idea....I don't know in fact that anybody is doing that. We've all talked about doing it, but I don't know that anybody has gotten around to it, unless it's going on in ACDA, the Arms Control and Disarmament Agency. But the trouble is, as always, one is so caught up in dealing with the day-to-day problems or in trying to get a policy established or something like that, you don't really have much time to think about the year 2000. There's another problem with it. Such planning—I don't even think it can be called planning—is so contingent on so many other things over which you have absolutely no control, that probably a lot of people think it's a waste of time.

This is perhaps a naive question and a naive comment, but I would be interested in your reaction. Underdeveloped countries feel that there is a status in acquiring arms. Because they're underdeveloped, even the development of an arms industry is, in a sense, a part of their training. Doesn't this really establish a vicious circle and a Catch 22?

You're right, it is a Catch 22, up to a point. But it isn't just status that these countries are concerned about. Many do have very legitimate security concerns. I think that perhaps the best way to put it, taking into full account the Catch 22 element, is that if one were successful at persuading other countries to concentrate their production or their purchases of arms on the defensive side rather than the offensive side, at least you would have made some progress in that respect. Now sometimes it is very difficult to define defensive or offensive, but there are some weapons with which that is possible.

If one could concentrate on the more defensive weapons, it would help along the way. I do think that the only way to really succeed with this problem is bit by bit to reduce the traffic, and that's why cooperation with other arms exporters is so important. You can reduce the impact of arms in the world, but you have to reduce it at the source.