Cato Institute Foreign Policy Briefing No. 18: The Sins of Security Assistance Programs

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Executive Summary

Foreign policy experts, media pundits, and congressional leaders are calling with increasing frequency for the United States to intervene militarily in the Yugoslavian conflict. Although the Bush administration has wisely resisted such proposals, it has slowly escalated the U.S. political and diplomatic role and thereby increased the danger of a subsequent military entanglement. Leading administration officials also seem to be weakening in their resolve to keep out of the fray.

Those who urge the United States to become involved in the turmoil taking place in the Balkans embrace a reckless policy. Military intervention would almost certainly result in the loss of American lives and create a host of long-term political risks and burdens without even the hope of offsetting tangible benefits. The ethnic conflicts convulsing Yugoslavia result from long-standing animosities that are impervious to solutions imposed from the outside. In that sense, Yugoslavia is a larger and more dangerous version of Lebanon.

Equally important, there is no need for the United States to become entangled in the fighting. Yugoslavia has never been a vital interest of the United States, and contrary to some of the superheated rhetoric of interventionists, the region is a geopolitical backwater in the post-Cold War era. The outcome of the fighting will not have a significant impact even on the European, much less the global, balance of power and, therefore, does not warrant U.S. action. Although the bloodletting is undoubtedly tragic, it does not serve the best interests of the American people to have this country become a participant in the carnage.

Introduction

Since World War II the United States has provided what is euphemistically called security assistance to countries throughout the world. That assistance has included direct sales of weapons by the U.S. government, government subsidies for sales by private manufacturers, cash assistance, and training for foreign military personnel. Security assistance has been a major component of the Cold War strategy of containment. U.S. military and economic aid, totaling over $950 billion in 1989 dollars, has been given to more than 100 countries.[1]

Recent trends show an ominous increase in security assistance. Overall, security-related military and economic support fund assistance programs ballooned 85 percent and 198 percent, respectively, from fiscal year 1981 to FY 1990.[2]

The total real value of U.S. arms transfer agreements, including governmental and commercial sales, with the Third World increased from $7.9 billion in 1989 to $18.5 billion in 1990. The U.S. share of all such agreements, the total value of which reached $41.3 billion for all suppliers, was 44.8 percent in 1990, up from 23.6 percent in 1989. According to that measure, the United States ranked first among arms-exporting nations.[3]

For FY 1992 the Bush administration asked for approximately $8.2 billion in security aid, slightly more than the $7.8

billion appropriated in FY 1991 (it received $7.999 billion in FY 92), and it made a special request for $1 billion in U.S. Export-Import Bank (Ex-Im Bank) funding. The FY 93 request is for $7.376 billion. That aid, unlike hard-cash sales, which make up the bulk of the arms transfer agreements, is essentially a taxpayer subsidy that transfers equipment on highly favorable terms that allow buyer nations to obtain weapons that they would otherwise have to forgo.

In addition to being expensive, security assistance programs say a lot about how the United States chooses to deal with the rest of the world. The Bush administration is acting as an enthusiastic booster of arms sales. Not only has the State Department begun to overhaul procedures for granting arms export licenses, but according to Charles Duelfer, director of the State Department's Center for Defense Trade: "The State Department can have a very key role in helping manufacturers identify possible markets, helping them find their way around the host government, find the right people to talk to. . . . We want to make sure that our manufacturers can compete."[4]

It is time to reassess our military aid programs to determine whether they serve the best interests of either Third World societies or the American people. Those programs, which arose as part of the Cold War rivalry with the Soviet Union, were of dubious merit even in that context. In a post-Cold War world they are even less justified.

Types of Security Assistance Programs

The Arms Export Control Act of 1976 consolidated previous government and commercial arms sales legislation. The act covers a number of separate channels through which the United States provides military assistance.

Foreign Military Financing

The Foreign Military Financing (FMF) program is the oldest of the security assistance programs. It has been variously known as Foreign Military Sales Financing, Foreign Military Sales Credits, and the Military Assistance Program (MAP). First established in 1949 (after the creation of NATO) to help Western Europe rearm and contain the Soviet threat, the program originally involved the direct transfer of excess American equipment at no cost to the recipients. Subsequently, the United States provided grants--financed by U.S. taxpayers through the Foreign Assistance Act--to "friendly nations" throughout the developing world where perceived threats to U.S. security interests arose. Credit financing exceeded grant assistance for the first time in 1971. Beginning in FY 1982, MAP funds were merged with recipient countries' funds or with FMF credits and financing, or both, in the Foreign Military Sales (FMS) trust fund. For FY 1992 the Bush administration requested budget authority of $4.65 billion in grants and concessional interest rate loans; the appropriation was for $4.667 billion. The FY 93 request is for $4.153 billion.

Arguing that past U.S. efforts to assist other countries in times of crisis had been hampered by the lengthy FMS process, the Reagan administration also created the Special Defense Acquisition Fund (SDAF) in 1981 to finance the stockpiling of high-demand weapon systems and parts so anticipated foreign orders could be filled without reducing U.S. readiness by diverting material from American forces. The stockpile, financed by moneys received from previous FMS sales, consists of basic combat gear commonly used by Third World forces. For FY 1992 the Bush administration requested $275 million for the SDAF. The request for FY 93 is $275 million.[5]

International Military Education and Training

The International Military Education and Training (IMET) program is a grant-aid program that provides training for foreign military personnel. IMET and its predecessor programs have trained more than 500,000 officers and enlisted personnel since 1950. The training ranges from basic technical skills to professional military education. As are FMF programs, IMET is directly financed by U.S. taxpayers. Such training, according to its advocates, is supposed to instill respect for human rights and democratic values. However, the record of IMET on that score is not impressive. Obviously, in the case of Manuel Noriega, who took courses in 1964 and 1967 at the Army School of the Americas in the Canal Zone, such values did not take hold. IMET-funded training was also given to many members of El Salvador's Atlacatl Battalion, nine of whom were charged with the killing of six Jesuit priests, their cook, and her daughter in November 1989. Less egregious examples of brutal and authoritarian acts by IMET graduates are too numerous to mention.

IMET gives the U.S. government access to future civilian and military leaders of other countries, which was deemed essential to counter Soviet influence. At least in a quantitative sense, the program has succeeded. From FY 1979 through 1984, more than 1,500 IMET-trained personnel served as chiefs of military services, cabinet ministers, ambassadors, senior staff officers, field commanders, and comman dants of senior professional military schools. IMET also funds Mobile Training Teams that do their work in the host countries. Those teams are yet another vehicle for U.S. influence. Such teams are now deployed in Colombia, Peru, and Bolivia as a part of U.S. counternarcotics efforts. The administration requested $52.5 million in FY 1992 for IMET to train 6,475 students. It received $47.2 million. The request for FY 93 is $46.2 million.

Economic Support Fund

The Economic Support Fund (ESF), administered by the Agency for International Development, is intended to promote economic and political stability in areas where the United States has special political or security interests. ESF funds are made available as loans or grants for a variety of economic purposes, especially support of health, education, agricultural, and family-planning programs. Congress has indicated that those funds should be used to the maximum extent possible for development, and the use of ESF funds for purchasing military equipment is prohibited. Nevertheless, the ESF frequently contributes indirectly to militarization by freeing funds of the recipient country for military spending. For FY 1992 the administration requested $3.24 billion for ESF, an increase of $96 million over the amount appropriated in FY 1991. The request for FY 93 is $3.12 billion.

Commercial Sales

Unlike FMF, direct commercial sales of arms from U.S. manufacturers to foreign military purchasers are not administered by the Department of Defense and do not involve government-to-government agreements. Instead, the United States controls the commercial export of arms through the granting of export licenses by the State Department's Center for Defense Trade. Although licensed contractors frequently prefer to make their sales directly, rather than work through the U.S. government, government support for their efforts is typically a crucial factor in their success. The administration estimates that in FY 1991 commercial arms exports exceeded $22.69 billion--much more than in any pre- vious year.

The Bush administration is increasingly bullish on commercial arms sales and is determined to increase the scope of governmental support. In 1991 it proposed legisla- tion that would have established a $1 billion program to allow Ex-Im Bank to guarantee loans during FY 1992 to aid sales of U.S. military products to members of NATO as well as Australia, Japan, and Israel. Under the proposal, fi- nancing could have been extended to any country if the pres- ident determined that it was "in the national interest" to do so. According to Ex-Im Bank officials, the proposed legislation was intended to provide a "level playing field" for U.S. military exporters who face foreign government assisted competitors. Although the proposal died in Con- gress last year, it is likely to be brought up again.

Unintended Results

The United States is the world's largest supplier of military equipment. Ironically, at a time when national decisionmakers are increasingly worried about the prolifera- tion of various kinds of weapons in developing countries, U.S. arms exports are undercutting nonproliferation policy by encouraging governments to focus on increasing their military capabilities. According to a recent report by the congressional Office of Technology Assessment: "The Interna- tional arms business, in which the United States is first among several prominent suppliers, is building up a danger- ously armed world. . . . If the goal is to stem prolifera- tion of advanced conventional weapons and defense technolo- gy, multilateral restraint by Europe, the Soviet Union and the United States is a prerequisite."[6]

A curious contradiction arises when officials such as Duelfer justify U.S. weapons sales on the grounds that other exporters will fill the market if the United States does not. Previously, U.S. policymakers maintained that arms transfers were made for reasons of security, not economic policy. Furthermore, they rejected the "others will fill the market" argument in the cases of chemical weapons and ballistic missiles. And under President Jimmy Carter the United States implemented guidelines to restrain sales of sophisticated aircraft and anti-ship missiles.

U.S. military assistance has frequently contributed to regional tensions. For example, U.S. military aid to Paki- stan

has emboldened it to aid rebels in the Indian-held Kashmir Valley. The prospect of yet another Indo-Pakistani war is especially frightening since both states now have nuclear weapons capabilities.[7] Similarly, long-term U.S. assistance to Israel has encouraged it to avoid settling its differences with its Arab neighbors. Washington's aid in strengthening Israel's armed forces, and willingness to ignore Jerusalem's violations of U.S. law as it tapped U.S. technology to build a nuclear arsenal, increases the proba- bility that the Arab countries will try to develop nuclear weapons. The recently discovered Iraqi nuclear weapons program is merely the beginning.

Yet the U.S. national security bureaucracy considers security assistance more vital than ever. Speaking of con- ditions in the Pacific and East Asia, Gen. Colin Powell, chairman of the Joint Chiefs of Staff, said: "An indicator of our commitment is our security assistance funding in the region. . . . Whether it is FMS, ESF or IMET funding, the returns on our investment in this region are noteworthy."[8] Indeed, security assistance has had many advocates, and many official reports have attested to its alleged effectiveness. For example, in 1988 President Reagan's Commission on Integrated Long-Term Strategy "identified security assistance as the most important means to preserve free peoples against violence that could imperil a fledgling democracy [e.g., El Salvador], increase pressures for large-scale migration to the United States [e.g., during Central America wars], jeop- ardize important American bases [e.g., in the Philippines], threaten vital sea lanes [e.g., the Persian Gulf], or pro- vide strategic opportunities for the Soviet Union and its proxies."[9]

The pressure to increase arms sales to Third World countries has increased as a consequence of the Conventional Forces in Europe (CFE) treaty, signed in 1990, which re- quires participating nations to greatly reduce their mili- tary forces. Many nations are complying by selling arms they would otherwise have to destroy. Czechoslovakia alone has 5,539 systems--more than three-quarters of the equipment it must get rid of under the treaty--awaiting export. It plans to sell as many as 300 Soviet-built T-72 tanks to Syria.[10] Similarly, Washington wants to increase sales as a substitute for foreign aid to keep military production up when the Pentagon budget is cut.[11]

Obsolete Rationale

Although existing security assistance programs are sometimes criticized, the criticism is usually technical or procedural in nature. Proposed changes are typically so limited that they are little more than symbolic gestures. One example was the 1990 proposal by Senate Minority Leader Robert Dole (R-Kans.) to reduce security assistance "ear- marks" for selected countries by 5 percent each. (Earmark- ing is the practice of allocating specific shares of the security assistance program to selected countries.)

Focusing on such relatively minor issues ignores a more important point: the irrelevance of the long-standing ratio nale for security assistance in today's world. There is no longer any need to counter Soviet-backed threats in the Third World. Even before the abortive August 1991 coup, the Soviet Union was cutting back its military aid programs. In 1989 the value of Soviet military assistance to Third World countries dropped about $2 billion below the previous year's figure. Further declines can be anticipated. The republics emerging from the wreckage of the USSR cannot afford to subsidize the militaries of other nations, even if they desire to do so. The thinking of the U.S. government is far behind the times when it comes to security assistance. The Arms Export Control Act still states that "priority shall be given to the needs of those countries in danger of becoming victims of active Communist or Communist-supported aggres- sion or those countries in which the internal security is threatened by Communist-inspired or Communist-supported internal subversion."[12]

As most people know, the international security envi- ronment is now radically different. The Cold War is over and the Soviet Union itself has ceased to exist. As Rep. David Obey (D-Wis.), chairman of the Foreign Operations Subcommittee of the House Appropriations Committee, said nearly two years ago, "Why on earth should we and how on earth can I explain to a single constituent at any town meeting in my district, why in the teeth of the collapse of the Warsaw Pact, with the reduction in thrust of Soviet efforts--why on earth and how on earth can I possibly sup- port increasing military assistance?"[13] And, as Alton Frye, vice president of the Council on Foreign Relations, testi- fied: "Cold War hostilities have been the cholesterol of foreign policy. They have clogged our brains and hardened our categories."[14] The Cold War may have disappeared, but military assistance programs show no signs of fading away.

Misplaced Priorities

The world's developing countries are increasingly seen by U.S. policymakers as areas in which future threats to American interests may arise. Supplying military aid to such countries poses obvious dilemmas. Because military aid is the most highly visible form of U.S. assistance, the United States is identified with the governments that re- ceive it. If one of those government is overthrown, there is always the danger that the United States will be blamed for the misdeeds of the past regime, as it was in Iran, Nicaragua, and the Philippines,

Furthermore, military aid has proven to be an unreli- able policy instrument. There have been a number of spec- tacular failures. Despite massive assistance to South Viet- nam, the U.S.-supported government was still defeated. Despite years of military grant aid to Ethiopia, the govern- ment of Haile Selassie was overthrown in 1974 by forces that were hostile to America. Selassie was overthrown in large part because he had accepted U.S. military support over the years.

Decades of military assistance have also left a danger- ous legacy. Many developing states now possess significant war-making capabilities as well as sizable military-indus- trial infrastructures. Many of those countries are rivals of other nations and have engaged in arms races or armed combat, or both. Clearly, helping to further militarize the developing world to strengthen the U.S. position in the erstwhile superpower competition is not in America's nation- al interest. Moscow and Washington have shown some evidence of being willing to work together to disengage from regional conflicts, and the United States can also take constructive unilateral steps of its own.

The U.S. government no longer has, if indeed it ever had, any reason to encourage and subsidize arms sales. In addition to imposing an unfair burden on American taxpayers, arms sales create a moral problem. After all, arms are not just another commercial product. They are routinely used by repressive regimes to menace their neighbors and brutalize their own populations. Moreover, military assistance pro- grams can exacerbate threats to U.S. security. The possi- bility of American enlisted personnel fighting a country that the United States armed is both ironic and tragic. The costs of waging such a war would probably exceed any short- term benefits of arms sales to the U.S. economy or profits earned by individual companies.

Policy Recommendations

The United States should aggressively scale back and ultimately terminate its military aid programs. Those pro- grams benefit neither the American people nor the popula- tions of recipient countries, and they have the perverse effect of exacerbating regional tensions. Washington can adopt a number of useful reforms.

First, efforts to subsidize the export of weapons through government agencies such as Ex-Im Bank should be prohibited. Taxpayer-subsidized loans for arms purchases are even more offensive than they are for other transactions since the armaments frequently increase the power of unsa- vory authoritarian regimes. Loan guarantees make the U.S. government an accessory to the crime when those weapons are used for domestic repression or external aggression. In the aftermath of the war against Iraq, the United States, along with other nations, has been trying to build support for curbing the proliferation of conventional arms. Providing guarantees for military exports is inconsistent with that aim and puts the United States in the position of John Selden's preacher.[15]

Second, the United States should limit the sale of excess weapon systems to Third World nations. It is sense- less to worry about Third World military threats while pro- viding weapons that increase those threats. Although the Middle East arms control initiative announced by President Bush on May 29, 1991, was encouraging, it did not actually do anything to reduce arms transfers. Instead, it called for the five major suppliers of conventional arms--the United States, the Soviet Union, France, the People's Re- public of China, and Britain--to discuss guidelines for restraint. Subsequent summit meetings held in Paris and London concentrated on trying to make the Middle East free of nuclear weapons and controlling the spread of weapons of mass destruction. No significant action has been taken to restrain the spread of conventional arms, as evidenced by Washington's disclosure of plans to sell Apache attack heli- copters to the United Arab Emirates less than a week after Bush's announcement.

A more useful approach has been suggested by Rep. Lee Hamilton, (D-Ind.), chairman of the House Foreign Affairs Subcommittee on Europe and the Middle East. He proposes that the United States declare a unilateral moratorium on arms sales to the Middle East for a period of 60 to 90 days. During that time Washington would work to persuade

other major suppliers to join in an extended moratorium. As the world's leading supplier of arms, the United States can and should take the first step. The volatile nature of the Middle East makes it a good place to start.

Third, the United States should greatly narrow the criteria it uses in making decisions about military assis- tance. Clearly, military assistance is no longer needed to counter Moscow's subversion, and the other major rationale for such aid--that it provides the United States with en- hanced political influence--is highly dubious. Michael Klare, a well-known scholar of arms transfers, notes, "De- spite steady increments in U.S. arms deliveries, U.S. offi- cials were never able to persuade the Shah to adopt domestic reforms that might have saved his government; nor for that matter, have they persuaded the Saudis to endorse the Camp David peace plan or the Israelis to cease their military in- cursions into neighboring countries."[16]

Fourth, the United States should seek to reinstate and expand the Carter era guidelines against exporting sophisti- cated weaponry. The cooperation of other Western arms-ex- porting nations should be sought. Despite the increase in the number of nations supplying weapons, the major Western countries still supply the most advanced weapons. Those nations already engage in multilateral efforts, imperfect though they be, to stop the proliferation of chemical and nuclear weapons and ballistic missile components. Similar efforts should be directed to sophisticated conventional arms.

Fifth, the SDAF should be eliminated. Most of the weapons supplied by that program are used in counterinsur- gency measures. The United States is thus involved in messy internal conflicts, frequently on the side of repressive regimes. The perception that the United States is the spon- sor of such a government can create an anti-American back- lash, as it did in Iran after the ouster of the shah and in Nicaragua after the overthrow of Anastasio Somoza.

Sixth, the IMET program should be canceled. Soldiers trained under the IMET do not go home determined to respect the principle of military subordination to civilian politi- cal authority. Instead, they frequently stage coups or wield enormous power behind the scenes, turning civilian political authorities into mere figureheads. The United States should not attempt to function as the world's West Point.

Finally, the United States should cancel the FMF pro- gram. It is the biggest of the security assistance pro- grams, and it militarizes American foreign policy by locking the United States into de facto alliances with a motley assortment of regimes. A reduction in that massive grant- aid program would send a clear signal to other countries that if they prefer military to political solutions to prob- lems either with their neighbors or their own people, they will have to pay the costs themselves.

America should have no desire to be known as the arse- nal of autocracy, but that is the ultimate consequence of Washington's array of military assistance programs. Those programs were highly suspect from the standpoint of Ameri- ca's long-term interests even during the Cold War. Now even the Cold War justification has disappeared. Eliminating military aid programs should be one of the first policy reforms undertaken in the post-Cold War era.

Notes

[1] Larry Q. Nowels, "Foreign Aid: Budget, Policy and Reform," Congressional Research Service Issue Brief IB89014, December 5, 1989, p. 2.

[2] Ibid., p. 3.

[3] Richard F. Grimmett, "Trends in Conventional Arms Transfers to the Third World by Major Supplier, 1983-1990," Con gressional Research Service Report 91-578 F, August 2, 1991, pp. 5-6.

[4] Quoted in David Isenberg, "We Arm the World: U.S. Is Number One Weapons Dealer," Defense Monitor 20, no. 4 (1991): 2.

[5] It should be remembered that SDAF is not an account for which moneys are appropriated. Instead, funds are authorized for an activity that is essentially self-financing. Thus, SDAF is not a security assistance program like ESF, FMF, or IMET.

[6] U.S. Congress, Office of Technology Assessment, Global Arms Trade: Commerce in Advanced Military Technology and Weapons (Washington: Government Printing Office, June 1991), p. 16.

[7] For details, see Selig S. Harrison, "Sparks of War in Kashmir," Washington Post, April 23, 1990, p. 14.

[8] Colin L. Powell, "The National Security Environment and National Strategy," Statement before the House Armed Services Committee, March 1, 1990, p. 13.

[9] Regional Conflict Working Group, "Commitment to Freedom: Security Assistance as a U.S. Policy Instrument in the Third World," Paper submitted to the Commission on Integrated Long- Term Strategy, Department of Defense, May 1988, p. 1. See also Commission on Integrated Long-Term Strategy, Discriminate Deterrence (Washington: U.S. Government Printing Office, January 1988), pp. 17-20.

[10] Isenberg, pp. 6-7.

[11] See Robert Pear, "Prospects of Arms Pacts Spurring Weap ons Sales, New York Times, March 25, 1990, p. 12. For de tails on similar pressures affecting former Warsaw Pact nations, see Central Intelligence Agency, "Eastern Europe: Long Road Ahead to Economic Well Being," Paper presented to the Subcommittee on Technology and National Security of the Joint Economic Committee, May 16, 1990, pp. 39-40.

[12] U.S. Congress, House of Representatives, Committee on Foreign Affairs, and Senate, Committee on Foreign Relations, Legislation on Foreign Relations through 1990: Current Legis lation and Related Executive Orders, Joint Committee Print, February 1991, vol. 1, p. 160.

[13] U.S. Congress, House of Representatives, Committee on Appropriations, Subcommittee on Foreign Operations, Export Financing, and Related Programs, Foreign Operations, Export Financing, and Related Programs Appropriations for 1991, Committee print, 1991. Statement of David Obey, March 15, 1990, p. 450.

[14] Alton Frye, Personal testimony before the Subcommittee on Foreign Operations, House Appropriations Committee, February 28, 1990, Committee transcript, p. 2. See also Alton Frye, "We Need to Be Smarter about How We Hand Out Help," Washington Post, April 22, 1990, p. B5.

[15] "Preachers say, Do as I say, not as I do." John Selden, Table Talk, 1689.

[16] Michael T. Klare, American Arms Supermarket (Austin: University of Texas Press, 1984), p. 243.