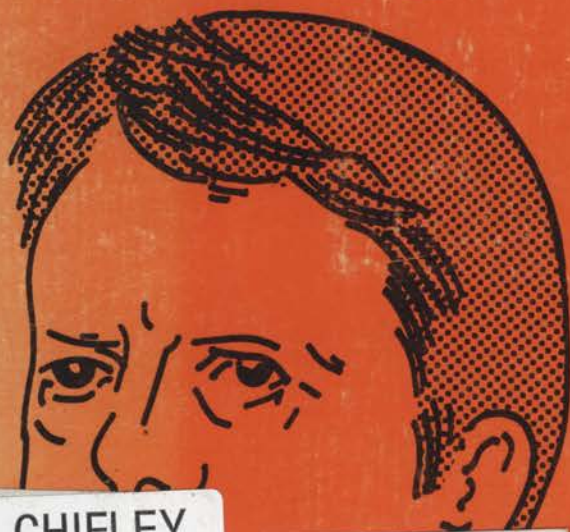


Arms for the poor

Graham Kearns



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Graham Kearns

President Carter's Policies on
Arms Transfers to the Third World

The Strategic and Defence Studies Centre
Research School of Pacific Studies
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PREFACE

Anthony Sampson once remarked that writing on the arms trade resembled trying to hit a moving target.* The analogy is very apt, but the problems go further than that: the target is not only moving, but often submerged from public view. Like so much of strategic affairs, the realm of arms transfers is surrounded by security classifications, not to mention behind-the-scenes deals. The result is that all sources need to be treated with circumspection, and any conclusions must be tentative. The distinction drawn between academic scholarship and 'mere' journalism is a tenuous one at best, and the coyness of governments about their arms deals ensures that the inside knowledge which the journalist acquires is essential source material to juxtapose with the official documents. In this book, both are used as carefully as possible.

The following pages attempt an overview and assessment of President Carter's arms transfer policies as applied to Third World countries (that is, the poor countries of Asia, Africa and Latin America). The book centres around Carter's policy statement of 19 May 1977, although that brief statement does not exhaust the subject. There are no original conclusions as far as broad assessments are concerned, as practically every viewpoint has been advanced already. Writers have variously argued that the policy has been a failure, a qualified success, or somewhere in between. The only view not argued is that the policy has been an unqualified success, and even the Administration does not go that far. However, there are different routes to the same destination, and this paper examines aspects that have been generally ignored, particularly in Chapters IV and V. In addition, the fact that we are dealing with a moving target means that Carter's record on arms transfers is in continual need of up-dating, which is the subject of Chapters VI and VII, as well as Appendices C and D. Finally, there is a shortage of general studies on Carter's arms policies, so that a study that brings the different aspects together may thereby prove useful.

* A. Sampson, The Arms Bazaar, London: Hodder and Stoughton, 1977, Preface.

CHAPTER I

B.C. - BEFORE CARTER

To understand and evaluate Carter's policies, it is essential to understand the situation that he confronts, including the policies of his predecessors. This is a book in itself, but fortunately it is already a well-mapped area. The first chapter will only dwell on the facts most relevant to its subject within three broad areas: the economic context, the legal context, and the record of his predecessors.

(a) The Economic Context

(i) The Growth in Trade

When he took office at the beginning of 1977, Carter confronted a world-wide arms trade that had expanded enormously since the 1950s, and especially since the early 1970s.[1] This applies to arms orders and actual deliveries, although orders for new arms abated slightly in 1975. The figures on the extent of the arms trade depend on the authority consulted, for accounting procedures differ over what count as military transfers and how they are to be priced. The Arms Control and Disarmament Agency (ACDA) assesses total arms deliveries to other countries in 1976 to have been about \$13 billion, valued in 1975 dollars,[*] an increase of 60 per cent (allowing for inflation) over arms transferred in 1967.[2] This figure excludes training and technical services but covers most military hardware, including small arms and non-lethal equipment such as non-armoured military vehicles and communications equipment. Other sources measure different things in different ways, but in general the figures reveal similar orders of magnitude and similar trends.

The share of this trade allotted to the USA is subject to the greatest variation among the sources, for different methods of calculation produce quite different results. At one extreme are the figures that indicate the USA has sold about half of the world's arms over the past decade.[3] These figures are rather misleading, however, as they include for the USA all military services (construction, training, etc.) and support, but not for other arms exporters.[4]

* All dollar references in the thesis refer to US currency. Also, the term 'billion' is used in the American sense of 'thousand million'.

Figures produced by ACDA are less extreme, allocating the USA a 39 per cent share of the market, vis-a-vis the Russians' 28 per cent.[5] These figures correct for the above distortion by counting hardware only, but do not appear to correct for different policies on pricing. As the Russians have discounted most of their equipment by as much as 40 per cent on average (although this is declining [6]), the figures understate the Russian share, and thereby overstate the American one.

The Stockholm International Peace Research Institute (SIPRI) and the CIA seem to provide the best indication, for they allow for both of the above distortions in their figures on transfers of hardware.[7] For the period 1970 to 1976, SIPRI claims that the American and Russian shares of the arms trade were 38 per cent and 34 per cent respectively, whilst the CIA study is reported to claim that their shares of the world trade are about equal.

By 1976, US military transfers abroad had reached a figure of around \$5 billion for hardware plus several billion dollars in assorted services (see below). The rise in these arms sales, especially since the early 1970s, had resulted not only from new commercial opportunities abroad but from a degree of arms promotion by various US Administrations.[8]

(ii) The Types of Items Transferred.

As the arms trade literature repeatedly points out, there has not only been a quantitative but a qualitative growth as well. The trade has moved a long way from the immediate post-World War II market, when sales largely comprised equipment rendered surplus by the end of the war. Countries have increasingly demanded, and received, first-rate weaponry as advanced as the equipment used by the exporter's domestic forces.[9] This trend has embraced all arms exporters, including the USA, and poses special policy problems that a mere quantitative growth in equipment would not.

Although this thesis employs the term 'arms trade' interchangeably with 'military transfers', this customary usage is somewhat misleading. The items transferred include a great deal more than lethal equipment; in fact, weapons and ammunition accounted for only about 40 per cent of American 'arms' sales (not grants) between 1950 and 1977. This includes fighters and bombers, destroyers, submarines, tanks, artillery, machine guns, rifles and missiles. Over the same period, spare parts amounted to 20 per cent of total US sales, supporting equipment was 10 per cent and

supporting services 30 per cent. 'Supporting equipment' includes training and cargo aircraft, tugs, barges, trucks, radars and communications equipment; and 'supporting services' cover construction, training, technical services and supply operations.[10]

Of all US hardware transfers, the largest single category is aircraft, followed by vehicles, missiles and ammunition. In 1977, 32 per cent of American military sales were aircraft. Among services, construction has grown in importance from 2 per cent of total transfers in 1972 to 11 per cent in 1977.[11]

(iii) Direction of Trade

The rise in US (and world) military sales during the early and mid-1970s can be largely attributed to the increase in arms transfers to the Third World. Less developed countries are arming faster than the rest of the world, and, lacking domestic defence industries as well as technical skills, have turned to the more developed countries for supplies and services. In 1974, three quarters of arms exported went to the Third World, as against 56 per cent in 1965.[12]

Most of the increase has been concentrated in one general region, the Middle East, embracing the confrontation states of the Arab-Israeli dispute (Egypt, Iraq, Israel, Jordan, Syria), and the countries of the Persian Gulf. These countries together account for about two thirds of US arms transfers to the Third World. The boost in transfers to this region is not just the result of the 1973 quadrupling of OPEC oil prices, although this undoubtedly helped. Even before 1973, arms exports to the confrontation states were increasing in the build-up preceding the Yom Kippur War. Furthermore, the Persian Gulf states, especially Iran and Saudi Arabia, were increasing their purchases before that date, probably in response to the British withdrawal east of the Suez.

The scene Carter confronted in 1976 thus differed markedly from earlier years, when US arms flowed mainly to NATO in Europe, and also to South-east Asia.[13]

(iv) The Terms of Transfers

Broadly speaking, arms are transferred as grants, for cash, or for credit. The broad historical trend in US transfers has been a decline in the first, and a rise in the second and third. The main US item of grant military aid

has been Military Assistance Program (MAP) aid, which declined from a high of \$5.7 billion in FY1952 to \$220 million by FY1978.[14]

Explanations of this decline differ. One theory is that such overseas commitments represented a burden on the balance of payments, so that - under Congressional pressure - the US switched to sales to reduce the drain of foreign exchange.[15] A more cynical explanation is that the rise of sales represented an attempt by US Administrations to evade Congressional supervision and control, given the state of existing legislation.[16] (See below.)

Whatever the reason, transfers for cash or on credit have risen to about 80-90 per cent of the total US figure. Of these, most transfers were made by the US Government to a foreign government, which are referred to as 'FMS' (Foreign Military Sales) agreements, and the bulk of these were for cash. The remaining deals consist of sales agreements between a private US firm and a foreign government, and are termed 'commercial sales'. In 1976, commercial sales deliveries were valued at \$1.2 billion, while FMS deliveries were several times that figure.

The other major types of transfers are 'technology transfers', in which techniques of production are exported via co-production agreements and manufacturing licences. By 1977, the USA was involved in 30 co-production projects involving 10 foreign countries, and about 400 licences to manufacture were then in force.[17]

(b) The Legal Context

The period leading up to Carter's obtaining office has witnessed growing Congressional oversight and control of US military transfers. During the 1960s, the main governing legislation was the Foreign Assistance Act of 1961, which authorised the President to provide military assistance and broadly specified the uses to which US-made weapons could be put. The Act also authorised the President to sell defence items but provided little Congressional control over sales, in contrast to grants, for which Congress authorised an annual ceiling.[18]

However, the steady growth of US military sales eventually prompted a more serious effort at supervision by Congress. In 1968, the Foreign Military Sales Act was passed, which required the Executive branch to submit bi-annual reports to Congress on military sales and credits, including loan guarantees, to less developed countries. It also authorised FMS credit ceilings, and prohibited sales to

oppressive regimes or to countries whose economies would be over-burdened by the purchases. Sophisticated weaponry was not to be sold to Third World countries as a rule, although the President could waive this provision; and the Export-Import Bank was prohibited from lending money for selling arms to the Third World.[19] Finally, the Act required transactions to be carried out through commercial channels whenever possible.[20]

Although Congress still lacked the ability to veto military sales, this was rectified in 1974 by the passage through Congress of the Nelson Amendment of the above Act. Henceforth, the executive branch was required to give 20 days' notification to Congress of proposed FMS transactions valued at \$25 million or more, during which period Congress could veto the sale by concurrent resolutions of disapproval.[21]

The Foreign Military Sales Act was amended in 1976 by the Arms Export Control Act. This Act extended the notification period to 30 days, and expanded the categories of FMS sales that can be blocked to include all 'major defence equipment' transactions of more than \$7 million as well as any transactions of more than \$25 million. Sales of \$25 million or more were henceforth confined to FMS (vis-a-vis commercial) channels, with the exception of transfers to NATO allies. The Act also phased out all MAP aid, and all Military Assistance Advisory Groups (MAAGs), from 30 September 1977, unless specifically authorised by Congress. 'Gross human rights violators' were not to receive any security assistance, and the Secretary of State was required to submit an annual report on human rights among recipients; in addition, all military transfers to Chile were prohibited. Finally, the Act included a 'sense of Congress', which is not legally binding, that total arms sales not exceed the then current level; and the President was directed to negotiate arms sales restraint with other suppliers and purchasers. These do not exhaust the Act's provisions, but provide an indication of its general thrust.[22] The original proposed Act also included sections that (a) empowered Congress to veto commercial sales below \$25 million, and (b) provided Congressional control over third-party transfers. However, President Ford vetoed the first version of the bill, which necessitated the watered-down version he signed on 30 June 1976.[23]

Despite the removal of some of its teeth, the 1976 Act provides fairly comprehensive controls over the President. Although the veto provisions have yet to be enforced the Act is no paper tiger: consultations between Congress and the Executive have led to the latter scaling down a number of requests, for example, the sale of 'Sidewinder' air-to-air

missiles and 'Maverick' air-to-surface missiles to Saudi Arabia, and the sale of 'Hawk' surface-to-air missiles (SAMs) to Jordan. The fear of a Congressional veto is likely to have added force to the Congressional arguments in these instances.

As the late Senator Hubert Humphrey said in hearings on arms sales to Saudi Arabia and Iran, '...this is a whole new ball game'. [24] Indeed, the trend has since continued toward greater Congressional regulation, in the International Security Assistance Acts of 1977 and 1978. For example, the 1978 Act strengthens human rights provisions; terminates training assistance to Nicaragua and Paraguay and FMS credits to Paraguay; and demands more information from the Executive on military surveys carried out abroad. [25]

Thus, on taking office, Carter confronted an assertive Congress that had every intention of making him abide by the restrictive terms of his policies.

(c) Previous Executive Policy

In evaluating Carter's promised new approach to arms transfers based on greater restraint, it is important to know what previous Administrations have done.

In this respect, it is interesting to note - despite the view that American Administrations have followed the footsteps of Sir Basil Zaharoff - that they have shown more restraint than most governments of the world. At various times, previous US Administrations have imposed total or partial embargoes on the confrontation states in the Middle East (in 1948 and 1967), India and Pakistan (1965 and 1971), [26], and Latin America and Africa. The USA has restricted sales to these last two regions of such sophisticated weapons as high-performance aircraft, Lance and Redeye missiles, laser-guided bombs and air-to-air missiles. However, their policy has not always been consistent, for example regarding the sale of F-5s to Latin America. Concerning Africa, the US also imposed a total embargo on Nigeria during the civil war, and on Mali and Upper Volta during the border dispute there in 1975. The USA embargoed new arms commitments to Indonesia during their occupation of East Timor, between December 1975 and June 1976, although deliveries of equipment already on order were not held up. [27]

However, restraint was certainly not applied across the board, and efforts at negotiating multilateral restraint among suppliers were minimal. Both President Ford and Secretary Kissinger cast serious doubts on unilateral

American restraint, as did Secretary Rumsfeld,[28] and none of them indicated much optimism for a general agreement among suppliers to restrain sales.

American administrations did little to prevent the substantial overall growth in US arms sales during the 1970s, despite limited embargoes here and there, although these sales brought with them a number of ethical and national security problems. Furthermore, despite official pronouncements explaining the principles behind arms sales, there was sometimes an alarming lack of forethought. In 1972, at a stopover meeting with the Shah in Tehran, President Nixon presented the Shah with a carte blanche to purchase any equipment in the US conventional arsenal. The commitment was made without any detailed study of the consequences.[29]

The problems are two-fold. First, there are the implications for the recipients, which in turn raise ethical problems for the supplier. This refers to the traditional arguments for arms control: that arms sales can (a) themselves lead to conflict; (b) intensify conflicts that would have occurred anyway; and (c) divert resources away from economic development. These are not automatic consequences of military transfers, but they can result from them. For instance, changes (or impending changes) in the balance of power due to arms transfers are thought to bear some responsibility for Israeli actions against Egypt in 1956, and to have prompted Somalia's direct involvement in the Ogaden region of Ethiopia in 1977. Of wars in progress, the Nigerian civil war of 1967-70 was intensified by arms transfers to the belligerents during the conflict, as has also occurred more recently in the Lebanon. The economic burden of arms transfers is perhaps hardest to establish, for it is not necessarily more burdensome than 'going it alone'. However, the offer of readily available arms from abroad is rather easier for Third World countries to take up than the task of mobilising sufficient manpower, etc., for indigenous arms production, especially in the area of more sophisticated weaponry. It is quite likely that many Third World regimes would not be willing or able to commit the resources for local production if arms imports were not available - Somalia could be a case of this.

Secondly, unregulated arms sales can have implications for the supplier. Arms sales to the Third World usually require technical personnel from the supplier for training, maintenance, etc.; their involvement in a country's military apparatus creates an awkward situation in the event of a recipient becoming involved in a war. In this event, the suppliers may become 'damned if they do keep their technical personnel on station, and damned if they don't'.

Massive shipments of arms to a friendly client can also backfire in the event of a change in their government. Furthermore, export commitments may adversely affect the defence readiness of the supplier by depleting war stocks and/or diverting production lines from catering to one's own military needs. This problem has repeatedly affected the USA, especially the massive supplies of arms to Israel after the Yom Kippur War, which were provided from US reserve stocks and pre-positioned stocks in Europe. Finally, sales of highly sophisticated hardware create the danger of advanced technology falling into enemy hands. For example, advanced American weaponry employed by the Iranians may fall into Iraqi hands during a war between the two, and thus find its way to Russia. Alternatively, sophisticated aircraft in the Iranian Air Force may accidentally fly over Russian territory.

Thus, the escalation of American arms sales has become something of a Pandora's Box, whatever its benefits in terms of economic rewards and preservation of influence. The Carter Administration has indicated awareness of these problems, and has promised to take a fresh approach in dealing with them.

Notes to Chapter I

1. This is confirmed by both the Arms Control and Disarmament Agency (ACDA), World Military Expenditures and Arms Transfers, 1967-1976; and the Stockholm International Peace Research Institute (SIPRI), World Armaments and Disarmament Yearbook, 1978, London: Taylor & Francis, 1978.
2. ACDA, World Military Expenditures, p.7.
3. See, for example, A.H.Cahn and J.J.Kruzel, 'Arms Trade in the 1980s', in A.H.Cahn et al, Controlling Future Arms Trade, New York: McGraw-Hill, 1977, pp. 65-66; and 'U.S. Foreign Military Sales', Current Policy, Department of State, Washington, No.4, July 1975, p.2.
4. Testimony by Lucy W. Benson, Conventional Arms Transfer Policy: Background Information, Subcommittee on International Security and Scientific Affairs of the House International Relations Committee, 1 February 1978, p.5.
5. ACDA, World Military Expenditures, p.10.
6. See H.T.Simmons, 'New Restraints on Overseas Sales of US Arms', International Defence Review, June 1976, p.931.
7. The SIPRI figures are more restrictive, counting major defence equipment but not small arms, artillery, and many support vessels - see SIPRI Yearbook, 1978, p.286. On the CIA figures, see R.Burt, 'CIA Study Undermines Effort to Cut Arms Export', New York Times (NYT), 17 January 1978; and Review of the President's Conventional Arms Transfer Policy, Hearings before the Subcommittee on International Security and Scientific Affairs, House International Relations Committee, 1 and 2 February 1978, pp. 26ff.
8. See J.W.Finney, 'Selling Arms is a Pentagon Mission', NYT, 20 June 1976.
9. R. Huiskens, 'The Development of the Conventional Arms Trade', in R.J.O'Neill(ed.), Insecurity!, The Spread of Weapons in the Indian and Pacific Oceans, Canberra: ANU Press, 1978, p.27. For an excellent chart showing the spread of advanced weapons, see R.Burt, Developments in Arms Transfers: Implications for Supplier Control and Recipient Autonomy, RAND Paper P-5991, September 1977, Table 1.

10. Review of the President's Conventional Arms Transfer Policy, p.41.
11. W.G.Kealy, Jr., and R.D.Thorne, 'Military Transactions in the U.S. International Accounts, 1972-77', Department of Commerce, Survey of Current Business, May 1978, chart 3.
12. H.Haftendorn, 'The Proliferation of Conventional Arms', in The Diffusion of Power, Part One: Proliferation of Force, Adelphi Paper, No.133, p.34 (based on SIPRI figures).
13. A.H.Cahn and J.J.Kruzel, 'Arms Trade in the 1980s', p.34.
14. United States Arms Transfer and Security Assistance Programs, Congressional Research Service Report for Subcommittee on Europe and the Middle East, House International Relations Committee, 21 March 1978. For FY1979, Congress authorised only \$133.5 million - United States Code Congressional and Administrative News, 95th Congress, 2nd Session, 1978, Vol.I, PL95-384 (Section 7(a)).
15. See D.J.Louscher, 'The Rise of Military Sales as a US Foreign Assistance Instrument', Orbis, Winter 1977, passim.
16. SIPRI, The Arms Trade with the Third World, Harmondsworth: Penguin, 1975, pp.71ff. This motivation was apparent in the 'Country X account', which enabled the Defence Dept. to use Export-Import Bank loans without Congressional knowledge or public disclosure. (ibid, pp. 73-4).
17. Issues Concerning the Transfer of United States Defense Manufacturing Technology, a report prepared for the House International Relations Committee by the Congressional Research Service, 30 June 1977, p.9.
18. See The Foreign Assistance Act of 1961 - P.L.87-194, 1 September 1961.
19. This was due to the abuse mentioned in Note 16.
20. Foreign Military Sales Act - P.L.90-629, 22 October 1968.
21. For a concise summary, see A.H.Cahn and J.J.Kruzel, 'Arms Trade in the 1980s', p.36.

22. For the complete Act, see The International Security Assistance and Arms Export Control Act of 1976 - P.L.94-329, 30 June 1976.
23. H.T.Simmons, 'New Restraints on Overseas Sales of US Arms', pp. 931-2.
24. US Arms Sales Policy, Hearings before the Committee on Foreign Relations, U.S. Senate, 16 September 1976, pp. 2-3.
25. The International Security Assistance Act of 1978, P.L.94-384, September 26, 1978.
26. In the case of Pakistan, the Johnson Administration covertly sought to evade its own embargo in 1965 - A.Sampson, The Arms Bazaar, p.18.
27. Foreign Assistance Legislation for FY1979 (Part 4), Hearings before the Subcommittee on International Organizations, House International Relations Committee, 15, 16, 28 February and 7 and 8 March, 1978, p.66 and Appendix 15; and Human Rights in East Timor and the Question of the Use of U.S. Equipment by the Indonesian Armed Forces, Hearings before the Subcommittees on International Organizations and on Asian and Pacific Affairs of the House International Relations Committee, 23 March 1977, pp. 12, 13, 60.
28. For President Ford's views, see 'Arms Control and the 1976 Presidential Election', Arms Control Today, October 1976; for Kissinger's, see Prospects for Multilateral Conventional Arms Transfer Restraints, submitted to Congress by the Secretary of State, 16 September 1976, p.7; for Rumsfeld's, see Department of Defense Annual Report for FY1979, p.242
29. 'Nixon "gave Iran open go" on arms', The Age, 3 August 1976; and 'Mindless Arms Sales', NYT, 11 August 1976. Both articles were based on a report by the Senate Foreign Relations Committee.

CHAPTER II

CARTER'S DECLARED POLICIES

This chapter will concentrate on declared policies, rather than the actual policies which have emerged. Even if there turns out to have been a hiatus between the two, it does not follow that Carter's public position was just a cynical ploy to gain votes from an electorate that was seeking a man of principle in the post-Watergate era. Carter is reported to take his religion seriously; this suggests that he takes equally seriously his ethical stance on arms sales. Whatever the case, he has publicly committed himself to a certain stance, and political prudence dictates that he attempt to implement his policies. By failing to do so, Carter would risk accusations of broken promises with a resultant decline in popularity. If Carter has not sought to implement the policies fully, it seems likely that other considerations have made alternative policies even more prudent.

(a) Carter's Pre-May 19 Position

Before Carter announced his official policy on 19 May 1977, he had already given a number of indications of his attitude to the arms trade. During the Presidential campaign of 1976, Carter and his campaign committee made several statements condemning America's growing role in the arms trade. In a widely-quoted address to the Foreign Policy Association in New York on 23 June 1976, Carter made the following remark:

I am particularly concerned by our Nation's role as the world's leading arms salesman. We sold or gave away billions of dollars of arms last year, mostly to developing nations. For example, we are now beginning to export advanced arms to Kenya and Zaire, thereby both fuelling the East-West arms race in Africa even while supplanting our own allies, Britain and France, in their relations with these African states. Sometimes we try to justify this unsavory business on the cynical ground that by rationing out the means of violence we can somehow control the world's violence. The fact is that we cannot have it both ways. Can we be both the world's leading champion of peace and the world's leading supplier of the weapons of war?[1]

To deal with the problems of arms sales, Carter put forward a four-part approach: (a) there would be an international conference of buyers and sellers of arms to discuss the issue; (b) the USA would show greater self-restraint; (c) multilateral restraint would be negotiated with America's allies and the Soviet Union; and (d) the USA would support regional arms control efforts.[2]

How much clear thinking went into this policy is hard to say. Although Carter repeatedly alluded to the contradiction between selling more arms than anyone else and leading the forces for peace, he never explicitly resolved to be the world's No.2 (or 3 or 4) salesman. However, statements such as the address quoted above did create expectations of major changes in US policy. Indeed, the Administration seemed to take the position that the US sold far more arms than anyone else, so that a reduction of several billion dollars seemed to be in the offing.

During the first few months of office, \$6 billion in sales approvals were held up pending the drafting of a new arms sales policy. In this early period, Carter informed the press that preliminary approaches had been made to Britain, France, West Germany and the Soviet Union, who were all receptive to the idea of restraint.[3]

At first, then, the Administration held off from arms sales, and discussed options which included cuts of up to 25 per cent. However, it appears that the 'realities' of power - the practical difficulties of cutting back sales - soon led to a moderation of the new Administration's policy. For example, Carter initially wanted to reduce sales to Saudi Arabia, but he now discovered that it would be an awkward time to irritate the Saudis, who had been cooperative in many ways (see Chapter VII).[4]

The result of this moderating influence of office was a policy document that seems a good deal less radical than earlier Presidential rhetoric had suggested.

(b) The May 19 Policy

The full text of the policy statement of 19 May 1977 is reproduced in Appendix A; this section will discuss the main points.

Carter promised that, under his Administration, arms sales will not normally be treated as a 'foreign policy instrument', to win friends, obtain concessions, and so on - except where US security and the security of its close allies are involved. Instead, American policy would be one of 'negative presumption': arms sales would be regarded as

unjustifiable unless a persuasive case could be advanced that they should take place.

Henceforth, American policy would therefore emphasise restraint. The President spelt out six ways in which this restraint would occur:

(1) The dollar volume of US arms sales would be reduced in FY1978 from the level of FY1977, for certain categories of sales (see below). However, the \$32 billion of arms sales already agreed upon were to be delivered. The policy was considerably more modest than expected, for it did not commit the Administration to major cuts, and it did not imply that the USA would cease to be the world's leading arms supplier.

(2) The USA would not introduce into any region a recent sophisticated weapon system involving 'a new or significantly higher combat capability'. Nor would the USA sell or co-produce weapon systems not presently deployed with US forces - to reduce the incentive for developing and selling weapons in order to lower the procurement cost for the USA. A further reason given for the latter rule is that weapons not in the American inventory involve a greater financial risk for the USA, as performance (and other) guarantees are still included in FMS transactions despite the fact that the US military has less familiarity with the equipment. Logistics support is also more difficult and costly when the US services do not use the weapons involved.[5]

(3) 'Development or significant modification of advanced weapon systems solely for export will not be permitted.' The implication of this policy would be that such items as the F-5 fighter, which had been designed for Third World export, would be ruled out in the future.

(4) Co-production of 'significant weapons, equipment, and major components' would be prohibited except in special circumstances. This point generated some confusion, as the policy makes no reference to licences for manufacture. However, the Administration subsequently assured Congress that licences would be treated on the same basis as co-production arrangements.[6]

(5) The USA reserves the right to ban retransfers of any US-made military equipment. This was already a requirement of law. A related point - not part of the text - was a promise to tighten up controls on third party transfers of goods made abroad under licence from US companies.[7]

(6) Finally, the US International Traffic in Arms Regulations (ITAR) will be amended, to restrict promotional activity by private firms abroad. US embassies and military representatives are also debarred by ITAR from arms sales promotion, which represents a far cry from the heady days of the McNamara period, when competing sales teams kept scores to see who was ahead in negotiating arms deals.

In pursuing these policies of restraint, the USA would be prepared to set an example for others by unilaterally restraining their arms sales in the above ways. However, the USA would seek to negotiate multilateral agreements with other suppliers, and would support regional efforts at arms restraint among recipients.

Lastly, 'security assistance programs'[8] will be formulated with an eye to improving the human rights performance of recipient countries (see Chapter V); and account will be taken of the economic burden of arms transfers to poorer countries in receipt of US economic assistance.

(c) Exemptions from the Policy

The above policy of restraint does not apply to all countries or all categories of military transfers.

The six principles listed do not apply to US arms transfers to major allies, that is, NATO and the Pacific allies (Japan, Australia and New Zealand). Thus, for example, in calculating the dollar volume of arms sales that are subject to the new ceiling (point No.1), all transfers to these countries are excluded. These countries are also eligible for more advanced weaponry than presently exist in their region (despite point No.2). The exemptions are significant; for example, in 1976 NATO in Europe imported \$1.847 billion of military hardware (valued in current dollars), to which must be added imports by Canada, Japan, Australia and New Zealand.[9] It does not follow that the USA has no prohibitions on arms trade with these countries; for example, 'ABC' (atomic, biological and chemical) weapons are obviously still prohibited to everyone, and some conventional weapons are not for sale either.[10] In addition to the exempt countries, Israel features as a kind of borderline case, whose status is not entirely clear in the ambiguous language of the official document. Apparently, however, arms sales to Israel are included in this ceiling.

Thus, the policy statement of 19 May is largely directed at Third World countries, the major buyers of US (and others') arms. The only other countries included in

the six points are the non-aligned industrial nations of Europe: Sweden, Switzerland, Finland, Yugoslavia, Austria, Ireland and Spain. Naturally, arms sales to Russia and Eastern Europe remain prohibited.

A further partial exemption to the policy is commercial sales. However, although they are not included in the ceiling, they are still covered by other elements of the policy, such as the strictures on co-production and licensing and the amendments to the ITAR. Furthermore, large commercial sales are prohibited by Congress, as we saw in the previous chapter.

Finally, not all military transfers of goods and services are included in the policy's ceilings. The policy statement claims that 'Transfers which can clearly be classified as services are not covered', which suggests that training, for example, would not be included. This, however, does not seem to be the case: for instance, the category of 'weapons and weapons-related items' which are included in the ceiling has been interpreted to cover such services as training and technical assistance. The main item excluded is construction, including the building of roads, hospitals, barracks, airfields and harbours. Other exempt services are packing, handling, crating, transportation and the cost of administering FMS programs.[11] Construction represents a major exclusion, for it has been a boom area since the escalation of sales to the Persian Gulf - the sums involved reached a record \$2.8 billion in FY 1978 (in current dollars).

(d) Other Elements of the Policy

Not all of Carter's policies on arms transfers were announced on 19 May. The Administration has also established an inter-agency Arms Export Control Board, chaired by the State Department Under-Secretary for Security Assistance, Lucy Wilson Benson. The Board's membership represents the 10 government agencies who have an interest in arms exports, and is responsible for writing new regulations, establishing new clearance procedures, providing new guidelines to industry, etc.[12]

(e) Defects of the Policy Statement

Before considering the policy's application in practice, it is worth examining some of the weaknesses implicit and explicit in the Administration's declared policy.

To begin with, the May 19 Statement is extremely vague on certain key terms. Point No.2 prohibits the introduction into a region of 'newly-developed, advanced weapons systems which could create a new or significantly higher combat capability'. But what is a 'newly-developed' system? Introduced in the last five years? Ten years? Does the policy allow the USA to export F-4s (the 'E' was first flown in 1967) to regions that have no major combat aircraft? Furthermore, what constitutes a 'significantly higher combat capability'? It is a difficult concept to pin down. In fact, the Administration itself has eschewed the task of formally defining the term, resolving instead to determine the policy on a case-by-case basis.[13] This provides the government with enormous flexibility, as we shall see later.

Further, the policy applies to 'regions', which are among Nature's more elusive entities. For example, Iran is part of the Persian Gulf and the more inclusive Middle East, but is also part of Asia Minor. Chile is part of the Andes group but is again part of more inclusive regions: South America, and even larger, Latin America. This ambiguity raises practical problems for applying Carter's policies: if Iran gets sophisticated aircraft, does this provide a green light for sales of similar technologies to Pakistan, her neighbour? If Chile receives advanced weaponry, does that entitle Guatemala to receive the state-of-the-art in the American arsenal - or only countries in her more intimate region (and if so, how intimate)?

A similar problem arises with the definition of 'weapons system' for the purposes of policy application. For example, suppose that the Shah of Iran's order of sophisticated Spruance-Class destroyers was delivered. That being the case, is any highly advanced naval platform allowed to be sold in the 'region' - however defined - or only surface naval vessels? Or only other destroyers? Also, if advanced air combat fighters are already operating in a region, does this allow the transfer of any type of advanced aircraft, or only air combat fighters?

The word 'significant' is the bugbear of several items in the policy statement, and raises similar problems for each. Aside from its role in point No.2, the third and fourth points proscribe 'significant' modification for export, and co-production of 'significant' hardware, respectively. Unfortunately, the Administration has been similarly reticent regarding each point.

Another problem with the declared policy is the number of exceptions that it allows. First, excluding commercial exports from the dollar ceiling on sales creates potential loopholes. By channelling more transactions through

commercial sales, the Administration may create an appearance of self-restraint without having to upset any customers. Congress has some control over this through prohibiting large commercial transactions, but it may be possible to split arms deals into a major component plus a host of minor ones. For example, an agreement to sell a dozen aircraft could involve one large FMS transaction and a number of separate small deals, providing support equipment, spare parts, provision of technical personnel, etc. - the latter being separately negotiated between US firms and the foreign government. Under the 1976 Arms Export Control Act, Congress has to be informed of all impending sales of 'major defence equipment' valued at \$1 million or more (Section 211), but small contracts may escape supervision.

The most serious exemption, however, lies in the fact that the policy statement stipulates that any part of it can be waived under 'extraordinary circumstances' - which are determined by the President. Congressional testimony further bears out the flexibility of the official position: it seems that the Administration will review the policy of prohibiting the development of weapons for export on a case by case basis; and the same applies for co-production agreements.[14] It all begins to sound like a promise that they will show restraint, except when they won't.

(f) Summary

It seems that Carter's declared policies have enough ambiguities and escape clauses to satisfy the most ardent seller of arms. But it does not follow from the fact that the policies can be used cynically, that Carter will use them in that way. For reasons mentioned at the beginning of the chapter, Carter has an interest in making the policies work.

Whether he has managed to do so is the subject of the remaining chapters. In the following chapter, the Congressional Research Service Report on Carter's arms policies is examined. Although some disagreements with it are indicated, it is a good starting point for assessing the present Administration's policies.

Notes to Chapter II

1. Reproduced in Middle East Arms Sales Proposals, Hearings before the Committee on Foreign Relations, United States Senate, 3, 4, 5 & 8 May 1978, p.64.
2. See 'Arms Control and the 1976 Presidential Election', p.5
3. 'US Policy Review Delays Arms Sales Abroad', International Herald Tribune (IHT), 29 March 1977.
4. 'Policy Decision Near on Arms Sales', Aviation Week, 18 April 1977; 'Washington Roundup', Aviation Week, 16 May 1977; and 'Arms Sales: Another Wobbling Promise', NYT, 8 May 1977.
5. See the NSC analysis, appended to Carter's original statement to Congress on his arms policies - called NSC 202, in Arms Transfer Policy, Report to Congress for use of Committee on Foreign Relations, United States Senate, p.22.
6. Statement by Lucy W. Benson, Conventional Arms Transfer Policy: Background Information, p.11. The reason for this exclusion is apparently that manufacturing licences are commercial agreements - not part of the official policy - whereas co-production arrangements are government- to-government transactions. For an example of this confusion, see Appendix 1, Statement by M.T.Klare and M.Holland, in Foreign Assistance Legislation for Fiscal Year 1979 (Part 2), Hearings before the Subcommittee on International Security and Scientific Affairs, House International Relations Committee, 6, 8 & 13 March, and 11 April 1978, pp. 137ff.
7. Statement by Lucy W. Benson, Conventional Arms Transfer Policy: Background Information, p.14.
8. The term is not defined in the policy statement, but it usually refers to FMS credits, MAP grants, IMET assistance, economic aid to countries burdened by defence expenditures (presently referred to as the 'Economic Support Fund'), plus several other minor programs.
9. See ACDA, World Military Expenditures, p.116.

10. This is apparently true of fuel air explosives - see testimony by Lucy W. Benson in Review of the President's Conventional Arms Transfer Policy, Hearings before the Subcommittee on International Security and Scientific Affairs, House International Relations Committee, 1 & 2 February 1978, p.35.
11. Statement by Lucy W. Benson, Conventional Arms Transfer Policy, Background Information, p.8-9. However 'Weapons related items' does include support equipment - trucks, cargo aircraft, etc.
12. For an outline of the Board's membership and function, see Lucy W. Benson's address to the 14th American Institute of Aeronautics and Astronautics Conference, 9 February 1978, in Department of State Bulletin, March 1978; and statement by Lucy W. Benson, International Security Assistance Programmes, Hearings before the Subcommittee on Foreign Assistance of the Committee on Foreign Relations, United States Senate, 25 & 26 April, 1 & 2 May 1978, pp. 69-70.
13. Statement by Lucy W. Benson, Conventional Arms Transfer Policy: Background Information, p.11.
14. *ibid*, pp. 12-13.

CHAPTER III

THE CONGRESSIONAL RESEARCH SERVICE REPORT

In September 1977, the Congressional Research Service (CRS) prepared a Report for Congress on the effectiveness of Carter's arms policies. Although it was written only four months after his policy statement was produced, the Report still remains the only substantial study of Carter's policies. Below, the main points of the Report are outlined, followed by an assessment of its findings.

(a) Synopsis of the Report

The main tone of the Report is negative. Although it tends to regard the objectives of Carter's policies as admirable, it doubts Carter's ability to carry them out, and appeals to his record in office for corroboration.

A major contention of the Report is that arms sales continue on 'a rather routine basis', contrary to Carter's promise that they would become 'exceptional' foreign policy instruments.[1] In South-east Asia, the Report contends that arms sales continue to further foreign policy objectives; for example, military aid to the Philippines is a quid pro quo for the use of bases there, and military transfers to South Korea are necessary to compensate for the withdrawal of US forces from the peninsula. The Report found no indication that arms policy toward the region was changing as a result of Carter's policies.

In Africa, the Report saw the USA as expanding the role of arms sales as a means of countering Soviet and pro-Soviet influence in the region. To resist Libyan ambitions, military agreements were reportedly reached with Tunisia and Chad; and to counter Ethiopia, as well as support Somalia's independence from the Russians, further agreements were announced with Somalia and the Sudan.[2] [In fact, the 'deals' with Somalia and Chad never eventuated, as the USA changed her mind in the former case, while Chad apparently failed to raise the money.]

In the Middle East, the Report tells the same story. US foreign policy objectives in the region - resolution of the Arab-Israeli dispute, maintenance of oil supplies at reasonable prices, 'recycling' of petrodollars in a non-disruptive manner, etc. - make it awkward for the USA to curtail arms sales. In particular, the USA remains publicly committed to Israel, while supplying arms to Egypt in order to reward moderation and maintain her independence

from the Soviet Union. The Report also points out that the first major sale announced after the May 19 policy statement was the proposed sale of AWACs to Iran, which violated point No.2 of the policy.[4]

The Report also tends to play down whatever restraint has been shown. For example, in South Asia the USA has refused a Pakistani request for 110 A-7 ground-attack planes on the grounds that they represent the introduction of significantly higher combat capability into the Indian sub-continent. The Report notes, however, that: (a) previous Administrations have also shown restraint, although the last embargo on India and Pakistan was lifted in February 1975; (b) the 'real' reasons were the tenuous USA-Pakistan relations at the time, opposition to Pakistan's nuclear plans, and a desire to improve relations with India; and (c), other planes were offered instead, such as the A-4 and F-5.[5]

In Latin America, Carter showed restraint by refusing the sale to Ecuador of Israeli Kfir fighters, whose General Electric J79 engines enabled the US to exercise a veto. The reason given was the same as for the turn-down on the A-7s. The Report admits that this was the genuine reason, but points out that the present Administration is only continuing an historical precedent of restraint in the region.[6]

In a third example of restraint - Carter's refusal to sell 250 F-18L fighters to Iran - the Report once again refuses to be impressed. In this instance, the Administration purported to be observing point No.2, which bans the sale of weapons not presently deployed in the US inventory. But the Report claims that Carter merely offered the Shah more F-16s instead.[7]

On the subject of the arms sales ceiling, the Report also expresses cynicism. In view of the declining world orders since the peak of 1974, the ability of Carter to slightly reduce sales is hardly evidence of great restraint, for there could well have been fewer requests in the first place.[8]

Another key element of the policy is also queried. The Report agrees that multilateral restraint is an essential ingredient of effective arms control: there is little point in not making a sale if the frustrated customer simply turns to another supplier. However, the Report does not agree that multilateral restraint is possible. France and Britain depend on military exports in order to maintain their defence industries, for their level of domestic defence procurements is inadequate to generate acceptable economies

of scale. They have also relied on arms sales to the Middle East to guarantee their oil supplies; and other military sales have served to maintain ties with their ex-colonies.[9]

The prospects of the Soviet Union showing restraint are also dim. The Soviet Union is in need of hard currency, and arms sales provide 10 per cent of her hard currency earnings. Arms sales also provide the Russians with political influence. The Report adds that the Russians have not greeted Carter's appeal for multilateral restraint with enthusiasm.[10]

Recent arms sales by the other major suppliers are cited by the Report as more evidence of bleak prospects. The Soviet Union announced new arms deals with Syria in July 1977, and with Ethiopia in September of that year.[11] The French were also active, and negotiated agreements that tended to frustrate Carter's own policies. For example, after America vetoed the sale of Kfirs to Ecuador, the French stepped in and agreed to sell Mirage F-1s. The French also sold F-1s to Iraq; although the USA had not previously turned down requests from Iraq, the sale made it more difficult to restrain sales to Iran, whose defence preparations are partly directed towards meeting an Iraqi threat.[12]

Other aspects of Carter's policies are queried as well. The exemption of certain countries and of commercial sales is regarded as a serious omission.[13] The Report also criticises the ban on production for export, for it rules out weapons that may be suitable for other countries. For example, the F-5 fighter filled the need for a good, but not too sophisticated, cheap fighter. Indeed, the Report suggests that point No.3 may conflict with No.2, as the availability of this sort of equipment could prevent buyers from shopping for higher performance equipment instead.[14]

On the remaining elements of Carter's policies - such as the ban on third party transfers, co-production and arms sales promotion - the Report is less critical. But there is a pervasive attitude of suspicion - that nothing has gone wrong yet - which leaves the impression that Carter is not to be commended for having failed to err.

Finally, the Report dwells on contradictions between Carter's arms policies and other Administration policies. For instance, the present Administration endorses the goal of NATO standardisation, but the Report suggests that Carter's desire for multilateral restraint conflicts with this. If European suppliers reduce their sales in the Third World, the unit cost of their hardware will be relatively

higher; it will then be that much more difficult to get Congressional approval for buying European equipment.[15] Defense Secretary Harold Brown acknowledges this problem in his FY1979 Annual Report to Congress[16]

A second conflict arises between Carter's arms policies and his desire to reduce the commitment of US troops abroad. This applies in particular to South Korea, where Carter has resolved to phase out the American military presence. In order to buttress South Korean forces - and maintain US credibility in the area - the Americans have promised to provide large transfers of military equipment to the Republic's forces.[17]

(b) Assessment

As a discussion of the general problems Carter faces in implementing his policies, the Report has a great deal to offer: it covers many of the criticisms and doubts that have been expressed about his policies, and does so in a cogent manner. However, the Report is sometimes carping in its search for faults, and as a result does Carter an injustice. For example, it is not convincing when playing down Carter's achievements in refusing requests for A-7s and F-18Ls. The Report alleges that in the mainstream of sales it is business as usual, with requests being turned down 'at the margin'. [18] However, 250 F-18Ls and 110 A-7s are deals worth several billion dollars, and the customer for the former was Iran - hardly a marginal case. The Report asserts, however, that the USA is merely offering alternative aircraft instead.[19] This is true regarding Pakistan's request for the A-7s, but the stated policy is not to create 'vacuums' in sales orders that other suppliers can then fill. Instead, if the customer is determined to buy, the USA will seek to interest the party in less sophisticated weaponry that is less likely to exacerbate tensions and arms races. The Report also suggests that the reasons for Carter's refusal to Pakistan had little to do with the application of his arms policies. Perhaps, but Carter's later rejection of an Indian request for a similar plane (see Chapter VI) renders the CRS account suspect. Whatever the explanation, it remains true that his action was in line with the policy, and is still a case of restraint.

As for the refusal to sell F-18Ls to Iran, it is simply not the case that the USA offered F-16s instead. Originally, the Shah wanted 250 F-18Ls and 300 F-16s. After the refusal to sell F-18Ls, the Shah did not increase the order for F-16s.[20]

On co-production, the Report expresses misgivings that are unconvincing. It claims that allowing co-production with NATO (which the policy does not ban) will lead to pressure being put on the USA by European co-producers to approve sales to third parties.[21] This, of course, is possible, but at least it gives the USA some leverage in preventing European sales of advanced weaponry to the Third World. The Administration points out that the alternative is the independent development of European systems over which the USA can exercise no restraint.[22]

Finally, the Report unfairly characterises the Administration's position on multilateral restraint. It claims that Carter is requiring very little from other suppliers, and lists the three requirements he is seeking:

(a) Other suppliers should not fill the void that US restraint creates. But in their traditional markets, they can sell as much as they like.

(b) Other suppliers should try to restrict the transfer of sophisticated technology.

(c) With all arms deals, other suppliers should first consult with the USA.[23]

The Report claims that these requirements are minimal, and fall far below the expectations created by Carter's policy statement.[24] However, it fails to document the evidence for this interpretation of Carter's policy. It is unlikely that Carter will settle for (a), as accelerating arms deals by other suppliers makes it difficult for the USA to practise restraint with its own clients. Furthermore, (b) is not all that minimal, for limiting weapons sophistication is a major part of USA policy, and obviously has important implications for regional balances. Nevertheless, the Administration has been extremely reticent about its objectives in negotiating with other suppliers, if indeed it has firm objectives.

The exact form of the agreement sought is therefore something of a mystery. The CRS Report's version may be part of the story, but it is unlikely to be all that the US is seeking. Lucy Benson claims that the type of restraint sought from other suppliers is not precisely defined, but will be determined by 'their own perceived interests and requirements' in discussion with the USAA.[25] This is hardly informative, but apart from the announcement that the US is pursuing regional restraint with the Soviets (see Chapter VII), it is all we have. However, the desideratum for the Americans is likely to be a general agreement on the points of Carter's May 19 policy.

(c) Summary

The CRS Report casts serious doubts on the viability of Carter's arms policies, but it does not provide the last word on the subject. Some of Carter's actions and policies have more going for them than the Report is willing to admit, and the most the Report can fairly claim is that Carter's record to September 1977 had been highly uneven, while some objectives of the policy do not appear to be viable in the longer term.

For the remainder of the book, it is proposed to explore aspects of Carter's policies not covered by the CRS Report. Some major elements are given very short shrift - or totally ignored - by the Report. The following two chapters examine two examples - the desirability of trying to restrain sophisticated technology, and Carter's performance in linking arms sales to human rights.[26]

Secondly, the record will be brought up to date and Carter's policies assessed in the light of two years of office, rather than several months. That will occupy Chapters VI and VII. The concluding chapter will provide an overview as well as a look to the future.

Notes to Chapter III

1. Implications of President Carter's Conventional Arms Transfer Policy, Report to the Committee on Foreign Relations, United States Senate, by the Congressional Research Service (henceforth the CRS Report), p.46.
2. CRS Report, p.17.
3. M.Ayoob, 'The Horn of Africa: Regional Conflict and Superpower Involvement', Canberra Papers on Strategy and Defence, No.18, 1978, pp. 21-23, 25.
4. CRS Report, p.27. The Report is critical of the agreement to sell AWACs, on the grounds that it does not set a good example of self-restraint to others, the stated purpose of the unilateral policy (ibid, p.31).
5. ibid, pp. 20-2.
6. ibid., pp. 18-20.
7. ibid., p.31.
8. ibid., p.32. It is difficult to confirm this for 1977 and 1978, as most figures deal with deliveries rather than orders. Also, the alleged 'peak' of 1974 has been rejected in later estimates. See Chapter VI.
9. ibid., p.33.
10. ibid., p.33.
11. ibid., p.33.
12. ibid., p.30.
13. ibid., p.9.
14. ibid., pp. 43-4.
15. ibid., pp. 41-2. The Report neglects to point out that US restraint should also raise their costs, so that the relative prices of US and European hardware may not change. However, assuming the cost curves to be asymptotic, and that the USA is further along the curve than the Europeans, a reduction in output is likely to have a bigger adverse impact on the European manufacturers.

16. Department of Defense Annual Report for FY1979, pp. 251-2.
17. CRS Report, pp. 25, 43. Since writing this, the Carter Administration has suspended the withdrawal of US forces from the region, in view of revised intelligence estimates of North Korean forces. This may affect the planned transfer of arms to the Republic, as the equipment involved was to be left behind as the Second Infantry Division withdrew.
18. ibid., p.36.
19. ibid., pp. 22, 31.
20. 'US Arms Sales Policy', p.129.
21. CRS Report, p.42.
22. Statement by Lucy W.Benson, Conventional Arms Transfer Policy: Background Information, p.11.
23. CRS Report, pp. 29-30.
24. ibid., pp. 46-7.
25. Lucy W.Benson, Conventional Arms Transfer Policy, p.19.
26. One aspect ignored by the Report has already been covered: Carter's ideas before 19 May. The Report tends to regard 19 May as the starting point for its analysis, whereas this paper suggests (tentatively) that the process of accommodation to 'reality' had already begun. The May 19 Statement is itself one of the symptoms of this accommodation, rather than the starting point.

CHAPTER IV

OTHER DIMENSIONS (i): RESTRAINTS ON ADVANCED TECHNOLOGY

To evaluate Carter's policies, two approaches can be taken. One is to assess them 'instrumentally', in terms of how well he has managed to fulfil his objectives. A second is to judge the objectives themselves. This thesis is interested in both. Although it generally concentrates on the former, it is the latter which is the concern of this chapter.

There has been a great deal of literature produced in the last few years concerning the strategic (and other) implications of the quantum leap in new weapons technology, particularly in precision-guided munitions (PGMs). It is curious, however, that the various writings on Carter's policies have ignored the relevance of this debate to the objectives stated in his May 19 statement. While not proposing to offer any firm conclusions on the subject, this chapter will attempt to sketch some of the ways in which this literature might be applied.

(a) Carter's Policy on New Technology - Theory and Practice

Point (2) of the May 19 statement reads as follows:

The United States will not be the first supplier to introduce into a region newly-developed, advanced weapons systems which could create a new or significantly higher combat capability. Also, any commitment for sale or co-production of such weapons is prohibited until they are operationally deployed with US forces, thus removing the incentive to promote foreign sales in an effort to lower unit costs for Defense Department procurement.

This is the bulk of the policy dealing with advanced technology, but point No.3 also prohibits the production or modification of 'advanced' weapon systems solely for export. This latter point was touched on in the previous chapter, which suggested that production exclusively for export may in some cases be a good thing, and helps advance the objective of restraining the spread of more advanced technology. This chapter will concentrate on the section of point No.2 which prohibits introducing more advanced weaponry into a region.

As noted in Chapter II, the definition of advanced and more capable weaponry is hard to pin down, a point on which the Administration itself agrees. However, the official policy has been spelt out somewhat in regard to weapons transfers to Latin America. According to a State Department document, weapons not approved for export to this region include aircraft more sophisticated than the F-5 and A-4; [1] any ballistic missiles and rockets; 'advanced technology missiles'; any weapons that raise 'special policy problems', such as silencers, napalm, incendiary bombs, 'smart' bombs and cluster bombs; and major warships such as battleships, cruisers and aircraft carriers. Some other items are not prohibited, but are reviewed on a case-by-case basis; these are short-range tactical missiles, some ship-to-ship missiles, and air-to-air missiles.[2]

Unfortunately, the USA has a long-standing policy of not publicising the arms requests turned down. Until recently, one of the few publicly acknowledged cases of a Latin American request turned down by Carter due to its level of technology was the blocking of Israel's sale of Kfir fighters to Ecuador.

However, a selective and representative list of turn-downs between 1 January 1977 and 1 September 1978 was recently released in testimony before the House Budget Committee's Task Force on National Security and International Affairs. Although the information was provided on the understanding that it was to be classified, the publicly released version was for some reason printed with the list intact. The document reveals a number of turn-downs in Latin America and elsewhere that could well be applications of point No.2. In Latin America they include F-5Es to Ecuador (pre-dating the Kfir request) and Guatemala; A-6 aircraft to Honduras; TOW anti-tank guided weapons and Hawk surface-to-air missiles to various countries; several requests for night vision equipment; etc.[3] Although doubts have been cast on the list's accuracy regarding Australia, press reports corroborate some other cases on the list; this is discussed in Chapter VI. Furthermore, some of the apparent turn-downs may be due to other reasons, such as a country's human rights record or national security considerations. The USA is reluctant to sell highly advanced equipment when there is a fear that the details of the equipment - or the actual hardware itself - may fall into the hands of the Russians.

Besides Latin America, the US Government publicly states that A-7s were not sold to Pakistan because of their level of sophistication.[4] The USA is also believed to have blocked the sale of Viggen fighters, with their American engines, to India, which again sounds like an application of

point No.2.[5] The rejection of India's request lends credence to the official explanation of America's refusal to sell to Pakistan.

The only case where Carter has approved a weapons transfer in deliberate contravention of the policy was the agreement to sell 7 Boeing E-3A Airborne Warning and Control (AWAC) planes to Iran. The Administration did not deny that point No.2 was violated in this instance, [6] but argued that the general waiver written into the policy could be justifiably used to improve the air defences of their then close ally.

(b) Is the Policy Counter-Productive?

It seems to be an implicit assumption of the Carter Administration that 'better=worse'; yet this is not self evident, and a good deal of literature suggests quite the opposite. In particular, the new generation of PGMs have been the focus of a good deal of speculation that their widespread diffusion would be beneficial - or anyway less harmful.

Three major arguments have been advanced to support this claim. First, it is claimed that they favour the defence over the offence, and thus shore up stability. This does not apply to all PGMs; for example, glide bombs and air-to-surface missiles have obvious benefits for aerial offensives - although this includes counter-offensives. [7] However, anti-armour and surface-to-air missiles offer obvious benefits to a defending force, in resisting armoured thrusts and aerial offensives. The defender has the advantage of being able to conceal himself in prepared positions, whereas the attacker must move and thus expose himself to the defender's missiles. Also, PGMs can be moved quickly along a front to reinforce the defence wherever it is needed. [8]

Such arguments, however, are not without flaws. Although PGMs can be moved around quickly, this applies to both sides, for an offender can also concentrate a PGM-armed force without detection to amass for an offensive operation. While it is true that the defender has the advantage of concealment, this is simply an advantage of the defence, which applies with or without PGMs.

There are also other well-documented objections to the thesis that PGMs are primarily defensive. Ground-based PGMs may be used to defend territory seized in a surprise attack, and surface-to-air missiles may provide a protective umbrella behind which ground forces can advance - as the Egyptians showed in the Yom Kippur War. The accuracy of

these weapons may also favour the side with larger forces-in-being, which is not necessarily the more pacific side.[9]

But having said all this, it is not true that the sale of PGMs will generally make the strategic situation more unstable. They are obviously of considerable benefit in shoring up the defences of countries facing external threats, and although they have offensive potential, there are no conventional weapon systems without this capacity. Yet the Administration officially regards modern weaponry with more suspicion than older generation equipment, which is at least as capable in the offensive role. This applies not only to highly accurate weapons. Modern anti-tank minelets are not designed for accurate targeting, but are useful for slowing down and channelling an enemy advance. This cuts both ways as far as aggressor and defender are concerned, but that does not make the weapon especially sinister.

The proliferation of modern maritime technology is also not automatically bad. A recent paper on its implications for the Indo-Pacific region suggests that it affords greater security of coastal frontiers without providing a corresponding increase in the ability to project force abroad.[10] The vulnerability of merchant shipping to this technology is perhaps a different matter, but interdiction of ships on the high seas remains a difficult and unattractive task.[11]

* * *

A second possible advantage of high technology is that improved accuracies and target finding may reduce the level of collateral damage.[12] Whether modern weaponry favours the defence or the offence, it is obviously desirable to conduct a war with minimal losses of civilian lives and property.

However, it has been pointed out that collateral damage is only reduced if the enemy fails to take appropriate countermeasures. By the use of dispersion, mobility and camouflage, the defender may force the attacker to resort to area weapons with high collateral damage.[13] Even so, the situation is no worse than one without PGMs, and the use of counter-countermeasures is likely to preserve some role for precision weapons.

A further objection to precision weapons is that, to the extent collateral damage is reduced, the prospect of going to war is less appalling and more 'thinkable'. [14] This argument will sound familiar to students of nuclear

strategy, and has the same air of indeterminacy about it.

Against the above line of reasoning it should be pointed out that if a country improves its ability to fight by using accurate weapons, this can hardly fail to have a deterring effect on others. Also, the defender has less to fear when attacking enemy forces on his own territory if he is confident that the bombs and warheads will land where they are supposed to.[15] This may increase his willingness to strike at enemy forces invading near his own towns, dams, etc.

* * *

A third argument for advanced technology is that in at least some cases it is highly cost-effective. As accuracies improve, the number of bombs or missiles required to destroy a given target declines more than proportionately. This has the effect of reducing the number of sorties required to destroy a given target - and may allow the purchase of fewer weapons platforms in the first place. It has been suggested that this more than outweighs the increased cost per round of the new technology.[16] A further advantage, of special value for Third World countries, is that much of this equipment (such as anti-armour and surface-to-air missiles) is becoming easier to use and maintain, thus requiring a lower base of technical skills.[17]

The cost-effectiveness, however, does depend on the context in which it is used. Bad weather, darkness, electronic countermeasures and camouflage can reduce the effectiveness of PGMs to the point where 'dumb' weaponry is cheaper.[18] But these considerations aside, PGMs can be more cost-effective in some situations than less sophisticated alternatives - although there is no guarantee that trends will continue in this direction.

(c) Policy Implications

The literature suggests that the diffusion of modern technology will in some cases (a) shore up defence, (b) reduce collateral damage, and (c) achieve both (a) and (b) at less cost. If these points are correct, then the spread of PGMs will advance the three classic objectives of arms control: to reduce the likelihood of war; to reduce the destruction once war breaks out, at least as far as civilian lives and property are concerned; and to ease the economic burden of armaments. Indeed, it has been suggested that PGMs should be left off the agenda of arms control for the present.[19]

When it comes to glamorous advanced weapons platforms such as sophisticated aircraft and modern tanks, the situation is likely to be different. They are not only capable of offensive operations, but they appear aggressive and are widely regarded as the instruments of offensives. In the case of combat aircraft, their utility in surprise first-strikes must be a special source of alarm for neighbours. These are also prestigious items in a country's arsenal, and their purchase by a particular country may create a general demand to follow suit among the military and political leadership of their neighbours (often the same group).

But these arguments apply less to PGMs. If a country wishes to replace old equipment or expand its existing capabilities, the use of advanced PGMs is not more de-stabilising or expensive than fulfilling the task with a larger and more expensive arsenal of less sophisticated hardware. The purchase of larger numbers of iron bombs, or a conspicuous arsenal of previous-generation tanks, is not likely to do much for arms control or the balance of payments.

Therefore, Carter is wrong to make the level of technology per se an issue. His list of weapons under review or banned to Latin America indicates that 'smart' bombs are totally banned, while 'short-range tactical missiles' will not be strictly prohibited but will be subject to a more stringent review than, say, tanks.

In many instances the resultant refusals will be totally justified. The transfer of such hardware to strong and aggressive nations does little to preserve regional stability, and only encourages arms races. Also, the technology may sometimes be non-releasable for national security reasons. But as regards regional stability, that can be a reason for not selling any major weapon system, whether it is 'state of the art' or not. And as regards the question of trading those systems where there may be information reaching the Russians, this only indicates that the level of technology should sometimes count against it. In other cases, the higher level of technology may well be a point in its favour, if this brings with it the ability for the purchasing country to protect itself from bullying neighbours with less collateral damage and at lower cost.

Adopting a suspicious attitude to high-level technology per se indicates a mistaken approach. It is certainly important to distinguish types of technology when contemplating the transfer of weapons, but the appropriateness of a weapon is not necessarily determined by its lack of sophistication. It is not enough to say in

Carter's defence that the waiver copes with situations where the general policy should not apply: this amounts to saying that sophistication constitutes a prima facie case against a weapon system, although not always a 'conclusive' one.[20] Instead in some cases sophistication counts as a prima facie case in favour of transferring a weapons system. This is not a mere academic point, however, for it can have policy implications: an initial presumption against advanced technology may influence one's ultimate decision whether to transfer such weaponry.

To conclude, Carter's policy on the transfer of advanced weapons technology correctly tries to distinguish types of weapons, but draws the distinction the wrong way. Chapter I mentions a number of problems that weapons transfers raise for the supplier and recipient. These general considerations should be used to evaluate the transfer of particular weaponry; in some instances, they will find against more advanced technology, but in other circumstances they will favour it.[21]

The issue of technology reveals problems in the formulation of a coherent arms policy. Carter publicly committed himself to arms restraint in the interests of world peace and economic development,[22] but his policy on technology may militate against these objectives. Even if he revised this policy by making it more flexible, conflicts within US policy will still persist. In particular, the USA will not release some sensitive technology for national security reasons, although this may have been desirable for other countries to possess. Such dilemmas cannot be blamed on Carter, for it is impossible to consistently pursue all desirable goals simultaneously.

Notes to Chapter IV

1. To which it should apparently be added: weapons as sophisticated as the F-5, which has been refused to several Latin American countries, and sold to none. More on this later.
2. See 'US Transfer Policy in Latin America', GIST, Department of State, July 1978.
3. Foreign Military Sales Trust Fund, Hearings before the Task Force on National Security and International Affairs, House Budget Committee, 3 October 1978, pp. 18ff.
4. See Lucy W. Benson, Address to the 14th American Institute of Aeronautics and Astronautics Conference, p.43.
5. This case was also listed in Foreign Military Sales Trust Fund, Hearings before the Task Force on National Security and International Affairs, House Budget Committee, 3 October 1978, but is confirmed elsewhere, for example, 'Export Problems Faster', Aviation Week, 11 December 1978.
6. Testimony by A.L.Atherton, then Assistant Secretary of State, and L.H.Gelb, Director of the State Department's Bureau of Politico-Military Affairs, in Sale of AWACs to Iran, Hearings before the Subcommittee on Foreign Assistance of the Committee on Foreign Relations, U.S.Senate, 18, 22, 25 & 27 July and 19 September 1977, pp. 30, 41.
7. G.Kemp and R.L.Pfaltzgraff, Jr., 'New Technologies and the Emerging Geo-Strategic Environment', in G.Kemp, R.L.Pfaltzgraff, Jr., and U.Ra'anan, (eds.), The Other Arms Race, Toronto: Lexington, 1975, p.127.
8. These arguments are advanced by J.Digby, 'Precision Guided Munitions: Capabilities and Consequences', in G.Kemp, R.L.Pfaltzgraff, Jr., and U.Ra'anan, (eds.), The Other Arms Race, p.12.
9. For example, see S.J.Rosen, 'The Proliferation of New Land-Based Technologies: Implications for Local Military Balances', in R.J.O'Neill (ed.), Insecurity!, pp.116ff; A.H.Cahn and J.J.Kruzel, 'Arms Trade in the 1980s', pp. 52-3; and R.Burt, 'Developments in Arms Transfers', pp. 13-4.

10. M.McGwire, 'The Proliferation of Maritime Weapon Systems in the Indo-Pacific Region', in R.J.O'Neill (ed.), Insecurity! The paper contends that the ability to carry out naval operations attenuates rapidly as distance from the shore increases, for beyond a certain point one's naval forces lose the support of land-based systems. (ibid., pp. 81, 83).
11. ibid., pp.100-101.
12. J.Digby, 'Precision Guided Munitions', p.12.
13. A.H.Cahn and J.J.Kruzel, 'Arms Trade in the 1980s', p.55. Witness the use of area weapons and 'free fire' zones by the US in Vietnam.
14. ibid., pp.55-6.
15. Digby suggests that PGMs will improve the prospects of West Germany being prepared to fight on its own territory (J.Digby, 'Precision Guided Munitions', pp.4-5).
16. See, for example, Wing Commander R.W.Howe, 'What Australia Needs is a Good Revolution: The PGM Revolution', Defence Force Journal, No.5, July/August 1977, pp. 8, 16, 17.
17. M.W.Fossier, 'The Role of SAMs in Tactical Warfare', in G.Kemp, R.L.Pfaltzgraff, Jr., and U.Ra'anan, (eds.), The Other Arms Race, p.41; and R. Huisken, Limitations of Armaments in South-East Asia: A Proposal, Canberra Papers on Strategy and Defence, No.16, pp. 40, 44.
18. S.J.Dudzinsky and J.F.Digby, 'Qualitative Constraints on Conventional Armaments: An Emerging Issue', RAND Paper R-1957-ACDA, July 1976, pp. 34-7; and Group Captain W.H.Thalberg, 'The Continuing Requirement for Air Support', in D.J.Ball (ed.), The Future of Tactical Airpower in the Defence of Australia, Canberra: ANU Press, 1977, pp. 211-4.
19. S.J.Dudzinsky and J.F.Digby, 'Qualitative Constraints on Conventional Armaments', pp. 83-5; their conclusions are endorsed by R.Burt, Developments in Arms Transfers, p.21.
20. For an illuminating discussion of the distinction, see B.Barry, Political Argument, London: Routledge and Kegan Paul, 1965, pp. 32ff.

21. Two papers arguing against an 'open slather' policy with regard to PGMS in our region are R.Huisken, Limitations of Armaments in South-east Asia: A Proposal, and S.J.Rosen, 'The Proliferation of New Land-based Technologies'.
22. The latter argument can be found in Carter's contribution to 'Arms Control and the 1976 Presidential Election', p.5.

CHAPTER V

OTHER DIMENSIONS (ii): ARMAMENTS AND HUMAN RIGHTS

The previous chapter examined one important issue that the CRS Report ignored: the desirability of limiting the transfer of advanced weapon systems. This chapter will consider another element of Carter's policy which the Report overlooks: Carter's position on the appropriate connection between arms sales and human rights. The concern here is more 'instrumental' than in the previous chapter: rather than examining the desirability of fostering human rights abroad, what Carter has done towards that objective will be considered.

(a) Carter's Policy

Upon taking office, Carter embarked on several policies aimed at advancing the cause of human rights which set him apart from previous Administrations.[1] For example, he resolved to submit annual human rights reports on recipients of US security assistance, as required by Section 301(a) of the 1976 International Security Assistance Act. The Ford Administration had declined to do so.

On human rights violators, Carter promised to take more action, but his policy statement on arms transfers was not terribly revealing. It devotes only the following lines to the subject, in relation to security assistance:

In formulating security assistance programs consistent with these [six] controls, we will continue our efforts to promote and advance respect for human rights in recipient countries.

The 'efforts' that were to be continued were not clarified. However, some light is thrown on the matter by the NSC analysis that provided the basis for Carter's May 19 policies. It argues that military transfers to other countries should not be unrelated to human rights considerations:

In the formulation of arms transfer policy we can do much to change program content in light of human rights considerations. For example, U.S. arms that seem especially likely to be used for repression can be systematically denied and greater emphasis on human rights promotion can be included in orientation visits for foreign military officers. There are degrees of

deprivation of security assistance which should be considered in imposing sanctions or disassociating the U.S. from repressive regimes.[2]

But although contemplating reductions in security assistance, the Report is wary of employing the blunt instrument of an arms embargo to force greater respect for human rights. Such efforts may well be counter-productive:

There is risk of offending such countries, thereby incurring damage to our regional and global interests, particularly in the context of the North-South dialogue. Moreover, these countries might turn to other suppliers and their negative reactions could diminish what influence the U.S. might otherwise have been able to bring to bear to encourage improvements in their attitudes toward human rights. All these considerations suggest that complete termination of programs and arms embargoes might be best reserved for the worst offenders - in cases where we have concluded that efforts to improve the situation are unlikely to yield positive results and where continuation of programs unavoidably identifies the United States with governments with which we do not have common values.[3]

(b) Observance of Policy

The Carter Administration claims that it thoroughly reviews requests for arms by human rights violators to ensure that police and other law enforcement equipment that could be used for oppressive purposes is not sold. Commercial export licences are also reviewed for the same reason.[4]

It is difficult to judge whether the promise has been kept. Lists of arms agreements tend to focus on major weapon systems, whereas such equipment as batons, pistols, tear gas, etc., involve fairly small-scale deals and unobtrusive hardware. Arms transfers involving instruments of repression can occur without the executive branch even knowing.

Regarding total levels of transfers to various human rights violators, the record is better documented. It reveals that the Carter Administration has applied the weapon of cut-backs somewhat sporadically. In some cases, human rights offenders have received no punishment at all;

in other cases, their access to US arms has been curtailed; and in at least one case, it has been eliminated.

An example of the first case is South Korea. Despite widespread reports of human rights violations, the present Administration has increased the transfers of US arms. To compensate for the withdrawal of ground troops, the USA will leave behind \$800 million of Second Infantry Division equipment.[5] In defence of its policy, the Carter Administration argues that human rights in South Korea are improving, for example the treatment of prisoners.[6]

Another example of a human rights violator which has not been penalised is Indonesia. Although an embargo on new arms deals was imposed between December 1975 and June 1976, no such treatment has been handed out since. To defend its policy, the Carter Administration has again argued that respect for human rights is improving there: political detainees are being released on schedule, while reports of ill-treatment and torture in the prisons are regarded as over-stated. Concerning East Timor, the Administration also claims that atrocity reports have been exaggerated, and that the situation is improving.[7] In addition to this approach to the Indonesian problem, a further rationale has been offered for continued transfers there, as expressed in the words of one Administration official:

We...believe that continued US security and economic assistance at the requested levels enhance stability and further economic progress, thereby creating a more favorable climate for the observance of human rights.[8]

Other countries have received limited refusals of their requests for arms, ostensibly due to their human rights performances. This applies for example to the Philippines. In FY1978, MAP aid, IMET programs and FMS credits were reduced below the level requested by Carter due to Congressional disapproval of the Philippines' human rights record. In FY1979, Carter requested a level of security assistance which he claimed already included a lower level of aid for human rights reasons. However, the Administration added that America's relationship with the Philippines was important to national security, requiring some military aid to maintain - an apparent reference to Subic Bay and Clark Air Force Base. To further mollify Congress, the Administration claimed - yet again - that human rights were improving.[9]

The question remains: why the different treatment of the Philippines and Indonesia? A possible explanation is that Carter expected trouble with Congress on the

Philippines, which he headed off by making a show of self-restraint: it is better to placate Congress with a small cut than to suffer a bigger one at their hands.

The case of Nicaragua is an example of the draconian end of the spectrum: there the USA has used an arms embargo, although they have been reluctant to terminate the military nexus with Nicaragua completely. FMS credits were (tentatively) approved for FY1977 and FY1978, but in fact no goods were transferred. In FY1979, no FMS financing was even requested by the President, which was 'in part a reflection of our concern over the human rights situation'. [10] Although the Administration still planned to provide IMET assistance, Congress eliminated this as well.

The overall picture, then, is broadly in line with the original promises, although the application of aid sanctions is not clearly consistent. Military transfers have not been terminated except in such extreme cases as Nicaragua, but the transfer of police-type equipment is ostensibly being strictly monitored. The only question is whether all this is having the desired effect on the recipients.

(c) Problems in Making the Policy Effective

Multilateral agreement is a central tenet of Carter's arms policies; unilateralism is justified largely as a means of getting others to follow suit. The general problems of obtaining multilateral restraint are discussed in Chapter VII; however, some specific difficulties arise in the context of human rights. Carter hopes to restrain the transfer of police-type equipment to human rights offenders, but there are singularly large problems with this. The sort of equipment involved - shotguns, batons, tear gas, revolvers, leg irons, and so on - is frequently neither conspicuous nor technologically sophisticated. They are the kinds of items over which control is hardest to exercise once an arms control agreement is reached - and where agreement is hardest to reach in the first place due to the large number of actual and potential producers.

Taking the latter point first, the United Kingdom and Italy are particularly vigorous exporters of counter-insurgency (COIN) equipment, and as their buyers have included Amin's Uganda (Britain) and South Africa (Italy), their sensitivity to human rights cannot be running very high. [11] However, as it does not take sophisticated hardware to repress a population, the major Western arms exporters are not crucial. Small arms are one of the main implements of police and COIN operations, and these are produced by many nations. Within the Third World itself, 18 nations produce small arms [12] - more than produce any

other kind of military hardware - and no doubt many more could begin production if supplies dried up. In fact, the number has already increased from only nine Third World countries that were definitely producing small arms in 1965.[13]

But even if formal agreement were reached among small-arms suppliers, it is difficult to control their flow. Statistical records themselves are vague on who has what number of various types of guns, since guns are easily smuggled across borders, and/or provided by friendly governments. In the Lebanese civil war, for example, both sides were covertly funded and supplied by various sources, including the Saudi Arabians, Israelis and Bulgarians.[14] The prospects of effective multilateral restraint on the supply of police and COIN weapons are thus extremely dim.

A further difficulty in carrying out Carter's policies on human rights is the inconsistency of their relationships with other aspects of Carter's arms policies. Indeed, the Administration's stance on human rights appears to flatly contradict other elements of Carter's position. First, the Administration has argued that human rights can generally be best advanced by maintaining arms transfers to other governments. The NSC report (see above) argues that this provides influence, which arms embargoes will terminate. Second, the NSC suggests that military training can help mould the ideas of foreign officers in the desired direction. In Congressional testimony we have even seen the Administration argue that arms sales help to provide a secure environment in which respect for human rights can flourish.

All this may be true, but it does not sit well with the Administration's commitment to arms restraint, or its insistence that arms sales will cease to be a normal instrument of foreign policy. On the first point: if arms sales help to provide constructive influence, then a policy of arms restraint will tend to defeat that purpose. The fewer the arms deals, the fewer the opportunities to bring influence to bear. This, of course, is often not true: one's influence with a country is not likely to be improved by arms transfers to its neighbour as well - a point borne out by Russia's attempt to arm both sides in the Horn of Africa. Fewer arms deals may thus provide more influence over third parties, but this must be weighed up against the influence over the recipient gained by building up goodwill and obtaining leverage. The NSC Report provides an argument for transferring more arms in cases where a policy of self-restraint would dictate otherwise. Furthermore, if the Administration is prepared to accept that arms sales buy influence, then they must expect the Russians to be unmoved

by calls for restraint. Yet, in negotiations with the Russians, the USA has argued that arms sales are an unreliable means of influence that often backfires (see Chapter VII).

On the second point, the Administration is committed to treat

arms transfers as an exceptional foreign policy implement, to be used only in instances where it can be clearly demonstrated that the transfer contributes to our national security interests.[15]

But if arms transfers are to be used as a means of advancing America's human rights objectives, where this need have nothing to do with US national security, then it is being employed as an implement of foreign policy, in contravention of the May 19 statement.

A second conflict within Administration policy again arises from the NSC document. Here it is argued that arms embargoes should not be used because the recipients might turn to other suppliers.[16] This of course is quite true, and it is the classic argument against unilateral restraint. It is, however, a strange argument to be used in a document that also claims:

Our own program of restraint will be a very important first step towards [multilateral restraint] and will greatly enhance our ability to talk seriously with others about multilateral controls.[17]

Given that it is important to show self-restraint in order that others will follow, then making sales because 'others might if I don't' is hardly serving the cause of global restraint. The same applies to selling arms in order to maintain influence. Perhaps all this can be justified by arguing that one worth-while principle may need to be overridden in order to attain another, but it does take some of the moral gloss off arms restraint. Instead of the arms debate being a struggle between ethics and prudence, it is to some degree an argument over various ethical principles. Even if Carter is effective in pursuing the goal of human rights, he can only do so by hindering other worthy objectives of his policy.

(d) A Different Approach to Embargoes

If Carter decided to adopt a firmer line with human rights violators, what chance would he have of reforming the offenders? Chapter VII looks at the general record and prospect of unilateral restraint; this section examines the prospects that embargoes hold out for exercising leverage.

The main problem with such an approach is the availability of alternative suppliers. If the USA suspends - or threatens to suspend - military transfers to other countries, they may respond - or promise to respond - by seeking military goods and services from other suppliers. While other arms-exporting nations continue to show little sensitivity to human rights, this severely curtails the influence such a tactic can provide. This is not an original point - it is acknowledged by the Administration and most of its critics. However, it does slightly over-simplify the situation that recipients confront in the 'arms bazaar'. It inaccurately portrays the market as a situation of perfect competition, with a large and equally available number of sellers marketing a homogeneous product.

The USA is not the only seller, but its offerings are not exactly duplicated by its competitors. One of the reasons for America's popularity with Third World customers is its excellent reputation for prompt delivery and follow-on support (training, provision of spares, technical support). Also, the equipment itself is often better made and more dependable. These points can be illustrated with reference to Latin America. When countries of the region expressed interest in supersonic fighters during the mid-1960s, their first choice was the US F-5. When they were unable to buy it, the countries in question (Peru, Brazil and Colombia) turned to the French, who supplied them with the Mirage III and V. However, the experience with Mirages was not all that favourable, due to the cost of spare parts, delays in overhauling, slow delivery of some spares, and a disappointing flight performance. As a result, Latin American buyers turned back to the US when F-5s became available in the early 1970s: Chile and Brazil bought them, and after supply was again tightened up, Peru, Ecuador, Guatemala and Mexico expressed interest.[18] Latin America has also had unfortunate experiences with Soviet equipment,[19] in which respect they are not alone: Indonesia and India have found Soviet equipment costly, in need of continual maintenance, and with poor follow-on service.[20]

Furthermore, the USA offers some military goods and services on financial terms not duplicated by other suppliers. Although US military grants have fallen to a

small fraction of their original volume, they still constitute a transfer of many millions of dollars. In addition to MAP grants, which exceed \$100 million annually, there are IMET services (c.\$30 million) and the \$500 million of arms credits to Israel that are 'forgiven' each year. Aid under the International Narcotics Control Program adds another \$30-40 million annually. In such cases the recipient finds it hard to 'shop around', for there may be no other benefactors available. The trend in official aid over the last decade does not give reason to believe that other nations are eager to replace the USA in that regard.

Another factor is that the USA sometimes produces military equipment that is not available elsewhere. For instance, the USA is virtually the only producer of glide bombs, [21] and is well ahead of other suppliers in producing advanced air-to-surface missiles. For example no other country produces a launch-and-leave TV-guided missile, whereas the USA has the Maverick. However, it is probable that the USA will be generally reluctant to transfer equipment in which they have such a great technological lead, so that this is not likely to provide much leverage.

Finally, buyers may restrict themselves to certain suppliers for political reasons. In the Middle East, it has been claimed that even if the USA withheld supply, the conservative states would not shop with the Russians, for ideological reasons.[22] In fact, Saudi Arabia, Kuwait and Iran have all bought combat equipment from the Russians, but Jordan's Hussein has apparently refused to buy Soviet surface-to-air missiles on generous terms due to his antipathy towards the Russians.[23] On the other hand, countries are definitely interested in shopping with a major power in order to maintain good relations and symbolic support. This clearly applies to Egypt, where Sadat wants to buy American equipment in order to justify his decision to expel the Russians - a decision that was not unequivocally supported by the military.[24] Defense Secretary Harold Brown indicated an awareness of this in his annual report of last year:

Some governments will turn to other suppliers if our assistance is reduced. Many, however, desire close relations with the United States and may respond positively to an expression of U.S. intention to reduce or eliminate the military aspect of a relationship.[25]

To sum up, the arms market is a situation of imperfect competition, where the suppliers are often few and the goods (and services) heterogeneous. In imperfect markets, economic theory tells us that the firm has a degree of

discretion over the price it charges: it is a 'price-maker' rather than a 'price-taker'. In short, it has leverage.

One would expect the same to apply in the case of military transfers, where the extra 'price' may be concessions on human rights rather than more dollars. However, the amount of leverage that exists in practice depends on the degree to which the buyer is a captive of the particular seller, and this depends on such matters as his willingness to settle for second best, to forego the item in question or the symbolic support, and on such personal factors as the leader's fear of reform, national pride and so on. It is thus impossible to establish general principles regarding the utility of arms embargoes; one can only point out that the accepted wisdom, that a threatened buyer can simply turn elsewhere, tends to over-simplify.

Nonetheless, it is probably true that the opportunities for leverage are limited. The threat of arms embargoes has not brought obvious success. Even such small Latin American republics as Guatemala and Nicaragua have shown themselves to be highly resistant to US sanctions. In 1974, after the USA placed a virtual embargo on Guatemala due to her territorial claims over Belize, the Guatemalans responded by ordering equipment from Israel, France, Spain, Taiwan and others.[26] In Nicaragua, we have seen that Carter cut military transfers because of human rights violations. In this case, the ploy seems to have partially worked, for President Somoza lifted martial law on 19 September 1977.[27] But success did not continue, for after the rebellion and strike of 1978, US pressure to get President Somoza's consent for a general election came to naught. In fact, Somoza initially accepted the idea of an election, but then backed out of it.

This does not prove that arms embargoes are fruitless. They provided temporary leverage in Nicaragua, and may have assisted in the final solution by swaying the military balance against Somoza.[28] Furthermore, keeping the threat of arms embargoes visible but in the background may have produced results that are not publicly known. Whatever the case, embargoes may have more to offer than being the last resort for dealing with gross and incorrigible offenders. Secretary Brown has pointed to a more realistic approach, but this only complicates the task of discovering what is the Administration's 'real' policy - or whether it has changed.

(e) Conclusion

Carter's performance on human rights is broadly in line with the Administration's statements - at least as far as can be discerned from the public record. However, the statements themselves do not always cohere, as with the different policies on embargoes outlined in the NSC Report and Harold Brown's annual report of last year. Brown's position is the less simplistic of the two. It was also argued earlier that the goal of reducing the trade in police and COIN equipment has little chance of success. The human rights policy, moreover, does not sit well with the rest of the Administration's arms policies - an inevitable result of their having set themselves various worthwhile but inconsistent goals.

The effect of the Administration's campaign for human rights is unclear, and is likely to remain so as long as governments are secretive about their diplomatic dealings. But as we shall see in Chapter VII, the Administration has other reasons for not antagonising many foreign governments with threats of arms cuts or embargoes - even if such tactics do prove effective.

Notes to Chapter V

1. According to Assistant Secretary of State Warren Christopher, the Administration's concern over human rights focuses on 'violations of the integrity of the person', such as 'officially sanctioned murders, tortures or detentions without trial' - see Human Rights, Hearings before the Subcommittee on Foreign Assistance of the Committee on Foreign Relations, United States Senate, 4 & 7 March 1977, p.67.
2. NSC 202, p.26.
3. ibid., pp. 26-7.
4. Testimony by Mark Schneider, Deputy Assistant Secretary of State for Human Rights, Foreign Assistance Legislation for FY1979 (Part 4), p.6; and Conventional Arms Transfer Policy: Background Information, p.18.
5. This was authorised by Congress in the International Security Assistance Act of 1978.
6. R.Burt, 'Carter Asks for No Cut in Arms Aid to Marcos Despite Negative Human Rights Report', NYT, 6 February 1978. The main item in this article is obviously the Philippines, but the message of the title is misleading, as indicated below.
7. Testimony by Robert Oakley, State Department Assistant Secretary for East Asian and Pacific Affairs, Foreign Assistance Legislation for Fiscal Year 1979, (Part 4), pp.61, 65-66; and testimony by R. Oakley, Human Rights in Indonesia: A Review of the Situation with Respect to the Long-Term Political Detainees, Hearings before the Subcommittee on International Organizations of the House International Relations Committee, 18 October 1977, pp. 20, 23.
8. Testimony by R. Oakley, Foreign Assistance Legislation for Fiscal Year 1978 (Part 6), Hearings before the Subcommittee on Asian and Pacific Affairs of the House International Relations Committee, 10, 17 & 22 March 1977, p.38.
9. Testimony by R. Oakley, Foreign Assistance Legislation for Fiscal Year 1979 (Part 4), pp. 207-213.

10. Testimony by S. Shelton, a State Department Deputy Assistant Secretary, in *ibid.*, pp. 127ff. Military aid to a number of countries has also been renounced by the recipients as a result of the President's human rights reports to Congress. As a result of his February 1977 reports on El Salvador, Argentina, Brazil, Guatemala and Uruguay, these countries broke off military aid agreements. In some cases, they jumped as they were pushed, for the Executive had already cut FMS financing to Argentina and Uruguay for human rights reasons; the same happened to Ethiopia, who also subsequently terminated her military ties with the US - Human Rights and United States Foreign Policy, Hearings before the Subcommittee on International Organizations of the House International Relations Committee, 25 October 1977, pp. 39-41, 57.
11. On Britain's sale of COIN equipment, see A. Sampson, The Arms Bazaar, pp. 297, 316; on Italy's sales of COIN equipment, see SIPRI Yearbook 1978, pp. 227-28, 249. Britain's record was a trifle better regarding El Salvador, where they eventually decided not to sell 'Saladin' armoured cars. However, the situation was complicated there by El Salvador's support for Guatemala's irredentist claims over parts of British Belize - see 'No Saladins for El Salvador', The Times, 14 December 1977; and L.Freedman, 'Britain and the Arms Trade', International Affairs, July 1978, Vol.54, No.1, pp. 338-9. Whether the British would have said 'no' if the only objection was El Salvador's human rights record is a moot point.
12. R.Burt, Developments in Arms Transfers, Table 2.
13. *ibid.*, Table 2. Another four countries were possibly producing arms in 1965.
14. A.Sampson, The Arms Bazaar, pp.15-24.
15. See text of May 19 Statement in Appendix A.
16. NSC 202, p.27.
17. *ibid.*, p.14.
18. D.Ronfeldt and G.Sereseres, U.S.Arms Transfers, Diplomacy and Security in Latin America and Beyond, RAND Paper P-6005, October 1977, pp. 8-10.
19. *ibid.*, p.14.

20. G.Jukes, The Soviet Union in Asia, Sydney: Angus and Robertson, 1973, p.257.
21. Wing Commander R.W.Howe, 'What Australia Needs', p.10.
22. See the statement by Professor J.R.Kurth, in U.S.Arms Sales Policy, p.79.
23. Statement by M.J.Amitay, in *ibid.*, p.71.
24. W.Beecher, 'Carter Said to Clear Project by U.S. Firm on Egypt's MiGs', IHT, 1 August 1977. It is an attitude that should be familiar in Australia, where the incumbent Prime Minister once remarked that he expected the Mirage replacement to be American.
25. Department of Defense Annual Report for FY1979, p.252.
26. D.Ronfeldt and G.Sereseres, U.S.Arms Transfers, pp.34-35.
27. 'How Carter put a tyrant on the skids', The Australian, 1 November 1977.
28. The USA responded to Somoza's intransigence by withdrawing its four-man military mission and ending economic aid, but stopped short of terminating diplomatic recognition. 'U.S. Ends Nicaragua Aid in Move Against Somoza', IHT, 9 February 1979.

CHAPTER VI

BRINGING THE RECORD UP TO DATE (i): THE SIX POINTS

The previous two chapters have concentrated on areas of Carter's policy not considered by the CRS Report, but the next two will attempt to consider aspects dealt with in the Report. As that assessment took place only months after Carter's policy statement, its conclusions may be regarded as premature. At the time of writing, two fiscal years have elapsed since Carter took office, including one in which no commitments were inherited from the previous Administration (that is, FY1978). We also have Carter's plans for the third fiscal year of his term, 1979, so that an assessment can no longer be regarded as premature.

The first of Carter's six points, enunciated on 19 May, was a commitment to reduce the dollar volume of certain arms sales in FY1978 below that of FY1977, as discussed in Chapter II. The President also extended this undertaking to promise further reduction below FY1978 levels in FY1979. The next section will examine the success of this aspect of Carter's policy, followed by a discussion of the remaining five points.

(a) Point 1: The Ceiling Policy

(i) FY1977

As FY1977 sales were not officially part of the ceiling policy (that is, they did not have to be below FY1976 levels), a cynical attitude by the Administration to arms restraint would have led to a large number of arms deals. By setting FY1977 sales at a high level, it would have been easier for Carter to remain under that level in the subsequent year. As it turned out, total non-commercial transactions were calculated at \$11.359 billion, of which \$9.36 billion counted for purposes of the policy. Regarding the latter figure, there is no directly comparable data for previous fiscal years, but the volume of sales is not apparently higher than for earlier years. Total arms sales were down on FY1976, which recorded \$13.2 billion in FMS transactions alone.[1] Also, Carter claims that only \$5.7 billion were approved by him during his term of office in FY1977 - less than half the amount Ford approved during the same period (20 January - 30 September) in the previous year;[2] the rest occurred in the closing months of the Ford Administration. Furthermore, the total sum was raised by a change in accounting procedures which brought Administration

estimates up from \$9.9 billion to \$11.3 billion;[3] however, the revised figure has been a cause of contention (see p.59).

Various examples of Carter's restraint during the year have already been cited: the F-18Ls for Iran, A-7s for Pakistan, Kfirs for Ecuador, and cuts in security assistance to Argentina, Uruguay, Nicaragua and Ethiopia. In addition, other examples of restraint include refusal to provide arms for Somalia, although the USA originally intended to sell them weapons;[4] and no fuel air explosives for Israel. This latter decision was one of the first actions of the new Administration, for Carter reversed President Ford's original commitment in February 1977.[5]

These examples of restraint were generally for other reasons than achieving Carter's ceiling, so one may legitimately ask what are the actual effects of the ceiling policy. It is impossible to know precisely, given the paucity of information on denials and the reasons for them. The Administration has given some general figures to indicate the level of restraint: in 1977, it claims to have turned down more than \$1 billion in sales to 67 countries, although the names of the countries involved and the reasons for these refusals were classified information.[6] The Administration also claims that, in the year ending May 1978, about \$1 billion in sales were not approved as a result of applying Carter's policies; and a further \$800 million were turned down for 'technical' reasons, for example, equipment that is classified for security reasons.[7] However, once again there was no breakdown or explanation given.

Although the Administration has shown restraint, its record was spotty in FY1977. It was during that year that the Administration agreed to sell the AWACs to Iran for \$1.2 billion; as this was one of the first new arms deals made by Carter, the decision to make an exception to policy was not an auspicious beginning, nor a commendable example to others. The Administration is also believed to have supported Iran's request for a further 140 F-16s,[8] and undertook to provide South Korea with a compensatory military aid package to ease America's withdrawal from the peninsula.[9]

(ii) FY1978

1977 set the level beyond which FY1978 sales were not to pass - in fact, the Administration set itself a ceiling of \$8.6 billion for the entire fiscal year.[10] By the end of that period, it had managed to set a new record in total

military transfers, but still remained within the ceiling for those transfers that counted: \$8.54 billion.[11]

Like the previous year, the record was a mixture of restraint in some areas and a lack of it in others. On the restraint side, the USA showed an unwillingness to transfer sophisticated combat aircraft, as they had in the previous year. For example, Carter rebuffed attempts to sell South Korea F-16s, on the grounds that an arms race with North Korea (which has not received highly sophisticated aircraft)[12] could ensue. He refused to sell F-4s to Taiwan, which the USA regards as too great a threat to the mainland, because of the aircraft's range; instead, the Administration tried to interest Taiwan in Kfir fighters, to no avail.[13] The USA has also been reluctant to sell F-5s to Guatemala, and has apparently refused its request.[14]

On the side of non-restraint, the most significant example was the \$4.8 billion 'jet package' deal to Israel, Egypt and Saudi Arabia. The deal was proposed in February 1978, and, after heated Congressional debate, survived a Senate resolution of disapproval on 15 May of that year.[15] The deal involved the sale of 15 F-15s and 75 F-16s to Israel, 50 F-5s to Egypt, and 60 F-15s to Saudi Arabia.[16] Unlike the AWAC deal with Iran, the sale did not involve waiving any of the May 19 policy statement; for example, point No.2 is satisfied because F-15s, F-14s and MiG-23s are already in the Middle East region. However, the debate over the merits of such a deal included a similar concern: that the cause of multilateral restraint requires the USA to appear to be showing self-restraint, which is not apparent with the jet package.[17]

In late 1977, the USA also agreed to sell 12 F-5s (10 'E' fighters plus 2 'B' trainers) to Sudan. The deal is significant because it represented a sale of fairly sophisticated fighters for that region; as the CRS Report remarked, the Carter Administration seems prepared to escalate its sales to Africa in order to counter the increased Russian presence.

(iii) FY1979

In late 1978 Carter announced the ceiling to be imposed on FY1979 sales: \$8.434 billion, which is \$733 million less than the FY1978 ceiling, as calculated in 1979 dollars.[18]

At the time of writing, it was obviously too early to judge the record for 1979. However, it seemed unlikely then that Carter was committed to greater restraint than before. Military credits were being extended to Zaire, despite an

atrocious human rights record, presumably to bolster the regime against incursions from Soviet-supported Angola. Carter also seemed committed to playing the 'China card', which has led to the USA tolerating arms exports by other NATO countries to the People's Republic - although the USA did not then plan to join the rush.[19] Communist China is virgin territory for the Western arms trade, so that multilateral restraint is hardly being demonstrated, and the USA did not seem to be seeking such restraint.

(iv) Overview of the Ceiling Policy

The Administration has achieved its objective of selling fewer arms in each successive year. It has, moreover, achieved this despite various administrative problems. For example, a large number of orders are tied to previous purchases of US equipment, such as spare parts, maintenance and ammunition. For Carter to cut into these items would amount to dishonouring past commitments - something which he has publicly refused to do - and this has reduced the number of annual orders that Carter can cut back.[20] Another problem is posed by the increased time taken to process each request for weapons by the Executive and Congress. The result can be to push a sale into the next fiscal year, making a reduced ceiling more difficult for the next year; this occurred with the \$1.2 billion AWAC sale to Iran.[21]

Having achieved its goal so far, can the Administration claim much credit? There is no doubt that it has said 'no' to potential buyers many times, but: (a) so have previous Administrations; (b) many of the refusals were for reasons unrelated to the ceiling policy; and (c) the alleged number of non-approvals is suspect.

Regarding (a), the Administration has not proved that it presents a more restrained policy on arms sales. If previous Administrations had turned down as many requests, then it is a more modest achievement than the Carter Administration pretends. The Executive could produce comparative figures on turn-downs, without disclosing embarrassing details, but has chosen not to do so.[22]

On (b), the few well-documented non-approvals have not had anything to do with staying under the ceiling. More often, they have been attempts to restrain the sale of sophisticated equipment. It is possible that the ceiling policy is largely superfluous, and enough refusals were made for other reasons to require little or no extra effort to stay within the prescribed level.

Concerning (c), the Carter Administration's own figures are dubious. Chapter IV refers to the list of non-approvals published in Foreign Military Sales Trust Fund: the list only claims to be selective, but it may in fact be too comprehensive, including non-approvals that have not taken place. For example, the list asserts that an Australian request for the 'Stinger' surface-to-air missile, a day and night TV system and promotion for a fire control system have been knocked back; in addition, that Australia's request for the AIM-9L 'Sidewinder' is under review.[23] These 'requests' have taken the Australian Defence Department by surprise, for they have no record of them.[24] Although the list may indicate what the USA would say if asked, it is not a reliable guide to what they have said when asked. The ramifications of this are far-reaching. The Administration has previously made public statements about the overall level of restraint, yet it is very likely that these claims are based on a similar list of suspicious claims. For example, it has been claimed that 67 countries were knocked back as a result of Carter's policies in 1977. It is interesting that the above list also mentions for 1977 non-approvals to 67 countries covered by the policy. As the periods and the numbers are identical, it suggests that the basis for this information is the same.

The Administration has also been accused of trying to dodge the ceiling. When the Shah of Iran expressed interest in buying FFG frigates from the USA, he was told that this could not be accommodated within the arms ceiling. But instead of leaving it there, the Americans agreed to let European shipyards build the frigates, which the USA would then fit out with \$350 million of guns, missiles and torpedoes. It is not clear whether Carter later changed his mind, but the allegations suggest that Administration assurances of self-restraint must be treated with caution. [25]

Finally, the value of arms sales not approved is sometimes arbitrary, so that differing levels of 'restraint' may only reflect different ways of counting them. For example, President Sadat is believed to have wanted F-15s or F-16s in his part of the Middle East jet package. Failing that, his next preference was for 120 F-5s.[26] He ended up getting 50 F-5s. In a case like this, what is the value of the restraint? One could compare the eventual sale with a package of F-15s, F-16s or 120 F-5s, and get different figures in each instance. The Egyptian deal represents a further difficulty in that the previous Administration had resolved not to sell lethal weapons to Egypt. In a sense, Carter has therefore escalated US arms sales to the region, in which case it is curious to call it 'restraint' at all.[27]

(v) Summary

Thus it is evident that there has been some restraint, although there is no clear indication of any dramatic increase in the level of restraint. Direct comparison with previous Administrations is impossible, due to the paucity and unreliability of relevant information. This is itself a criticism of the Carter Administration, as I have indicated above, but it is clear that the ceiling policy has been carried out in a modest fashion, involving nominal cuts of 8 per cent in both FY1978 and FY1979. In fact, the reduction in FY1978 may have been a good deal less than that. The General Accounting Office alleges that, when the Administration revised its total arms sales for FY1977 upwards due to 'scope changes', they overestimated the total by \$594 million. As a result, the FY1978 ceiling of \$8.6 billion is only \$66 million under the FY1977 level, which is more like a 0.8 per cent cut.[28] The Administration disputes the GAO figure.[29]

(b) Point 2: Strictures on New Technology

In Chapter IV, the desirability of restraining new technology was discussed, but little reference was made as to how effectively the Administration was carrying out the policy. It is difficult to judge this, as the Executive has not spelt out what constitutes a 'region', how 'significantly higher combat capability' is to be measured, etc. On only one occasion has the Administration admitted to waiving this policy: the sale of AWACs to Iran.

Carter is committed to applying restraint in selling advanced weapon systems to all Third World countries. Previous Administrations have done this in connection with Latin America and Africa, but Carter wishes to extend the policy to all the Middle East and Asia as well. This can be seen in the US refusal to sell F-16s to South Korea, historically a recipient of advanced US equipment.

The only point of concern here is the Administration's implied definition of what constitute 'similar' types of weapon systems. In justifying the sale of F-15s and F-16s in the 'jet package', the government argued that, by the early 1980s, aircraft of similar capability will be operating in the Middle East: the MiG-23, MiG-25, Mirage F-1, Sepecat Jaguar and the Su-20.[30] It is a fairly broad notion of 'similar' aircraft to include the Jaguar and Su-20 with the F-15. Such a viewpoint makes it difficult to explain Carter's position in opposing F-5s and Kfir fighters for Ecuador. How can he possibly object to them on the basis of point No.2 when neighbouring Peru has ordered

Su-20s? The definition is apparently adjusted to meet the special needs of valued allies - thereby reducing the effectiveness of the policy.

This policy contains an additional stricture: that advanced weapon systems are not to be sold (or co-produced) unless they are already deployed with US forces. It is hoped that this will diminish the incentive to export arms in order to reduce DoD procurement costs. The policy has been applied in one spectacular case that also raises definitional problems: the refusal to sell 250 F-18Ls to Iran. As the plane is so similar to one in the US inventory - the Navy's F-18A - the Administration could have sold it on a loose interpretation of their May 19 Statement. That they did not do so indicates a degree of willingness to cut back in sales, perhaps to accommodate the ceiling. It is doubtful that this action would have been taken by Carter's predecessors.

The objective of the 'prior deployment' policy may be worthwhile, but the method adopted is questionable. When a plane has been operationally deployed by the USA, there are still advantages in selling it abroad, for example, to make future procurements more attractive, [31] provide foreign exchange, increase profits, create employment and maintain defence industries and skills. Any party tempted to sell abroad before domestic deployment is likely to remain tempted afterwards as well.

The other arguments for this stricture are that the risks in such sales are greater, and the support costs higher (see p.15). However, in some cases, one may regard these as sacrifices worth making, for example, when weapon systems are produced that are highly suitable for Third World countries. This point also applies to the following rule.

(c) Point 3: Prohibiting the Development and Modification for Export.

As with point No.2, there are serious ambiguities in the key terms of this policy, which have been touched on in Chapter II. In fact, most advanced weapon systems have some modifications in their export versions. For example, all advanced aircraft sold by the USA to Iran (such as the F-14), have their National Security Agency 'crypto gear' for encoding transmissions removed, and replaced with less 'sensitive' commercial items.[32] In addition, the policy has been criticised because modification and production for export may serve worthwhile objectives.[33] It has already been mentioned that designing a cheap, reliable and good

(but not great) combat aircraft, such as the F-5, may discourage buyers from purchasing more sophisticated and expensive planes.

The policy was presumably enunciated to reduce the incentive for exports. However, the case of the F-5 shows that the US government is capable of resisting the pressure to export: successive Administrations of both major parties have applied restraints on its sale overseas, particularly to Latin America. Of course, the government should discourage the production for export of particular weapons that, for policy reasons, it would not be desirable to sell abroad. But this is not the same thing as a blanket ban.

As far as can be ascertained, the policy has not been applied, for no weapon system designed for the export market has been prohibited. This is not a failure of the policy, but rather that no plans have been produced recently that conflict with the policy. The policy itself may not survive for long, as it is believed that the State Department is contemplating the production of a new fighter for export, possibly based on some combination of the F-5E and F-16.[34]

This element of Carter's arms policies is the most ephemeral. It has not been popular, it has not been used, and now it is facing its demise. Given the vague, pragmatic interpretation of the policy by the Administration, its demise may not be publicly proclaimed but consist only of a more 'flexible' interpretation of the official statement.

(d) Point 4: The Ban on Co-production

This policy continues the history of Administration restraint in this area, although Chapter II indicated that Carter intends to apply it more stringently. Whether he has shown more restraint is a question as difficult to answer in this context as it was in relation to the ceiling policy - and for much the same reasons; however, the Administration claims to have turned down a number of requests. The same applies to requests for manufacturing licences, which - as mentioned earlier - are subject to the same rules.[35]

(e) Point 5: The Ban on Re-Transfers

As with co-production, there is a dearth of information on the Administration's record of dealing with requests for retransfers. But on the related point of third party transfers of goods made under US licence, the situation is a little clearer.

The latter is a traditional area of US restraint, and Carter has maintained the tradition, even though this has meant annoying America's NATO allies. For example, the Italians have been repeatedly denied permission to transfer US-designed equipment under licence. Possibly in response to their protests, there has been a slight easing of policy. In future, NATO countries will be entitled to sell all US-designed equipment to other exempt countries,[36] but the lucrative Third World market remains under tight US control.

(f) Point 6: The Controls on Promotion of Sales

This represents a significant tightening up of the activities that are permitted by official and private interests abroad. The purpose behind the strictures against promotion is to avoid the whetting of foreign appetites for US arms. In this way the Administration seeks to avoid damage to America's good relations with other governments.[37]

The ban has been applied in various ways. As mentioned in Chapter II, the International Traffic in Arms Regulations has been amended to control promotional activities.[38] Two examples of the policy in practice are: the Administration's refusal to allow 'technical presentations' of the 'Roland' surface-to-air missile to Taiwan;[39], and the instruction that Grumman's E-2C not be shown to the Shah, as he had not specifically requested it.[40]

Another element of the policy has been opposition to US participation in exhibitions, which led to American planes not being present at the Farnborough Air Show. The policy is obviously unpopular with the firms involved, as such shows are a useful means of whetting appetites. This unpopularity may help explain why the Administration reviewed its attitude to displays, which led to the participation of the F-15 and F-16 at the Paris Air Show in July 1979.[41]

(g) Conclusions

There is no single conclusion that can be offered on the six points of Carter's policy. Some of them have been applied more successfully than others, while some of them are unlikely to last much longer. All six policies call for restraint of various kinds, and none of them has been systematically flouted by the Administration; rather, the Administration has demonstrated considerable restraint. Nonetheless, it has also demonstrated considerable lack of

restraint in other respects, as a result of which there has as yet been no dramatic cut-back in US arms sales.

The record therefore seems to be mixed. But one problem in evaluating such a performance is that the record of previous Administrations is also mixed, for no US government has advocated a complete 'open slather'. Carter has promised to apply restraints more broadly and more strictly than his predecessors, but the public record of arms transactions for this and previous Administrations is too incomplete to allow firm judgments to be made. In part, this is the fault of the present government, for it has not revealed enough information to facilitate comparisons - and the information it has provided is suspect. The most one could tentatively suggest is that, in particular cases - such as promotional activity, F-18Ls for Iran and F-16s for South Korea - the President has shown restraint where earlier holders of that office might not have done so.

Notes to Chapter VI

1. Department of Defense Annual Report for FY1979, p.245. This figure for FY1976 is much higher than previous estimates for that year.
2. Statement by Carter in Department of State Bulletin, March 1978, p.47.
3. These were the result of 'scope changes': any additions to deals already signed, for example spare parts, are now credited to the year in which the extra order was made, rather than the year in which the original sale was concluded - see ''77 US Arms Sales Abroad Exceed Estimates', IHT, 14 November 1977.
4. See Chapter III note 4.
5. D.Binder, 'Comprehensive US Arms Sale Policy Seen as Means of Restraining Other Suppliers', NYT, 6 March 1977.
6. See Administration testimony in Review of the President's Conventional Arms Transfer Policy, Hearings before the Subcommittee on International Security and Scientific Affairs, House International Relations Committee, 1 & 2 February 1978, p.88.
7. B.A.Smith, 'Foreign Arms Support Straps Military', Aviation Week, 26 June 1978.
8. R.Burt, 'Curb on Arms Export Runs Into Obstacles and May Not Survive Beyond 1978', NYT, 13 February 1978. However, it was not a firm order that can be attributed to any fiscal year, and it is not clear exactly when Carter may have given approval.
9. 'Arms Transfer Control', in International Institute for Strategic Studies, Strategic Survey, 1977. Once again, it is difficult to date the initial proposal.
10. This was announced on 1 February 1978 - Presidential Statement in Department of State Bulletin, March 1978, p.47. The Administration has since claimed that its ceiling for FY1978 was \$8.551 billion - see Aviation Week, 4 December 1978, p.25. The earlier figure may have been rounded off.
11. Aviation Week, 4 December 1978, p.25. It was originally estimated at \$8.515 billion - see 'Carter Fails to Prevent Record in U.S. Arms Sales', IHT, 4 October 1978. The title is rather misleading.

12. 'Pentagon Rebuffed on Korea F-16 Deal', IHT, 24 November 1978. However, there are signs that North Korea may be scheduled to receive MiG-23s. R.Burt, 'N.Korean Pilots Reported Training on Libyan MiGs', IHT, 13 February 1979.
13. 'Israel jet refused: Taiwan turns to U.S.', Baltimore Sun, 7 July 1978; 'Washington Roundup', Aviation Week, 10 July 1978.
14. 'Mexico Cancels F-5 Jet Bid, Eases Dilemma for Carter', Washington Post, 20 April 1978; the knock-back is claimed by the government in the Foreign Military Sales Trust Fund list.
15. Congressional Quarterly - Weekly Report, Vol.36, No.47, 25 November 1978.
16. For details of the sales, see Middle East Arms Sales Proposals, Hearings before the Committee on Foreign Relations, U.S. Senate, 3, 4, 5 & 8 May 1978. The Egyptian purchase was to be financed by the Saudi Arabians. However, this element of the package appears to have fallen through due to the withdrawal of Saudi finance in response to Egypt's 'separate peace' with Israel.
17. See report by H. Binnendijk and B.Richardson, in ibid., Appendix. This has been the public response of the Russians, for they have accused the US of breaking its pledge on arms restraint - M. Binyon, 'Moscow accuses America of breaking pledge', The Times, 13 February 1978. A recent report by Congressional research officers cites a similar response by French officials who sarcastically pointed out American 'hypocrisy' over the jet package - see Prospects for Multilateral Arms Export Restraint, a staff report prepared for the use of the Committee on Foreign Relations, U.S. Senate, April 1979, p.32.
18. The full text of the statement is reproduced in Aviation Week, 4 December 1978, p.25.
19. 'NATO Ministers Reject Rules on Arms for China', IHT, 9-10 December 1978; and R.Burt, 'Carter Tells Brezhnev U.S. Will Not Sell Peking Arms', IHT, 27-28 January 1979.

20. When Carter took office, more than \$30 billion of orders were still 'in the pipeline'. By the latter part of 1978, this had risen to over \$43.5 billion. B.Day, 'Behind the Confusion over US Arms Sales', Air Force Magazine, December 1978.
21. S.W.Harlamor, 'Future of Arms Sales Policy Questioned', Aviation Week, 16 January 1978.
22. A further argument is that, in view of the declining world demand for arms, a declining level of US sales indicates no extra restraint - see CRS Report, p.32; and E.Rothschild, 'Carter and Arms: No Sale', New York Review of Books, 15 September 1977, p.10. However, although world demand - and total US sales - declined in 1975, there are no reliable figures on the trend as applied to non-exempt transfers. Also, the US figure for their total FY1976 sales has been drastically upgraded since the publication of these works - see Chapter VI, Note 1. It is now regarded as the peak year for sales.
23. Foreign Military Sales Trust Fund, p.19
24. This episode has been covered by F. Cranston, in 'Australia refused access to latest US weapons', Canberra Times, 17 January 1979; 'US asked about arms black list', Canberra Times, 18 January 1979; and 'US Congress "misled" on weapons refusals', Canberra Times, 20 January 1979.
25. For accounts of this, see 'Dodging the Arms-Sales Ceiling', Washington Post 29 August 1978; 'Washington Round-up', Aviation Week, 18 September 1978, and 'U.S. Arms-Sale Ceiling Called "Phony"', IHT, 7-8 October 1978.
26. A.J.Pierre, 'Beyond the "Plane Package": Arms and Politics in the Middle East', International Security, Vol.3, No.1, Summer 1978; testimony of General D. Jones, in Middle East Arms Sales Proposals, p.78.
27. The government list of non-approvals does not include an Egyptian request for F-15s, F-16s or extra F-5s, but these were not firm orders. Regarding the Ford Administration, it is always possible that they would have reversed their policy later, in order to replenish Egypt's deteriorating air force. There were certainly good reasons for this. (See Chapter VII).

28. 'GAO Charges Arms Sales Data Erred', Aviation Week, 8 May 1978.
29. International Security Assistance Programs, Hearings before the Subcommittee on Foreign Assistance of the Committee on Foreign Relations, United States Senate, 25 & 26 April, 1 & 2 May 1978, p.64.
30. State Department statement in Middle East Arms Sales Proposals, pp. 7, 10.
31. F.Cranston, 'RAAF jet choice hindered', Canberra Times, 7 June 1977.
32. See testimony by E.von Marbod, (then) Acting Director of Defense Security Assistance Agency, in Sale of AWACs to Iran p.48. However, the policy is designed to exclude system degradation - see statement by Lucy W. Benson, Conventional Arms Transfer Policy: Background Information, pp. 12-3.
33. K. Johnsen, 'Review on Arms Restraint Set', Aviation Week, 11 December 1978.
34. ibid.
35. For what it is worth, the Foreign Military Sales Trust Fund list contains a number of disapprovals of co-production and licensing arrangements. These include requests by Iran for co-production of the Maverick air-to-surface missile (AGM-65B B Model) and the inertial navigation system and radar for the F-16; also, South Korea's requests to co-produce the Enforcer and A-7 aircraft, as well as the AIM-7E-3 Sparrow air-to-air missile, were turned down. Bolivia's requests to co-produce certain ammunition and night vision equipment were other victims. Another source claims that Israel was not permitted to produce F-16s under licence. (G.C.Wilson, 'U.S. refuses to grant Israel licence to build F-16 Fighters', IHT, 10 November 1977). As Israel purchased the F-16, and is generally interested in licensed production, the report is quite plausible.
36. 'Washington Roundup', Aviation Week, 21 August 1978.

37. For a good example of this, see Anthony Sampson's account of how Grumman whetted the Shah's appetite for the F-14 (The Arms Bazaar, pp. 249ff). Also, for an example of government involvement in arms promotion, the story of how the US government sold to NATO the American F-16 is enlightening - see C.H.Farnsworth, 'How General Dynamics Captured the Arms "Contract of the Century"', IHT, 28 July 1975.
38. By late 1977, 70 requests had been submitted by firms for permission to display and/or advise foreign governments on their offerings; at that stage most (61) had yet to be decided upon, so that no pattern can be inferred. Of the nine that were decided upon, only two were rejected. Testimony by Lucy W. Benson, Conventional Arms Transfer Policy, p.15.
39. 'Washington Roundup', Aviation Week, 1 January 1979.
40. Testimony by E.von Marbod, Sale of AWACs to Iran, pp. 39-40. The Foreign Military Sales Trust Fund list includes many other examples.
41. 'Relaxed Air Show Restrictions Forecast', Aviation Week, 11 December 1978.

CHAPTER VII

BRINGING THE RECORD UP TO DATE (ii): MULTILATERALISM AND REALPOLITIK

The subject of this chapter is two promises that Carter made in his original policy statement: (a) that the USA would show self-restraint while seeking multilateral restraint, and (b) that arms sales would become an exceptional instrument of US foreign policy.

(a) Setting an Example for Others

The Administration has resolved to practise unilateral restraint on arms sales while negotiating agreements with other suppliers to do the same. The reasons given for unilateral restraint are that the USA is the biggest arms seller (a debatable point), and that it will enable her to set an example to be taken seriously by the other suppliers.[1]

These arguments for unilateralism are questionable. In the first instance, it is not clear who is the biggest seller of arms - it depends on which figures are used. Even if it is the USA, ACDA estimates that the

...combined productive capacity of Western Europe and the communist bloc suppliers is generally adequate to substitute for all U.S. transfers to LDCs outside of the Middle East, and to substitute for U.S. fighter aircraft and naval vessel transfers to that region as well.[2]

In addition, one could expect expanded productive capacity to cater for the balance of unfilled orders within several years. It should be remembered that the arms trade is only the tip of the iceberg as far as total military production is concerned; even a dramatic cut-back in US sales would involve only a small shortfall in terms of total world production. It does not follow that the other suppliers can quickly produce every type of equipment that the USA offers, or that their offerings will be as good - but they would have something to sell every frustrated customer. Of course, if the USA cuts back on grant aid and loans, then a number of buyers may simply disappear from the market - but that does not justify cutting back on FMS cash sales or commercial exports.

However, the Carter Administration argues that it is the thought that counts: by making a gesture of restraint, America will be more able to encourage others to follow. This may be true, but it could, as it has in the past, have the sole effect of boosting the sales of other suppliers.

(i) Experience of US Restraint Before Carter

US restraint has been a history of standing back while other suppliers have exploited the opportunities thus created. A number of cases illustrate this:

1. In Latin America, self-restraint has repeatedly proved useless, as mentioned in Chapter V. As early as 1948, the USA refused to sell advanced fighters, only to have Britain sell Venezuela Meteor fighters; the USA subsequently abandoned the policy. The later attempts from 1965 have already been discussed, except the Ford Administration's reluctance to sell to Peru 18 F-5s which were requested in 1974. After receiving no reply to their request, Peru accepted a Soviet offer of 36 Su-20s on very favourable terms. The net effect of restraint in Latin America has been to make France and Russia the major arms suppliers. Although military budgets there have traditionally been low, this probably reflects the low level of tension in the region; however, military budgets are now rising.

2. On the Indian sub-continent, the USA embargoed arms sales in 1965 and 1971. The effect of this was not to reduce arms imports but to consolidate Russia's influence as India's main supplier, while Pakistan turned to France and China.

3. The USA imposed an arms embargo on South Africa in August 1963, as called for by the United Nations. Although Britain half-heartedly participated, France made the most of the opportunity, and even Russian and Czech shotguns found their way onto the market. The Italians, Belgians and Israelis also benefited, while the South Africans themselves manufactured more of their requirements.[3] Today, South Africa has the most powerful military force south of the Sahara.

4. During the Nigerian civil war (1967-70), many countries joined the USA in imposing an arms embargo on the country. However, Britain was prepared to sell many arms, except for combat aircraft, and the Soviet Union took care of the demand for planes. The embargo

failed to stop Nigerian arms imports increasing by a factor of 110.[4]

5. Perhaps the most effective arms control regime was maintained by America, Britain and France under the Tripartite Declaration of 25 May 1950. The three powers agreed to restrain arms sales to Egypt, Israel and Iraq through the Near East Coordinating Committee, but the agreement collapsed after Egypt signed an arms deal with Czechoslovakia (on behalf of the Soviet Union) in 1955. This represented Russia's debut as an arms supplier to the non-communist Third World; the limited success of this Western venture has made repeat performances very unlikely.

There may be other cases where US restraint has proved more successful, but the examples are hard to find. One US official claims that it is rare to find other suppliers filling the void created by US restraint,[5] but such a claim needs to be treated with caution. No doubt much equipment that the USA regards as too sensitive to export is not supplied by others either, but for front-line combat equipment normally available for export, the historical record does not support the claim. It is precisely this sort of equipment that is the subject of Carter's policies.[6]

(ii) The Record of Restraint Under Carter

The above record of self-restraint is showing every sign of repeating itself during Carter's term of office. The experience to date is certainly not encouraging: all three of the other top arms suppliers have shown a willingness to sell arms, even when it frustrates Carter's attempts at restraint.

For example, after America's refusal to sell F-5s or Kfirs to Ecuador, France stepped in with an offer of Mirage F-1s, despite American pleas to the French not to move into areas outside their traditional markets.[7] France's sale of F-1s to Iraq (in July 1978) also posed problems for US arms restraint in the Middle East, by threatening to increase Iran's demand for US equipment.[8] (This 'threat' has obviously diminished - see Appendix C.)

Another potential case of French 'embargo-breaking' arose in connection with the sale of F-15s to Saudi Arabia. When it appeared that Congress might reject the sale, the Saudis endeavoured to persuade the doubters to their point of view. Aside from assurances about the end-use of the planes (specifically, that they would not be used against Israel), they threatened that a refusal by the USA would

prompt them to look elsewhere. In particular, one Saudi official indicated that they were prepared to jointly finance research and development with France for the Super Mirage 4000, 200 of which would be purchased by Saudi Arabia.[9]

Even the United Kingdom has been less than co-operative. The sale of Jaguars to India, announced last year, has created an awkward situation for Carter. He had attempted to restrain the sale of advanced combat aircraft to the Indian sub-continent by refusing to sell 110 A-7s to Pakistan, and by blocking the sale of Saab Viggen to India. By selling the Jaguar to India, Britain has thus directly frustrated Carter's attempts at restraint there, as well as undoubtedly renewing Pakistan's interest in more sophisticated US planes.

Another case of British 'perfidy' arose when the USA vetoed the sale of Italian G-222 military transport planes, with their General Electric powerplants, to Libya (in 1977). The Italians got around this by substituting British Rolls-Royce engines [10] - a case of international co-operation, but not the sort envisaged by Carter.

The Soviet Union's recent arms transfers do not inspire hope, either. Before Carter took office they had sold the Su-20 to Peru after the USA had hesitated to sell F-5s, and have since shown no signs of changing their policies. This was apparent in Ethiopia: after the USA reduced arms transfers there, Ethiopia responded by cutting off its ties with America and turned to the Soviets, who have responded generously. Nor can the Administration be encouraged by the Soviet decision to transfer MiG-23s (possibly including the modern ground attack version) to Cuba. Deliveries began in mid-1978, by which time the Soviets must have been well acquainted with Carter's policies on arms restraint.[11] Although the supply of MiG-23s does not fill any vacuums created by US restraint, it hardly serves the cause of keeping advanced weapon systems out of the area - and may result in more Latin American demands for sophisticated US aircraft.

The Soviet Union also maintains vigorous sales activity in the Middle East, North Africa and India, promising such sophisticated weaponry as MiG-23s, MiG 25s and T-72 tanks (to India). They have changed their sales tactics to make their goods more attractive, offering greater training and technical services.[12] Finally, the Russians are reported to have engaged in a massive shipment of weapons - including highly sophisticated hardware (such as the ground attack version of the MiG-23) - to Vietnam in the latter part of

1978 and early 1979.[13] Soviet interest in arms restraint appears minimal.

The picture is not one of complete failure, however. After Iran was rebuffed in its request for 250 F-18Ls, it did not turn to Europe (or Russia) for a comparable number of alternative aircraft. Also, in 1978 Pakistan took up America's offer to examine shorter-ranged US planes instead of the A-7 - although India's recent purchase might change this.

But despite a few bright spots, the overall picture is not encouraging. The only definite case where some degree of multilateral restraint occurred was in the Horn of Africa. After Somalia broke its ties with the Soviet Union, it expressed interest in Western arms, but the USA, Britain and France have refused to take over from the Soviets, despite Saudi Arabian (and Iranian) lobbying for Somalia's cause.[14] However, Somalia is an unusual case: its irredentism spreads to Kenya as well as Ethiopia, and the sight of Western powers arming a nation dedicated to undermining existing borders is unlikely to improve relations with the rest of Africa. The motives may be similar to France's gamble in the Middle East: by refusing to sell to Israel in 1969, they hoped to improve their sales position with the Arabs - a ploy that appears to have worked.[15]

(iii) Diplomatic Efforts at Restraint

US policy has not consisted merely of showing self-restraint and hoping that the force of example will inspire others to follow, but has also included a diplomatic effort to persuade other countries to join her. Within weeks of taking office, Carter raised the matter of arms restraint with Britain, France, West Germany and the Soviet Union. He revealed this on 4 March 1977 and informed his audience that the other suppliers were receptive to the idea.[16] However, an Administration official later indicated that the other suppliers reacted 'with caution', and she stressed that mutual restraint will be 'a difficult long-term process'.[17] The more pessimistic view is probably closer to the mark.

The negotiations that have taken place have primarily involved the USA and the Soviet Union - the two main suppliers. The Western European suppliers have adopted a wait-and-see position, insisting on prior agreement between the two superpowers as a prerequisite for European co-operation.[18] The US and Soviet delegations have met

four times to date: December 1977, and May, July and December 1978.

Regarding the first meeting, Leslie Gelb - who headed the US delegation - claimed that the Russians spent most of the time asking questions for clarification of the new arms policies. The Americans used the meeting to impress upon the Russians that they shared a mutual interest in restraining arms transfers, for they provide an unreliable means of influence that can easily backfire.[19] The first Soviet delegation was headed by Oleg Khlestov, who was formerly chief negotiator at the Mutual Balanced Force Reduction talks in Vienna; although this might indicate the importance Russia placed on the talks, the fate of the Vienna negotiations made the choice of Khlestov a mixed blessing at best. Subsequent Soviet delegations have been led by Ambassador L.I.Mendelevich.

By the end of the second meeting, there was little evidence of progress. The delegations conversed four times behind closed doors at their respective embassies in Helsinki. No joint communique was issued immediately after the meeting, but several days later one did appear, revealing little in the way of interesting developments but couched in the vacuous optimism of diplomatic language.[21]

By the end of the third meeting, however, State Department officials were claiming that some progress had been made, in that the Soviet Union had expressed interest in regional restraint.[21] For the fourth meeting, scheduled for 5-15 December 1978, mutual restraint in Latin America and sub-Saharan Africa were thought to be on the agenda.[22].

The official picture was therefore one of optimism. Leslie Gelb claimed that in the course of the first three meetings, the prospects had advanced 'from the totally implausible to the possible'.[23] This may be so, but the 'possible' is not the 'actual'. The meeting scheduled for December 1978 was described in the resultant communique as 'serious, frank and substantive', a set of bland adjectives bound to raise suspicions.[24] It appears that the American delegation arrived in Mexico under instructions not to discuss arms restraint in the Persian Gulf, Korea or China. As these were precisely the areas of concern to the Soviets, the negotiations soon reached a deadlock.[25] As a subsequent Department of State Newsletter puts it, 'much work remains to be done'.[26]

In the wake of the SALT II agreement, hopes have returned of reviving the US-Soviet talks. Brezhnev has indicated that the new SALT agreement will provide a boost

to the conventional arms transfer talks, and the Soviets agreed to include this on the agenda for the Vienna summit in June.[27] The item was presumably discussed, but Soviet co-operativeness can be interpreted in various ways. It could simply result from a temporary desire to appear in a favourable light before a Congress uncertain of whether to vote for the SALT treaty.

It may be true, as one State Department aide claims, that the Russians now regard the arms trade as a problem to be dealt with 'urgently',[28] but the Russians would no doubt say the same about the arms build-up in Europe. If the Soviets were genuinely alarmed about the implications of the arms trade, it is strange that they have not actively sought concerted action in the past. Their willingness to negotiate should not disguise the fact that the Soviets have a great ability to prolong negotiations indefinitely.

There are reasons for expecting them to do this. There are also reasons for suspecting that, even if the Soviets do sign an agreement to restrain arms sales, [29] the Western European suppliers will be reluctant to follow suit. These will be discussed in the next section.

(iv) The Reasons for Non-Restraint

(1.) The Soviet Union

The Russians' arms policies have been described as 'hegemonic' - using arms transfers as a means of influence rather than for the economic benefits they provide.[30] Whether this is true or not, the fact remains that, of the various means of influence available to Russia, arms are by far the most important. By the end of 1975, the Russians had delivered \$12.5 billion of arms to the Third World - more than twice the Soviet economic aid to these countries [31] (in which the Soviets are well down the list compared to other providers). With regard to Soviet trade, although most of it is in non-military goods, the Soviet Union accounts for only a very small percentage of civilian trade (about 5 per cent) with the Third World. This trade is concentrated in a few countries, thus increasing its leverage there (for example, India, Cuba). But the Soviets compete much more favourably with the West in arms sales, where they vie for first place, than in non-military trade, where they are well behind. Thus, a country is more likely to find ties with the Russians appealing because of their military offerings rather than their economic ones, in comparison with the benefits of ties with the West.[32] As a result, it is more difficult for the Soviets to cut back in arms transfers than for the West, as they rely much more heavily on arms sales as a means of influence.

The 'hegemonic' motive is not the exclusive one, however. It would appear that, to a growing extent, the Soviet Union is interested in hard currency. Its debt to the West has risen astronomically in the past few years, reaching a figure in the vicinity of \$30 billion. In view of the continued desire for Western technology and grain, it is obvious that the Soviets would be interested in selling arms to generate foreign exchange; military transfers account for a significant percentage of total export earnings - in 1976, 10 per cent.[33] Perhaps the overall reduction in the level of Soviet discounting, mentioned in Chapter I, reflects an increased desire to use arms for this purpose.

But the Carter Administration argues that, despite these incentives, the Soviets still have an interest in arms restraint, in view of their adverse experiences with such arms transfers as those to Indonesia and Egypt. However, these experiences do not prove that they regard arms transfers as a greater risk than the effort is worth - that the Soviets regret their ties with Syria, Libya, Iraq, Cuba or South Yemen. In view of the Soviet efforts to sell arms since Carter was elected, this would not seem to be the case.

(2.) Western Europe

For the Western Europeans, Carter's call for restraint came at the wrong time. With Europe's unemployment and foreign exchange problems rising, and with the declining profitability of such defence industries as Britain's shipyards, such an appeal is unlikely to be heeded. The Europeans have traditionally pursued arms sales for economic reasons because their domestic defence requirements have not been sufficient to provide adequate economies of scale.[34] The employment benefits are also significant; in recent years, British arms exports have directly created 70,000 to 80,000 jobs, and indirectly another 100,000.[35] As most arms firms in Britain and France are wholly or partly government-owned, a decision to lay off workers is a politically difficult one.[36] More than half of France's military production is exported, while the figure for her aerospace industry is higher. (Dassault Bregeut must export three of every four Mirages produced.)[37] Britain's defence industries are also dependent on military exports, especially in aircraft and shipping. When Europe's current economic problems are added to this underlying need for military exports, the chances for restraint are slim.

The chances diminish even further if one considers the importance of one vital strategic asset: oil. Western Europe depends heavily on the Middle East for its supplies

of oil, and arms sales have represented one opportunity to pay for them since the 1973 quadrupling of prices (not to mention more recent adjustments).[38] In fact, a number of deals have involved a direct exchange of Western European arms for Middle Eastern oil.[39]

Access to Middle Eastern oil is likely to be on the Russians' minds as well. Iran has increased oil supplies to Eastern Europe, while the Soviets have been reducing theirs. Russia is likely to be interested in guaranteeing future supplies to Eastern Europe - and, in the longer run, will be interested in oil supplies for herself.

(v) Conclusions

Even if the major suppliers reached agreement on arms restraint, there are plenty of other potential suppliers who might respond to the commercial opportunities presented by such restraint. The Israelis have obvious reasons to export arms in view of their enormous defence burden. They have already built up a record as 'embargo-breakers', by selling to South Africa and Chile (the latter is subject to a Congressionally-imposed US embargo).[40] For the Third World as a whole, the indigenous capability to produce military hardware has increased,[41] although serious difficulties have been encountered with more advanced technology, such as high performance jet engines.[42] However, not all weaponry is that advanced. Many Third World countries produce armoured fighting vehicles and small arms, and even the more sophisticated equipment could eventually be produced if the commercial opportunities warranted a sufficient diversion of national resources.

This raises a general problem with efforts at arms restraint. Their success depends on its acceptance by the recipients - above all, the Third World. Without that, the main suppliers will be continually tempted to 'break ranks', while Third World production of military hardware would be likely to increase at a faster rate. However, it appears that recipient nations are suspicious of suppliers clubbing together in restraint of trade.[43] Many observers have suggested that the Third World is unlikely to accept supplier restraint unless the suppliers themselves are willing to curtail their own appetites for arms; otherwise, the policy is blatantly discriminatory.[44] Added to all the other obstacles to restraint among the major suppliers, this one makes the prospects for success negligible.

This section has been predominantly negative. There are too many reasons for ignoring Carter's blandishments and selling arms for him to be taken seriously. Although there are risks in selling arms - many of which are mentioned in

Chapter I - the behaviour of the other suppliers gives little reason to believe that such fears are uppermost in the minds of suppliers.

It does not follow, however, that Carter is wrong to strive for multilateral restraint. He may prove more successful than expected - and even if he fails he cannot be accused by others of having passed up any opportunity for restraint. The approach taken in negotiations with Russia has also been sound, in that regional restraint holds out more prospects of success than a global approach to the problem. In addition, the Administration has correctly emphasised - at least in its public rhetoric [45] - the importance of recipient restraint, although whether the suppliers will fulfil the recipients' conditions, by restraint of their own, is another matter. A fairer criticism would be that Carter's own actions have worked against him: his 'example to others' has not been all that impressive, as suggested in the previous chapter.

(b) Sales as an Instrument of Foreign Policy

(i) 'Business as Usual'

The reasons why other suppliers have not reacted with enthusiasm to Carter's appeal for restraint have been examined above. They have found that arms sales are a useful instrument of foreign policy for both political and economic objectives. One need hardly add that the same has historically applied to US arms sales.

But Carter has promised to change this. His May 19 Statement resolved to treat future arms sales as 'exceptional' instruments of foreign policy, to be used only in support of the USA's national security interests. Like so much of Carter's policies on arms, the promise was not clarified. Two interpretations of the May 19 Statement suggest themselves. Either arms sales will continue, but will not usually be employed to further foreign policy objectives; or all arms sales will be instruments of foreign policy, but arms sales themselves will be unusual. However, on any ordinary use of the English language, it remains an unfulfilled pledge. This point has been made already in connection with the Administration's policy on human rights. By using arms sales as a means of influence over countries' human rights practices, the USA is, ipso facto, using arms sales as an instrument of foreign policy. As Carter promised to use arms sales as a foreign policy instrument only when this contributed to national security interests, he appears to be contradicting this element of his policy statement. But the record of US military transfers under Carter indicates that he is using

them as instruments for more than just human rights objectives.

As most US arms continue to flow into the Middle East[46], the reasons for these sales are important, and Carter has revealed them in order to persuade Congress to approve even more arms transfers to the region. For example, in justifying the sale of AWACs to Iran, the Administration stressed the importance of Iran as a supplier of oil to the West and as a moderating influence in the region; the sale would signify US support for stability in the area, and improve Iran's ability to defend her oil and resist pressure to join future embargoes.[47] The Executive may have reasons for offering misleading explanations to Congress, but this explanation seems quite plausible. More cynical accounts add other considerations: that the sale was a sop to the Shah's taste for fancy equipment to compensate for refusing to supply the F-18L; and that the USAF - hoping eventually to increase the number bought by the US - wanted to sell it in order to keep the project alive while the Europeans pondered it.[48] Furthermore, if the Americans did not sell arms to Iran, the souring of relations with the Shah may have made him less co-operative on the price of oil and less prepared to sell it to Israel. Also, the Shah could punish the Americans by refusing to accept payment for oil in dollars, and could stop buying non-military goods from the USA. In 1978, Iran's military imports from the USA are believed to have reached \$1.4 billion, while her imports of US non-military goods were estimated at \$2.3 billion.[49]

The 'jet package' deal with the Middle East also revealed the use of the arms trade as an instrument of foreign policy. In the Congressional hearings and elsewhere, the USA justified the sale of fighters to Saudi Arabia, Egypt and Israel in terms which indicate their importance to US foreign policy. For example, the sale of F-5s to Egypt would bolster Sadat's position at home in seeking a peace settlement, keep Russian influence at bay, and provide defence against Soviet-supported Libya.[50] With regard to Saudi Arabia, the sale of F-15s was claimed to be necessary in order to protect her oil assets (a national security objective of the USA) and to encourage Saudi efforts at moderation.[51] Saudi Arabia's 'moderating influence' includes support for modest oil price increases, support for more moderate elements in the PLO, her willingness at the time to finance Egypt during the latter's quest for a peace settlement, loans to the IMF to help countries with balance of payments difficulties, etc.[52] However, the cynic could add that Saudi oil wealth gives them direct leverage over US policy: like the Iranians, they could refuse to accept oil payments in dollars, and in

addition, could threaten to shift their gigantic investments in the USA, amounting to perhaps \$40 billion in US industry and Treasury securities, to other countries.[53]

Concerning all three sales in the jet package, the Administration has argued that

...the sales will strengthen the peace process:
 1) by enhancing the three states' confidence in their own security, thus helping them to make the hard choices necessary for a peace settlement and
 2) by demonstrating US concern for their legitimate security needs, thereby reinforcing our role in working with the parties for a settlement.[54]

Once again, it would seem that arms sales have been subservient to US foreign policy objectives: access to strategic raw materials, US economic stability, a Middle East settlement, and a counter to Russian influence. To some extent, US national security interests are involved, insofar as oil is crucial to the USA - in which case, Carter could claim that his policy statement allows him to use arms sales in this way. But as about half of US military transfers are directed towards Saudi Arabia and Iran alone, this hardly allows Carter to call arms sales an 'exceptional' instrument.

Other US arms transfers under Carter have indicated 'business as usual'. For example, military aid to the Philippines is still regarded as a quid pro quo for use of the naval and air bases there.[55] Also, America's escalating arms sales to Africa appear to be connected with Russia's growing influence on the continent - as the CRS Report argued. Most recently, during a visit to the Middle East, Defense Secretary Brown announced in Saudi Arabia that the USA would sell 12 F-5s to Sudan, and to North Yemen 12 F-5s plus transport aircraft, tanks and armoured personnel carriers; the bill would be settled by Saudi Arabia.[56] Both deals represent sales to countries threatened by Soviet-backed neighbours, and the North Yemen sale was rushed through by the Administration, waiving the normal thirty days notification required under the Arms Export Control Act.[57]

Finally, as mentioned in Chapter VI, the willingness of the USA to accept NATO military sales to China suggests that the 'China card' is being exploited in dealing with the Russians. The USA would be well aware of the effect such approval must have on the Soviets.

Thus, no matter which interpretation of the May 19 Statement one adopts, the USA does not appear to have changed its attitude to arms sales. Military transfers are still commonly employed as foreign policy instruments - the examples given above account for a very large percentage of those US sales covered by Carter's policy. Arms sales themselves have not become 'exceptional', for the level of transactions is still about 90 per cent of its pre-Carter level. The CRS Report therefore stands the test of time in this respect, for it rightly criticised Carter for conducting the US arms trade on a 'business as usual' basis.

The Administration may try to fall back on a connected element of its original policy - that arms transfers will be subject to a 'negative presumption' - and claim that at least this aspect has been preserved. In a sense, this is true, for the Carter Administration has subjected military transfers to extensive review procedures, so much so that there have been criticisms of inordinate delays in processing requests due to the extended reviews. However, Carter has only built on precedent: no Administration has allowed arms sales to proceed without any government review, although there have been partial exceptions, such as Nixon's 'open slather' policy towards Iran. However, the Administration should be commended for extending the review process; it may involve some delays, but in view of the long lead-times between orders and deliveries, a few extra weeks of waiting are unlikely to be critical. But the fact remains that the decisions which have been reached as a result of these reviews bear a striking resemblance to the decisions that were made before, despite promises to the contrary.

(ii) The Co-option of Language and Logic

In the Administration's confrontation with reality, they have sometimes acted in a way which Aviation Week described as 'retreating behind a facade of standing firm'. [58] The facade has been maintained by formally adhering to the May 19 Statement, while re-defining its content and advancing arguments that violate its spirit.

The Administration pledged to regard arms transfers as exceptional instruments of policy, but what does 'exceptional' mean? In the context of the May 19 Statement, it clearly implies that arms sales would rarely be instruments of foreign policy, for the statement goes on to say '...to be used only in instances where it can be clearly demonstrated that the transfer contributes to our national security interests'. [Emphasis added.] This interpretation - corroborated by dictionary definitions - has been queried, however, by the

Under-Secretary for Security Assistance:

What I understand the word "exceptional" to mean is that as requests for transfers come to the U.S. Government, we will not treat them as routine matters of business. We will review them as something uniquely important to our foreign policy; not, however, as uniquely rare.[59]

This alternative view can also be upheld by reference to dictionaries, but it ignores the 'definition in use' (as A.J. Ayer put it) that is contained in the policy document. By ripping the word from its context, the Administration can thus maintain the May 19 Statement without being tied to it. It is significant, though, that at the time of the original statement, the Administration did not take pains to 'clarify' the point, which adds to the likelihood that this linguistic discovery owes more to expedience than anything else.

However, the Administration is not only practising 'newspeak', but old logic. When it justifies the need to sell arms abroad, one finds arguments that are typical of earlier Administrations, but which conflict with the thrust of Carter's policy statement. Chapter V pointed out that the present Administration's argument that arms sales maintain constructive influence conflicts with the principle of self-restraint and with what they tell the Russians. That chapter also refers to the NSC argument that 'if we don't sell, others will'. This argument - which again violates the principle of self-restraint - also arises in defence of the 'jet package': the Administration apparently accepts Saudi Arabia's threat to buy elsewhere, and argues:

Countries whose sales were rejected would probably turn to other suppliers who might not apply strict controls on such important issues as transfers to third countries.[60]

This is no doubt correct, and if advanced by Henry Kissinger, would pass unnoticed. But as it represents an argument against self-restraint, it cannot pass unnoticed when advanced by the Carter Administration. In fact, the whole tenor of his Administrations' reasoning has changed. Before and just after he took office, Carter railed against the threat to world peace posed by escalating arms sales.[61] Such talk may still be heard, but so is the opposing view: that arms sales may shore up peace in the Middle East and elsewhere.

This 'retreat behind a facade' has resulted from the Executive's willingness to regard arms sales as useful instruments of policy. No President can disregard America's requirements for raw materials, the future of Israel, or the Soviet sphere of influence; it is not just a matter of what he thinks, but what pressure groups inside and outside Congress think. This is not the triumph of 'the national interest' over ethics, however, for we have seen that arms sales can serve moral purposes as well. The Administration has simply proved to be the victim of its own rhetoric.

Notes to Chapter VII

1. See Appendix A; also, NSC 202, p.14; Barry Blechman, Assistant Director of ACDA, in 'Carter cuts arms sales to MidEast', The Australian, 3 February 1978; and L.H.Gelb, 'Arms Sales', Foreign Policy, No.25, Winter 1976/7, pp. 20-1. Gelb's article was written before he was appointed Director of the State Department's Bureau of Politico-Military Affairs.
2. NSC 202, p.14.
3. A.Sampson, The Arms Bazaar, p. 164ff.
4. SIPRI, The Arms Trade with the Third World, pp. 246-247.
5. Comment by J. Bushnell, a Deputy Assistant Secretary of State, in 'Rights Aspect of Arms Sales is Defended', Washington Post, 28 June 1978.
6. Bushnell's claim was also recently contradicted by another (retired) US official - see telex of speech by L. Janka on 14 February 1979, in USICA Wireless File, 16 February 1979.
7. 'Final Carter Policy Year Away', Aviation Week, 12 September 1977.
8. CRS Report, p.30.
9. 'Saudis Campaign for F-15 Buy', Aviation Week, 20 March 1978; and 'Washington Roundup' Aviation Week, 8 May 1978.
10. B.Day, 'Behind the Confusion over US Arms Sales', p.60. The US refusal is also listed in Foreign Military Sales Trust Fund.
11. See 'U.S. Says Cuba Receives First Supplies of MiG-23', IHT, 31 October 1978; 'U.S. Resumes Spy Flights', IHT, 18-19 November 1978; 'Russia Admits Presence of MiG-23 Jets in Cuba', IHT, 20 November 1978; 'Those MiGs in Cuba: U.S. Aides Divided', IHT, 23 November 1978. The exact date of delivery is unknown, and even the number and type of planes involved are not certain (within four days, the IHT estimate of the number declined from 18 planes to 10). Air International (December 1978) believes the number is 20, and that the deliveries do

not include planes optimised for ground attack (p.254). There is some concern over whether the shipment violates a 1962 agreement not to place 'offensive' weapons in Cuba.

12. 'Soviet Weapon Sales Said to be Increasing', NYT, 1 December 1977; and The Military Balance, 1978-1979, Table 12.
13. For details, see 'Fears of holocaust growing as Hanoi doubles its arsenal', The Australian, 17-18 February 1979.
14. 'Arms Transfer Control', International Institute for Strategic Studies, Strategic Survey, 1977, pp. 107-8.
15. SIPRI, The Arms Trade with the Third World, p.135ff.
16. 'U.S. Policy Review Delays Arms Sales Abroad', IHT, 29 March 1977.
17. Statement by Lucy W. Benson, Conventional Arms Transfer Policy, p.17.
18. 'US-Soviet Talks Set on Arms Sales Curbs', NYT, 25 November 1977; K.Johnsen, 'Review on Arms Restraint Set'.
19. Testimony by L.H.Gelb, Review of the President's Conventional Arms Transfer Policy, p.25.
20. For the text of the communique, see Department of State Bulletin, July 1978, p.36.
21. R.Burt, 'Carter Trims Arms Sales to Non-Allies', IHT, 1 December 1978.
22. K.Johnsen, 'Review on Arms Restraint Set'.
23. 'Washington Roundup'.
24. Department of State Bulletin, 19 February 1979, p.12.
25. D.Oberdorfer, 'Policy Shift Puts Arms Sales Talks in Doubt', Washington Post, 19 December 1978.
26. 'Restraint of Conventional Arms Transfers', GIST, Department of State, December 1978.

27. D.Oberdorfer, 'US Plans Talks on Conventional Arms', IHT, 23 May 1979; and T.Smith, 'US, Russia Agree on Agenda at Vienna', IHT, 26-27 May 1979.
28. 'Too Many Arms Exported', IHT, 7-8 October 1978.
29. The form such an agreement might take is discussed at the end of Chapter III.
30. This is the stance adopted by SIPRI.
31. Prospects for Multilateral Conventional Arms Transfer Restraint, submitted to Congress by Henry Kissinger, 16 December 1976, p.10.
32. Although I have mentioned that Russian military hardware and service have not been ideal, they offer their hardware at discount prices. They also have a record of delivering more, as the Ethiopians discovered to their initial chagrin and later relief. S.J.Rosen, in R.J. O'Neill (ed.) Insecurity!, pp. 111-112.
33. ACDA, World Military Expenditures, p.149. In fact, this was the lowest percentage since 1969, and contrasts with the highest figure: 24 per cent in 1973.
34. One interesting study compares the prices of the Saab Viggen, the Mirage F-1 and General Dynamics' F-16. Sweden has restrained the sale of Viggens abroad, and as a result, it is the most expensive of the three, despite being less advanced in design. L.G.Franko, 'Restraining Arms Exports to the Third World: Will Europe Agree?', Foreign Assistance Legislation for Fiscal Year 1979, (Part 2), Hearings before the Subcommittee on International Security & Scientific Affairs House International Relations Committee, 6, 8 & 13 March; 11 April 1978, pp. 183ff.
35. D.Fairhall, 'Some Little Powers Are Making Big Arms Sales', NYT, 3 April 1977.
36. Prospects for Multilateral Arms Export Restraint, Appendix II.
37. L.G.Franko, 'Restraining Arms Exports', p.171.
38. Kissinger made this point in his submission to Congress, Prospects for Multilateral Conventional Arms Transfer Restraint, p.8.

39. For example, the British bartered Rapier missiles for Iranian oil in 1976, (A.Sampson, The Arms Bazaar, p.298); and in 1973, the French reportedly sold aircraft, missiles and tanks to Saudi Arabia in exchange for a pledge to supply them with oil (D.Fairhall, 'Some Little Powers'). The Italians have also exchanged 44 Chinook helicopters for 5 million tonnes of Iranian crude, the latter delivered in 1977 and 1978. ('Italy-Iran oil-for-helicopters deal', International Defence Review, Vol.10, No.2, 1977.)
40. A.Sampson, The Arms Bazaar, pp. 320-1.
41. See R. Burt, Developments in Arms Transfers, Table 2.
42. SIPRI, The Arms Trade with the Third World, Chapter 12.
43. See comment by Leslie Gelb in Review of the President's Conventional Arms Transfer Policy, , p.10.
44. For example, SIPRI, The Arms Trade with the Third World, pp. 307-9; and D.C.Gompert and A.R.Vershbow, 'Introduction: Controlling Arms Trade', in A.H.Cahn et al., Controlling Future Arms Trade, pp. 21-22.
45. See Appendix A; also speech by Walter Mondale to the U.N. in 'Documentation: The UN Special Session on Disarmament', Survival, September/October 1978, p.221; and statement by L.H.Gelb in Review of the President's Conventional Arms Transfer Policy, p.87.
46. In 1977, 71 per cent (by value) of all military contracts, including the sale of exempt items, were signed with Middle Eastern countries. 64 per cent were signed with Iran, Saudi Arabia and Israel. US Department of Commerce, Survey of Current Business, May 1978, p.23.
47. See letter from Carter, and testimony by E.von Marbod and Lucy W. Benson in Sale of AWACs to Iran, pp. 33, 86-88, 89-90.
48. 'Carter to Sell Iran a Highly Sophisticated Radar System for \$1.2 billion', IHT, 24 June 1977. Even if the AWACs were a consolation for turning down the sale of the F-18L, the deal would still represent restraint in terms of the value of the transaction vis-a-vis the value of 250 F-18Ls.
49. 'Double Jeopardy in Iran', TIME, 19 February 1979.

50. See Middle East Arms Sales Proposals, p.3; and 'Middle East Aircraft Sales', GIST, Department of State, March 1978, p.2.
51. Middle East Arms Sales Proposals, pp.11-2.
52. D.Bell, 'Saudi Arabia and the U.S.: danger of a rift', Australian Financial Review, 16 February 1978.
53. A.J.Pierre, 'Beyond the "Plane Package"', p.153.
54. 'Middle East Aircraft Sales', GIST, p.2.
55. Testimony by R.Oakley, Foreign Assistance Legislation for FY1979 (Part 4), pp. 212-213.
56. 'US arms pledge to Saudis', The Canberra Times, 13 February 1979. The Sudan deal may simply reiterate an earlier commitment, but the North Yemen sale is definitely new.
57. 'War in Yemen: U.S. Overreaction Charged', Congressional Quarterly-Weekly Report, 17 March 1979, p.470.
58. R.Hotz, 'Export Problems Fester', Aviation Week, 11 December 1978.
59. Lucy W. Benson, Address before the 14th American Institute of Aeronautics and Astronautics Conference, p.44.
60. 'Middle East Aircraft Sales', p.2; and testimony by Harold Brown in Middle East Arms Sales Proposals, p.23.
61. See 'Arms Control and the 1976 Presidential Elections'; and Appendix A.

CHAPTER VIII

OVERVIEW, AND A LOOK TO THE FUTURE

(a) Overview of President Carter's Arms Policies

If Carter had not presented himself as a leader of vision and high principle, his record on arms sales would seem unexceptionable. Instead, he created expectations of 'taming' the arms trade that the USA's position in the world - and the President's position vis-a-vis Congress - would not allow him to fulfil. As a result, Carter has fallen short of his promises on arms sales; this applies to both his pre-election promises and the watered-down pledges of the May 19 Statement. Arms sales are still commonly an instrument of policy, they have not declined much from their previous levels, and US efforts at achieving multilateral restraint have come to little so far. Furthermore, not all the original promises were laudable, for example the strictures on advanced technology and the ban on production for export.

Although it is easy to criticise Carter, his arms policies have not been an abject failure. He promised to show restraint, and on many occasions (although exactly how many we do not know) he has done so. In fact, the six points of restraint contained in his May 19 Statement have generally been observed, with only one definite exception (the AWAC sale).

Carter's arms policies also involve innumerable contradictions - both internally, and in relation to other goals of the Carter Administration. But the contradictions of policy in practice are not entirely reprehensible. Some have resulted from setting unrealistic goals or from inadequate analysis, but others are the result of pursuing various worthwhile - but not entirely consistent - goals. It is not unreasonable to desire a curb on conventional arms as well as on nuclear proliferation - indeed, a person who single-mindedly pursued one at the expense of the other could just as easily be criticised. Nor is it wrong to desire arms control and a minimal US presence abroad; US arms exports could be reduced if the USA were to export troops to the Middle East, Africa and elsewhere instead, but the problems of single-mindedness could well exceed those of inconsistency. When the Congressional Research Service criticises Carter for this, they might do well to contemplate the alternatives.

Perhaps the hardest question to answer is whether Carter has demonstrated more restraint than his predecessors. However, there are a number of refusals of

sales, for example to Iran and South Korea, which previous Administrations may well have approved. The ban on arms promotion is another way in which Carter seems to have shown more restraint, as is the tight scrutiny exercised over the sale of police-type equipment to human rights violators. In fact, the entire human rights policy represents a shift in emphasis, with the Administration curtailing security assistance to countries that had been freely given it in the past.

(b) A Look To the Future

The Administration has yet to formally abandon any part of its policy, although they have certainly acted and argued in ways contrary to its principles. To the extent this has occurred, the declared policy has become less relevant to the actual conduct of affairs. It is hard to say whether Carter will actually abandon the official statement, but there are certainly indications that various aspects of the original policy are being reconsidered. They include the policy on promotion, as far as participation in exhibitions is concerned, and the ban on production for export.

But the Administration has developed self-doubts that threaten the entire set of policies. Despite official optimism, when confronted by the slow progress of talks with the Soviet Union, the Administration warned throughout 1978 that the USA would abandon its whole policy of unilateral restraint, including its ceiling on arms, unless greater co-operation was forthcoming.[1] Carter is planning a formal interagency review of his unilateral restraint policy, which will probably be directed by Under-Secretary Lucy Benson.[2]

In fact, the prospects for co-operation are very bleak. In Chapter VII the discouraging record of multilateral restraint was discussed, as were the reasons for the continued attraction of arms sales. The problem is that arms sales serve purposes that are crucial to the suppliers involved. Carter has yet to provide any effective incentives for others to view arms restraint more favourably.

The strongest incentive Carter has offered is the threat to 'pull out the stops' if other suppliers do not co-operate. An Administration official has argued that if the USA were to abandon restraint and compete with the Soviet Union, the Americans would win.[3] This may be so, but other suppliers are unlikely to think it will happen. Major arms sales must be approved by Congress (or at least not disapproved), and it is hard to believe that Congress will stand aside and permit a flood of arms sales. In the recent past, Congress has proved more determined than the

Executive to cut arms transfers. This is apparent in its attitude to human rights, as Congress had passed legislation banning arms sales to human rights offenders years before Carter took office.[4] Security assistance has been terminated to Chile, Argentina, Brazil, El Salvador, Guatemala, Uruguay, Paraguay, Nicaragua and Ethiopia - all in connection with human rights, and, in many cases, despite the Carter Administration's pleas against it. Congress has also taken a dim view of some arms transfers to the Middle East, as a result of which Carter only narrowly succeeded in selling AWACs to Iran (after withdrawing the request from Congress the first time) and selling the Middle East 'jet package', (which the Senate passed 54-44 after the Foreign Relations Committee deadlocked at 8-all). Although the membership of Congress is becoming increasingly conservative, it is not only liberals who are concerned at arms transfers: conservatives who support Israel will be wary of transfers to the Arabs, while sales to left-wing governments (for example, Peru, Angola, Cuba, Vietnam) would be unlikely to increase.[5]

But quite apart from Congressional opposition, the President is unlikely to sell just 'anything to anyone'. The sales to any one country will affect others, so that a laissez faire policy will create grave problems in maintaining good relations with many countries. Carter is unlikely to sell arms to Libya, Iraq and South Yemen without prejudice to relations with Saudi Arabia, Egypt and Sudan. Nor can the USA sell to Angola without adversely affecting its interests in Zaire, or to Somalia without hurting relations with Kenya.

The President, therefore, appears a prisoner of external and internal forces. He has discovered since taking office that it is enormously difficult to dramatically reduce arms sales; and now, two years later, he will discover (if he does not already realise) that it is enormously difficult to dramatically increase them. This point should be apparent to other suppliers - not least the Soviets, who appear to view the USA as unable to take decisive action abroad.[6] With the outlook for co-operation so gloomy, Carter's review of his unilateral policy may well lead to a decision to formally abandon it. But the above analysis suggests that apart from changes in promotion and production for export, US arms sales will continue de facto to be the same.

It should be stressed, however, that the intransigence of the world is no fault of Carter's - even if his outspoken and tactless diplomacy has not helped matters. It is not his fault that the factors favouring arms sales are so powerful, and that he has little room for manoeuvre. His

personal style has not won him friends in Congress, Western Europe or the Soviet Union, but their intransigence is more fundamental than that.

The problems the incumbent President faces are not new: the militancy of Congress and the non co-operation of other suppliers are features of the political landscape that pre-date Carter. He has rediscovered the 'limits of power'. It has been a source of frustration to successive American Presidents that despite the enormous economic and military strength of their country, they have not been able to create a world in their own image. For Carter, it is an especially bad time to be President, for the goals he originally set himself - and even the more modest goals of May 1977 - are the sort which require a degree of international dominance and control over Congress which no President has enjoyed for many years. In the present international and domestic context, Carter must content himself with modest and uncertain achievements.

Notes to Chapter VIII

1. In February 1978, this was expressed by Blechman and Benson in Review of the President's Conventional Arms Transfer Policy, pp.22, 35; in May 1978 Walter Mondale reiterated the theme to the United Nations - see 'Documentation: The UN Special Session on Disarmament', p.221; and in December 1978 Carter indicated this in his official statement announcing the FY1979 ceiling - for text of statement, 'Carter Outlines Arms Sales Policy', Aviation Week, 11 December 1978.
2. K.Johnsen, 'Review on Arms Restraint Set'.
3. Comment by Leslie Gelb - 'Washington Roundup', Aviation Week, 21 August 1978.
4. Even the Foreign Military Sales Act of 1968 expressed a 'sense of Congress' to that effect, which has subsequently been strengthened.
5. Also, with Senator Frank Church chairing the Foreign Relations Committee, that influential body is hardly likely to become less restrictive.
6. This would seem to be behind Russia's extensive involvement in Africa.

APPENDIX A

TEXT OF THE STATEMENT ON
CONVENTIONAL ARMS TRANSFER POLICY
ISSUED BY PRESIDENT CARTER ON MAY 19, 1977.

The virtually unrestrained spread of conventional weaponry threatens stability in every region of the world. Total arms sales in recent years have risen to over \$20 billion, and the United States accounts for more than one-half of this. Each year, the weapons transferred are not only more numerous, but also more sophisticated and deadly. Because of the threat to world peace embodied in this spiralling arms traffic; and because of the special responsibilities we bear as the largest arms seller, I believe that the United States must take steps to restrain its arms transfers.

Therefore, shortly after my Inauguration, I directed a comprehensive review of U.S. conventional arms transfer policy, including all military, political, and economic factors. After reviewing the results of this study, and discussing those results with members of Congress and foreign leaders, I have concluded that the United States will henceforth view arms transfers as an exceptional foreign policy implement, to be used only in instances where it can be clearly demonstrated that the transfer contributes to our national security interests. We will continue to utilize arms transfers to promote our security and the security of our close friends. But, in the future, the burden of persuasion will be on those who favor a particular arms sale, rather than those who oppose it.

To implement a policy of arms restraint, I am establishing the following set of controls, applicable to all transfers except those to countries with which we have major defense treaties (NATO, Japan, Australia, and New Zealand). We will remain faithful to our treaty obligations, and will honor our historic responsibilities to assure the security of the State of Israel. These controls will be binding unless extraordinary circumstances necessitate a Presidential exception, or where I determine that countries friendly to the United States must depend on advanced weaponry to offset quantitative and other disadvantages in order to maintain a regional balance.

1. The dollar volume (in constant Fiscal Year 1976 dollars) of new commitments under the Foreign Military Sales and Military Assistance Programs for weapons and weapons-related items in Fiscal Year 1978 will be reduced from the Fiscal Year 1977 total. Transfers which can clearly be classified as services are not covered, nor are

commercial sales, which the U.S. Government monitors through the issuance of export licences. Commercial sales are already significantly restrained by existing legislation and Executive Branch policy.

2. The United States will not be the first supplier to introduce into a region newly-developed, advanced weapons systems which could create a new or significantly higher combat capability. Also, any commitment for sale or co-production of such weapons is prohibited until they are operationally deployed with U.S. forces, thus removing the incentive to promote foreign sales in an effort to lower unit costs for Defense Department procurement.

3. Development or significant modification of advanced weapons systems solely for export will not be permitted.

4. Co-production agreements for significant weapons, and major components (beyond assembly of subcomponents and the fabrication of high-turnover spare parts) are prohibited. A limited class of items will be considered for co-production arrangements, but with restrictions on third-country exports, since these arrangements are intended primarily for the co-producer's requirements.

5. In addition to existing requirements of the law, the United States, as a condition of sale for certain weapons, equipment, or major components, may stipulate that we will not entertain any requests for re-transfers. By establishing at the outset that the United States will not entertain such requests, we can avoid unnecessary bilateral friction caused by later denials.

6. An amendment to the International Traffic in Arms Regulations will be issued, requiring policy level authorization by the Department of State for actions by agents of the United States or private manufacturers, which might promote the sale of arms abroad. In addition, embassies and military representatives abroad will not promote the sale of arms and the Secretary of Defense will continue his review of government procedures, particularly procurement regulations, which may provide incentives for foreign sales.

In formulating security assistance programs consistent with these controls, we will continue our efforts to promote and advance respect for human rights in recipient countries. Also, we will assess the economic impact of arms transfers to those less-developed countries receiving U.S. economic assistance.

I am initiating this policy of restraint in the full understanding that actual reductions in the worldwide traffic in arms will require multilateral co-operation. Because we dominate the world market to such a degree, I believe that the United States can, and should, take the first step. However, in the immediate future, the United States will meet with other arms suppliers, including the Soviet Union, to begin discussions of possible measures for multilateral action. In addition, we will do whatever we can to encourage regional agreements among purchasers to limit arms imports.

APPENDIX B

ECONOMIC INTERESTS AND ARMS SALES

Aside from strategic raw materials, the author has ignored the economic benefits of selling arms, such as boosting profits, alleviating unemployment and reducing military procurement costs. Procurement costs for the Department of Defense are reduced by exports in various ways. The Research and Development (R&D) costs are partially recouped, other overhead costs are spread over more units, and a 'learning curve' effect reduces costs through the discovery of cheaper ways of doing things. A Congressional study revealed that every dollar of arms sold saves the USA 14 cents on its own military costs. By exporting \$8 billion of arms, the US military saves \$560 million.[1] A good example (in 1975 prices) of the overall economic benefits of an arms sale is the following: if the USA exports 2,000 F-16s, it would (a) recover \$470 million of its R&D outlays, (b) provide 90,000 jobs, (c) generate \$6 billion in tax receipts and (d) contribute \$9 billion to the balance of payments.[2] All these factors have been mentioned in connection with Western Europe, but the benefits obviously apply to the United States as well, even if major American industries are less dependent on military exports.

US governments have tended to be embarrassed by economic reasons for selling arms and usually list them as secondary considerations. The Carter government seems even less prepared to acknowledge economic factors (apart from oil); for example, it denies that employment is considered when contemplating an arms sale.[3] This may be quite true, but as economic reasons are not very respectable in the arms trade - 'merchants of death', etc. - such denials must be treated with caution, especially denials by an Administration that campaigned on high principles.

Another potential economic motive about which even less is known is corporate bribery. In fact, even the Senate Multinational Hearings did not obtain any proof that bribery of Washington politicians contributed to arms sales - although it appears that bribery of foreign politicians may have contributed to arms purchases. Whether bribery of one sort or another - direct personal payments, campaign contributions, free holidays, etc. - is presently going on, is not public knowledge. However, one may speculate that in the wake of the Multinational Hearings, arms industries will be unwilling to risk public exposure.[4] However, corporate influence can apply itself more subtly, and achieve a sympathetic hearing without overt effort. Insofar as American politics is dominated by the wealthy - the

incumbent President is himself a millionaire - the plight of arms businesses in search of profits may be looked upon with more favour than if the rulers were financially less well endowed. More subtle forms of bribery, such as wining and dining, may help cement this sympathetic relationship. It certainly makes a good story, and may even be true, but unless more is known about it, the story remains purely speculative.

Apart from these economic reasons, one other is involved: the balance of trade. In 1977, the United States amassed a trade deficit of around \$30 billion, followed by a 1978 deficit of a similar order of magnitude. These figures have sent the US dollar plunging to all-time lows, which in turn have threatened the stability of oil prices: this represented one of the arguments used by members of OPEC for a price rise at their December 1978 meeting. Carter has demonstrated his concern over the problem by fairly severe recessionary policies and borrowings abroad.

For a President so concerned about America's trade performance, is it not likely that he will need to sell arms - or at least, not want to reduce their sale? Although arms sales are a small percentage of America's total export earnings, which exceed \$100 billion annually, they are a much larger factor in affecting the balance of trade - \$8 billion is a significant proportion of a deficit of \$30 billion. In fact, the American dollar fluctuates according to trends in US trade, so that a worsening trend caused by reduced arms sales may induce a further decline in the dollar's exchange value. This problem is compounded to the extent that civilian commodity exports are also affected; they have been affected by past military cut-backs to individual countries.[5] The NSC Report claims that, of the various adverse economic consequences brought about by reduced arms exports, only the impact on trade is likely to be worrying. An immediate 40 per cent cut in arms sales would raise unemployment by only 0.1 per cent (in 1983) and reduce military procurement savings by \$310 million in that year; these difficulties can be overcome by 'slightly more expansionary monetary and fiscal policies'.[6] The Report should, but does not, add that these policies would only exacerbate the trade problem by boosting the demand for imports without improving the export situation - already a severe problem in the United States.

Given the magnitude of the trade problem, one might expect this to affect Carter's attitude to arms sales. However, the Executive is not saying anything, and press reports have not revealed any major concern. This in itself is inconclusive, but the absence of reports probably does indicate an absence of concern. In the preceding chapters,

it has been argued that Carter has, for various reasons, decided not to cut back dramatically on arms sales abroad. Carter's arms policies have thus not posed any problems for the trade balance. In fact, total military transfers reached record heights in the last financial year.

If the above speculation is correct, then the trade issue may still exist as a kind of 'sleeper', one which would be awakened by any interest in dramatic cut-backs.

The employment issue should not be ignored, either. The overall impact of cut-backs on employment may be slight, but the sectoral impact is much greater. For example, certain skilled workers will find alternative employment harder, and some states (such as California) will feel the pinch more.[7] But most states would be affected to some degree, and although the macro-economic impact would be slight, Congressmen are likely to be concerned about irate workers in their constituencies. It does little for ones standing with blue-collar voters to seem to be indifferent to the plight of any number of them.[8] Like the balance of trade issue,, it is not apparent that employment is an active concern of the Carter Administration when it implements its arms policies, but it may represent another 'sleeper', which threatens to awaken Congress if the Executive attempts drastic cut-backs. Carter could attempt to mollify Congress with alternative employment-generating schemes; in fact, supporters of the idea point out that every defence dollar spent generates less employment than other areas of expenditure.[9] This may be so, but it is no alternative to foreign military sales, especially in the present economic climate; every extra dollar the US government spends on some alternative scheme carries a risk of inflation (thus worsening the trade balance), whereas every dollar a foreign government spends on US arms adds needed foreign exchange. Even if Carter were interested in major cut-backs, the options do not look attractive.

Notes to Appendix B

1. L.H.Gelb, 'Foreign Sales of Arms Help the Pentagon', IHT, 1 June 1976.
2. L.A.Aine, 'Rationale for Military Exports', Aviation Week, 4 August 1975.
3. See comments by Lucy W. Benson and L.H. Gelb, in Review of the President's Conventional Arms Transfer Policy, pp. 90-91.
4. At least one corporate chief, T.V.Jones of Northrop, has in fact made himself a vocal champion of arms restraint, which suggests that public image is important. Northrop, and Jones in particular, were victims of the Senate Multinational Hearings.
5. NSC 202, p.41.
6. ibid., pp. 44-45
7. ibid., pp. 46-47.
8. R.D.Lyons, 'US Arms Lobby Gets Aid In Many Quarters', IHT, 21 October 1975.
9. 'Jobs and the Pentagon: Is Military Spending Good for the Economy?', The Defense Monitor, September-October 1977.

APPENDIX CTHE SITUATION IN IRAN

The recent events in Iran represent a bitter irony for the Americans. Having warned the Russians that arms sales can prove highly counter-productive - and having largely ignored the lesson themselves when dealing with the Middle East - the Americans are now discovering how correct they were. The struggle against the Shah in 1978 and early 1979 was in part an uprising against excessive Western - and particularly US - influence; the demonstrators demanded the expulsion of foreigners as well as the Shah's abdication, and the USA was singled out as the chief backer of the old regime. Although the 'American connection' included massive involvement in the civilian economy, their military sales were a highly visible - and unpopular - element of the relationship. It was therefore inevitable that, whatever the state of the Iranian economy, the post-Shah leadership would desire to scale down the US presence. The massive quantities of military equipment ordered by the Shah required thousands of US personnel to train and service the military for years to come, so that a cut-back in the US presence required a reduction in US arms.

An additional difficulty was the condition of the Iranian economy. With oil production reduced to a level barely sufficient to cover domestic needs and the rest of the economy in chaos, Iran simply lacked the wherewithal to maintain its arms buying.[1] With \$15 billion or more of military contracts undertaken - mostly American orders - it was hardly surprising that drastic cuts would be made to conserve foreign exchange. Even before the crisis became acute, Iran had joined the other OPEC countries in running down their deposits in international banks,[2] so that the debilitating strikes exacerbated an existing financial squeeze.

As early as October of last year, there were reports that secret talks had been opened between the USA and Iran to cut the latter's arms purchases.[3] When Dr Bakhtiar was appointed Premier to rule during the Shah's 'vacation', it became even more certain that dramatic cut-backs in arms purchases would occur. Bakhtiar made no secret of his desire to prune existing contracts and reduce future ones, indicating that Iran's defence priority would henceforth be continental defence rather than 'policeman of the Gulf'.[4]

The eventual cancellation of existing military contracts (in early February) involved a staggering quantity of equipment and money. American contracts terminated

included the 160 F-16s (\$3.5 billion), two of the four Spruance class destroyers (more than \$700 million), the 7 Boeing E-3A AWACs (\$1.2 billion), 20 RF-4E reconnaissance planes, 400 Phoenix missiles for Iran's 80 F-14s, plus a \$1 billion contract to build a naval base. In addition, the US military adviser team - which is paid for by Iran - was to be reduced from 960 to 250.[5] The estimated value of US arms contracts cancelled depends on the report one reads, but the figures cluster between \$7 and \$10 billion. A problem for Iran is that she has already paid for some of the equipment. The US government routinely requires initial deposits and progress payments prior to delivery on FMS contracts; in the case of Iran, these totalled at least \$500 million.[6] These payments ensure that US contractors will not be hit too hard financially, but will create a delicate problem for the USA if Iran wants its money back.

The rapid demise of Dr Bakhtiar's government did not brighten the prospects for the arms trade. The Muslim clergy, and particularly the Ayatollah Khomeini, have made clear their opposition to massive arms contracts, particularly US contracts. The popular opposition to westernisation also makes it unattractive to import large numbers of foreign personnel, who are virtually inseparable from arms sales to the country.

Since Bakhtiar's departure the situation for the arms industry has gone from bad to worse. None of the major orders cancelled has been revived, while the remaining two Spruance class destroyers that were still to be delivered have now been cancelled.[7] In addition, the Iranian government wishes to sell off some of the weapons accumulated by the Shah, most notably the F-14s on which negotiations were under way in mid-1979.[8]

Although the status of non-American arms contracts has not been clarified, their future does not look hopeful either. The British had yet to deliver the 1,200+ Shirkish tanks worth £600-700 million, or the order of Rapier missiles valued at £400 million. Four support ships (£70 million) were also contracted to British shipyards. The Bakhtiar government had requested that these orders be cancelled, and it is unlikely that the new regime will restore the contracts. The outlook for other orders must also be grim, including the six German submarines and six Italian frigates being built for the Iranian Navy.

(a) Implications for the Arms Trade

In themselves, the cancellations will have a dramatic effect on future arms deliveries. If one assumes that cancellations eventually reach \$15 billion - and that they

are spread over the next five years - the level of deliveries will slump by an annual average of \$3 billion during this period. This could lower the total level of deliveries by as much as 15 per cent, depending on how world trade is calculated. The impact on the US arms trade will be even greater, for Iran placed most of its orders with the USA - the reduction would approach 25 per cent. These are only rough figures, but they indicate the general magnitude of the effects.

The impact on new orders will also be pronounced. The Shah had a 'wish list' of many sophisticated weapons that were under consideration or negotiation, all of which have been indefinitely postponed. These include a further 140 F-16s plus more F-14s from the USA; and frigates, minesweepers and fast patrol boats from West Germany.[9]

But although it is clear that the Iranian crisis will reduce deliveries and new orders to that country, the overall effect on the arms trade is less clear. First, there is the question of what will happen to the cancelled orders. Most of the equipment involved does not presently exist, but the cut-backs will create problems for industries in terms of lost business. The immediate effect on American aerospace industries concerned, such as McDonnell-Douglas, General Dynamics, Pratt and Whitney, and Boeing, appears to have been slight, although their future earnings will be affected.[10] Across the Atlantic, British Aerospace anticipates only a 10 per cent drop in forward orders as a result of losing the Rapier order, and does not plan to retrench workers.[11] However, some particular industries depended on Iranian orders for survival, such as the German shipyard that contracted to supply six submarines.[12] One would expect to see an increased pressure by defence industries on their respective governments to find alternative buyers. In fact, Israel obliged by expressing interest in some of the 160 F-16s scheduled for Iran.[13] The USA responded favourably to this request (see Appendix D), and has agreed to supply 55 of them to Israel as part of the 'jet package' order for 75; the result will be a quicker delivery of the planes to Israel than was previously planned.[14]

The second factor to examine is the effect of Iran's crisis on the Middle East as a whole. To the extent that Iran's arms build-up was a source of alarm to countries like Iraq, the cut-back may relieve their demand for arms. However, the impact on the Saudis is likely to be the opposite. Despite potential friction between the two powers, they shared a common concern over the threat posed by the Soviet Union and its allies in the area; as Chairman Mao might have said, relations with the Communists

represented the 'principal contradiction'. With Iran militarily weaker and confined to continental defence, the Saudis no longer have a strong ally in the perceived struggle against Communism. This poses a number of dangers for them: first, less pressure on Iraq's north-eastern frontier would enable it to increase its military presence further south, along the border with Saudi Arabia. Another problem is that Iran will have a reduced capacity - and willingness - to police the Persian Gulf waters, thus permitting Russia to exert more pressure on the Red Sea oil routes. Finally, under Iran's new policy of non-interference and non-alignment,[15] the Saudis will get little future help in suppressing revolution and subversion in the region.[16] The first two scenarios may be remote, but the anti-Communist Saudis, surrounded by pro-Soviet forces, may perceive a threat that calls for greater land, sea and air forces.

Whether the Saudis can meet this greater 'threat' depends in part upon their capacity to absorb larger quantities of military hardware. They cannot be too worried about this at present if a report is correct that, in early 1979, they were interested in buying Iran's 80 F-14s, which are relatively labour intensive to operate.[17] This offer may indicate their concern at the new risks confronting them. Furthermore, the Saudis' massive investment in infrastructure (including training) will greatly improve their ability to handle sophisticated weaponry. Finally, to the extent that their technical base is too limited, the Saudis can resort to dispensing weapons among their various allies. They have already financed military purchases by Sudan and North Yemen, while offering to do so for Somalia. However, the Saudis may draw the line at strengthening naval forces in the region. They have indicated that they will not take over from the Shah in this area, but will look to the USA to defend the Straits of Hormuz.[18]

The events in Iran will not please the Israelis, either. Iran's strong alignment with the Arab world (see below) threatens to upset the balance of forces in the region, to which Israel may react with increased arms purchases. Their interest in part of Iran's F-16 order may, like the Saudi offer, indicate their concern at the array of post-Shah forces.

Such concerns as these dovetail with a growing consensus within the White House and the Pentagon for a stepped-up military commitment to the region. The Iranian crisis is reported to have accelerated plans for an increased involvement by the USA, which will include a greater naval presence in the Indian Ocean-Gulf area, a 'unilateral corps' of 110,000 troops to intervene outside

NATO, and the likelihood of further arms transfers to the Middle East.[19]

The recent rise in oil prices will itself enable a greater arms accumulation by the oil-rich - a paradoxical result of the Iranian upheavals. The 14.5 per cent price hike announced in December 1978 was believed to have been encouraged by the situation in Iran which created an oil shortfall. As OPEC countries have generally been suffering a shortage of revenue due to the declining value of oil earnings - they have lost 20 per cent in two years - the recent price rises will improve their import capacity. It will be interesting to see in the next couple of years whether the revenue increase brings with it a further surge in the demand for arms, not only by Saudi Arabia but also by other oil-rich countries, such as Iraq and Libya. If so, it would suggest that the arms trade is very much a function of oil prices, which could perhaps be explained by the concept of a 'marginal propensity to arm', that is, the amount of every extra dollar earned that a country spends on arms. If the marginal propensity to arm is higher for the OPEC countries than for oil-importing countries - which has been the case in the past - then a price rise will transfer foreign exchange to countries that will spend more of it on arms and away from countries that would have spent less.

(b) Conclusion

The ramifications of the Iranian crisis are thus far more complex and uncertain than they seem at first. As far as Carter's arms policies are concerned, the best result would be that Iran's future orders decline without fully compensating increases elsewhere. This would enable the President to achieve his commitment to a reduced ceiling for this fiscal year with less difficulty. The demand for sophisticated technology would also abate, and thus point No.2 could more easily be fulfilled.

However, what is good for Carter's arms policies may not be good for US interests in other respects. The Shah was tailor-made for the Guam (or Nixon) Doctrine, which Carter clearly endorses. The emergence of an isolationist Muslim republic will mean for the USA the loss of a surrogate navy and intervention capacity in the region. The former loss creates another problem, in connection with the Indian Ocean arms limitation talks; the USA has been interested in freezing the present deployment of forces, but the loss of an allied naval capability in the north-west of the ocean will make a freeze less attractive.

The events in Iran also create other problems for the USA. The Iranians already possess an enormous arsenal of sophisticated hardware, which the Soviets would dearly love to inspect.[20] Although there has been no suggestion that security on the F-14s has been relaxed, there are fears that secret technical and maintenance manuals may have fallen into unauthorised hands.[21] There is also another fear: that, in the post-Shah chaos, a Qaddafi-type regime might come to power, that will use its arsenal to arm radical groups throughout the Middle East. Even the present regime has established good relations with the Palestinian Liberation Organisation, and has severed relations with Israel, including oil supplies.[22] Obviously there are exceptions to the new regime's professed non-alignment.

In addition, the crisis poses economic problems for the USA. As well as the oil production loss and the cancellation of US arms contracts, the result was to reverse temporarily the rallying of the dollar which had occurred since Carter announced his 'defence of the dollar' measures on 1 November 1978.[23]

The net effect on the arms trade itself will not be known for at least a year, by which time the trend in orders may be visible. It is too soon to attempt any firm predictions here; that would be presuming to know how countries will react to this unique situation, the collapse of the world's largest arms importer. One can only say that if it does inadvertently assist the fulfilment of Carter's arms policies (which is by no means certain), it remains a highly mixed blessing.

Despite burnt fingers, the USA has not resolved to abandon arms sales as an instrument of policy. Defense Secretary Brown toured the Middle East in early 1979, assuring his hosts of America's continued commitment to the region. The arms deals he announced with Sudan and North Yemen (see Chapter VII) are evidence of the US resolve to join Saudi Arabia in its quest against Soviet influence in the general region. When next the Soviet and US delegations meet to discuss arms control, perhaps Mendelevich could remind the Americans of their own words: arms sales can become a liability in dealing with other countries. But it is unlikely to induce sudden conversion because the USA, like the Russians, realises the importance of arms transfers in bolstering their interests, despite the risks involved. If Carter were intent upon setting an example to others, he would have used this opportunity to spread warning of the dangers of arms transfers, and would not have announced new arms deals in the wake of Iran's crisis.

Notes to Appendix C

1. This, at least, was how it appeared at the time. Subsequent oil price rises, and a partial recovery of Iranian oil production, have made the foreign exchange position less bleak. But negotiations over the arms contracts began in the midst of massive disruption to the oil industry.
2. 'OPEC suffers a financial squeeze', The Australian Financial Review, 12 December 1978.
3. 'Iran-US Talks on Arms-Deal Cuts Reported', IHT, 25 October 1978.
4. Interview with The Financial Times, summarised in The Canberra Times, 10 January 1979.
5. These figures can be found in assorted articles, for example: '\$8 Billion Arms Order Is Cancelled', IHT, 5 February 1979; 'Iran: the consequences for world trade', AFR, 13 February 1979; and 'Iran to cancel \$8,800 million worth of weapons', Canberra Times, 5 February 1979. The dollar figure in the Canberra Times article refers to Australian currency.
6. 'Double Jeopardy in Iran', TIME, 19 February 1979.
7. 'Senate Approves M-X Missile Development', Congressional Quarterly-Weekly Report, 5 May 1979, pp. 868ff. The US plans to buy the four ships to incorporate them in its navy, and to correspondingly decrease its order of destroyers specifically earmarked for the USN.
8. R.Koven, 'Iran Seeks to Sell Back U.S.Arms'., IHT, 29 March 1979, and G.C.Wilson, 'U.S.Tries to Buy Back Jets Sold to Shah', IHT, 2 August 1979.
9. 'Iran: the exporters' dreams turn to nightmare', AFR, 15 December 1979; and IHT '\$8 billion Arms Order Is Cancelled'.
10. 'Iranian Arms Cuts Spur Buyer Search', Aviation Week, 12 February 1979.
11. 'Iran Cancellation Cost Counted by BAe', Flight, 24 March 1979.
12. 'Iran: the consequences for world trade', AFR,

13. 'Israel to buy US missiles', Canberra Times, 13 February 1979.
14. 'Senate Approves M-X Missile Development'. The Administration had earlier intended to buy the 55 planes for the USAF.
15. The Ayatollah Khomeini has called for this neutral stance - P. Lewis, 'Khomeini Vows to Cut Foreign Contracts', IHT, 22 January 1979.
16. On the Saudi role as a conservative interventionist, see F. Halliday, 'Saudi Arabia: Bonanza and Repression', New Left Review, No.80; and for Iran's, see L.M.Pryor, 'Arms and the Shah', Foreign Policy, No.31.
17. R.Burt, 'U.S. Reports Saudi Offer to Purchase Iran's F-14s', IHT, 15 February 1979. The offer was turned down.
18. This was reported by Senator Byrd after a visit to Saudi Arabia - see 'Saudis Said to Want Strait Defended', IHT, 24 April 1979.
19. D. Middleton, 'US Plans Force for Trouble Spots', IHT, 21-22 April 1979; 'US Plans Force for Crisis in 3rd World', IHT, 23-24 June 1979; and 'Top Carter Aides Propose Increasing Forces in Gulf', IHT, 29 June 1979.
20. F. Cranston, 'The Ayatollah inherits a bountiful bag of military goodies', Canberra Times, 14 February 1979.
21. B.Weinraub, 'US Fears Arms Secrets in Iran are Compromised', IHT, 5 March 1979.
22. 'Iran to cut ties with Israel', Canberra Times, 20 February 1979; and 'Iran to "continue struggle till all Islamic countries freed"', Canberra Times, 21 February 1979.
23. G. Dyer, 'US dollar sags, bourses shake', AFR, 7 February 1979, and 'US dollar under more pressure', AFR, 8 February 1979.

APPENDIX DTHE EGYPTIAN-ISRAELI PEACE PACKAGE

The irony of providing weapons of war to secure peace was never more obvious than in the recent US commitment to transfer \$4.5 billion in military goods and services to Egypt and Israel. No secret is made of the fact that this was the price of the peace treaty between the two confrontation states.[1]

To implement the treaty, the USA agreed to provide a total aid package of \$4.8 billion, authorised by a Special International Security Assistance Act of 1979. Of the total, \$300 million is planned as economic aid to Egypt, and the remainder as military transfers to both. \$800 million of this will be a grant to Israel in the form of construction of two new air bases in the Negev Desert as replacements for those vacated in the Sinai; all the work will be carried out by US contractors and managed by the US Army Corps of Engineers. A further \$2.2 billion is in the form of arms credits to Israel to purchase other goods and services, and to finance costs of the above air bases not covered in the grant. Egypt will receive, in addition to the \$300 million of economic aid, arms credits valued at \$1.5 billion. The loans to both parties will be paid back in not less than 30 years, with an initial 10 years' grace; the funds will come from the Federal Financing Bank.[2]

The financial terms of the peace package are thus well-known, which contrasts with the mystery surrounding the nature of the equipment to be transferred. Congress has been informed of the agreement's contents, but the details are classified. However, a broad outline of the anticipated orders includes F-4s, destroyers, tanks, armoured personnel carriers and 'Hawk' surface-to-air missiles, for Egypt; and for Israel, 200 tanks, 800 armoured personnel carriers and a speed-up in the delivery of at least 55 of the F-16s on order.[3]

Despite what appears to be an orgy of arms transfers, the USA has reportedly exercised some restraint. In the negotiations Sadat had raised his long-standing desire for F-16s, but his request for 300 was denied.

An arms agreement of this size would appear to raise problems for managing the arms ceiling, as the figure of \$4.5 billion is over half the FY1979 limit of \$8.434 billion. However, the problems posed by the deal are less than they first appear. To begin with, not all of the appropriation will count within the ceiling, for construction services are excluded from the annual limits.

This automatically exempts \$800 million. A further \$244 million of Israel's credits are earmarked for those costs of the airfields not covered in the grant; some of this total may also include construction. Of the remaining \$2 billion credits for Israel, some will no doubt be spent on other construction projects resulting from the Sinai withdrawal.[5] These deductions produce the result that no more than \$3.7 billion, and probably less, will be included in the annual ceilings imposed by Carter.

If this amount were to be registered in FY1979, it would probably not push the annual figure above the ceiling. The events in Iran alone will drop projected sales by several billion dollars if previous years are any guide. At the same time, Saudi purchases of ceiling-related items for this year are unlikely to match the high level of last year, while the temporary embargo on sales to Taiwan will also remove a large buyer until 1 January 1980. These factors will create a degree of 'slack' which could be taken up by the peace package. However, to make matters easier for the Carter Administration, the total amount is unlikely to be recorded in FY1979. According to the Administration, the credit financing authorised by Congress in this fiscal year will finance procurements by Israel and Egypt through to 1982.[6] This means that arms transfer agreements will be staggered over three years, thus spreading the impact of the \$3.7 billion (or less) over several years' statistics.

Whether other aspects of Carter's arms transfer policies will also be observed remains to be seen. For example, the sale of combat aircraft is not likely to involve anything more sophisticated than planes already deployed there, but the details of other weapons are too scant to justify any firm judgments regarding point No.2 of Carter's policies. However, the letter of a policy does not need to be broken in order for others to perceive it in this way, as occurred with the 1978 jet package. The Europeans and Russians are likely to see this most recent package as further vindication of their own arms sales policies.

The Administration itself has presented the peace package in a familiar light. The agreement is 'tangible evidence of U.S. dedication to the peace process'; it is essential to the peace treaty, and lays the basis for a lasting peace through providing both parties with confidence in their security. At the same time, swift Congressional passage of the Act will assure all US friends in the region of US decisiveness and commitment to the Middle East.[7] If reference to the peace treaty is removed, this could be used as the justification for the 1978 jet package, the 1977 AWAC sale to Iran, the 1976 sales of planes and missiles to Iran and Saudi Arabia, or the 1975 sale of surface-to-air

missiles to Jordan. The sale of arms continues to be a useful instrument of policy, in pursuit of broadly similar objectives.

Notes to Appendix D

1. See Special International Security Assistance Act of 1979, Communication from the President of the United States, 9 April 1979, p.1.
2. These details and others are to be found in Special International Security Assistance Act of 1979, passim; Special International Security Assistance Act of 1979, Report of the House Foreign Affairs Committee, 15 May 1979, passim; 'Egyptian-Israeli Peace Treaty Broadens U.S. Commitments', Congressional Quarterly-Weekly Report, 31 March 1979; 'Opposition to Cost of Mideast Package Worries Senate Foreign Relations', Congressional Quarterly-Weekly Report, 28 April 1979; 'Senate Approves \$4.8 Billion Aid Package for Israel, Egypt', Congressional Quarterly-Weekly Report, 19 May 1979; and 'House Approves Special Aid Package for Israel, Egypt', Congressional Quarterly-Weekly Report, 2 June 1979.
3. 'Egyptian-Israeli Treaty Broadens U.S. Commitments', Congressional Quarterly-Weekly Report. The article mentions a quickened delivery of all 75 F-16s on order, but the US has only diverted 55 of the Iranian order to Israel. It is possible that some of the F-16s destined for the USAF are to be re-routed but there has been no indication of this, while it would raise problems with her NATO consortium partners, who make 10 per cent of all USAF F-16s, but 15 per cent of third party F-16s.
4. 'More US arms for Middle East', Flight, 31 March 1979; and 'Treaty Involves \$4.5 Billion in Arms', Aviation Week, 26 March 1979.
5. 'Opposition to Cost of Mideast Package Worries Senate Foreign Relations', Congressional Quarterly-Weekly Report.
6. Special International Security Assistance Act of 1979, Communication from the President, p.7.
7. ibid., pp. 1-2.

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ABBREVIATIONS

ACDA	Arms Control and Disarmament Agency
<u>AFR</u>	<u>The Australian Financial Review</u>
AWAC	Airborne Warning and Control [plane]
<u>CRS Report</u>	<u>Implications of President Carter's Conventional Arms Transfer Policy - Report to the Committee on Foreign Relations, United States Senate, by the Congressional Research Service (December, 1977).</u>
FMS	Foreign Military Sales
<u>IHT</u>	<u>International Herald Tribune</u>
IMET	International Military Education & Training
ITAR	International Traffic in Arms Regulations
NSC	National Security Council
<u>NSC 202</u>	<u>National Security Council analysis appended to Arms Transfer Policy, Report to Congress for use of the Committee on Foreign Relations, United States Senate (July, 1977)</u>
<u>NYT</u>	The New York Times

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Notes on The Strategic and Defence Studies Centre

The aim of the Strategic and Defence Studies Centre, which was set up in the Research School of Pacific Studies in The Australian National University, is to advance the study of strategic problems, particularly those relating to the general region of the Indian and Pacific Oceans and South-east Asia. Participation in the Centre's activities is not limited to members of the University, but includes other interested professional and Parliamentary groups. Research includes not only military, but political, economic, scientific and technological aspects. Strategy, for the purpose of the Centre, is defined in the broadest sense of embracing not only the control and application of military force, but also the peaceful settlement of disputes which could cause violence.

This is the only academic body in Australia which specialises in these studies. Centre members give frequent lectures and seminars for other departments within the ANU and other universities. Regular seminars and conferences on topics of current importance to the Centre's research are held, and the major defence training institutions, the Joint Services Staff College, and the Navy, Army and RAAF Staff Colleges, are heavily dependent upon SDSC assistance with the strategic studies sections of their courses.

Since its inception in 1966, the Centre has supported a number of Visiting and Research Fellows, who have undertaken a wide variety of investigations. Recently the emphasis of the Centre's work has been on problems posed for the peace and stability of Australia's neighbourhood; the defence of Australia; arms proliferation and arms control; decision making processes of the higher levels of the Australian Defence Department; management studies and the role of the Minister in Australia's defence policy making; and the strategic implications of developments in South-east Asia, the Indian Ocean and the South West Pacific Area.

The Centre contributes to the work of the Department of International Relations through its graduate studies program; and the Department reciprocates by assisting the Centre in its research. A comprehensive collection of reference materials on strategic issues, particularly from the press, learned journals and government publications, is maintained by the Centre.

The Centre also conducts seminars and conferences which have led to several volumes of published proceedings.

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In May 1977, President Carter's Administration produced a policy document outlining the restraints on arms exports to be henceforth adopted. Although not as extreme as Carter's pre-election statements, it still proposed a more comprehensive set of restraints than had previously existed. But by 1979, it seemed that the United States' relative position in the arms trade had not been transformed. Nor had the more modest ambitions of May 1977 been fully achieved. At the same time, President Carter was being assailed from both sides for either doing too little or too much.

In this study, an attempt is made to consider the extent to which Carter has lived up to his promises, and whether those promises should have been made at all. The rather mixed results that emerge reveal the problems of a reforming regime in an unreformed world.



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