

ARMS SALES MONITOR

Highlighting U.S. government policies on arms exports and conventional weapons proliferation.

Arms Company of the Future: BoeingBAELockheedEADS, Inc? USG Ponders Defense Globalization

In most sectors, "globalization" is yesterday's news, but the U.S. government is just beginning to decide what it thinks about the defense industry and the new global economy. The Pentagon has conducted a variety of studies on globalization and related export control issues, and the State Department, anxious not to let its authority over arms export controls be usurped, has reportedly also done its own evaluations.

Bureaucracy and controversy have bogged down many of these efforts. After months of waiting for official approval, the Defense Science Board's (DSB) Task Force on Globalization and Security recently released its final report to the public. This 27-member appointed board, composed mostly of Defense Department (DoD) and private industry representatives, urges the United States to welcome and exploit an increasingly commercial and international defense industrial base. Among other recommendations, the Task Force suggests that the Pentagon:

- stop worrying about protecting American technological capabilities since most military technology will inevitably become available elsewhere in the future;
- build "higher walls around smaller technologies" by tightening control over military technologies that only the United States possesses;
- create a database of world military capabilities to help define what technologies are only available in the U.S.; and
- facilitate transnational mergers of defense corporations.

Overall, the DSB Task Force advocates reducing DoD's role in controlling arms exports, and places little faith in multilateral control regimes. According to the DSB, the Pentagon should automatically allow the export of military equipment, except when the United States is the sole possessor of the technology. (Since current U.S. practice allows arms exporters to outsource production, co-produce weapons with foreign firms, and sell high-tech weaponry abroad before it enters the U.S. arsenal, such exceptions would probably be rare. See table on manufacturing agreements.) The report describes international efforts to control conventional weapons proliferation, such as the Wassenaar Arrangement, as only "marginally successful," and further warns that "clinging to a failing policy of export controls has undesirable consequences beyond self-delusion [like denying profits to U.S. arms manufacturers]."

The recommendation to welcome transnational mergers addresses an urgent issue. A few large companies already dominate the American arms industry, and Europe's defense firms are rapidly consolidating as well. Germany's DaimlerChrysler

and France's Aerospatiale announced a planned merger to form the European Aeronautics, Defense, and Space Co. (EADS), and BAE Systems, a single company created when British Aerospace acquired General Electric's Marconi Electronic Systems, now monopolizes the U.K. defense industry. Increased partnership between U.S. and EU defense corporations is needed, the report warns, to avoid a protectionist "Fortress America" going to war with a hostile "Fortress Europe" over market share.

The Defense Dept., State Dept., and Congress lack consensus on these controversial issues. The DSB does acknowledge that its "steps to maximize U.S. military capability may be in tension with other U.S. foreign policy objectives, particularly those achieved by limiting foreign access to U.S. defense technology, products and services." Yet the DSB felt that "military dominance," rather than promoting U.S. foreign policy objectives and security, was the DoD's "core responsibility."

Those concerned about national and global security may feel differently about an internationalized defense industry. Transnational mega-mergers would create very powerful defense companies, further shifting control away from governments toward private industry. Transnational companies will be eager to market their arms to many different countries, and will want to adopt the lowest common standards among exporting nations. With fewer controls and diffuse production capabilities, conventional weapons will proliferate, posing long-term security risks. Globalizing production of weapons is easy; *globalizing responsibility* for arms is a real challenge.

For a copy of the report on globalization and security, call the Defense Science Board at 703-695-4157.

Manufacturing & Technical Assistance Agreements

Fiscal Years 1996-98

Top Ten Recipients, Licenses Authorized

1. United Kingdom	\$6,789,627,372
2. Japan	6,459,496,574
3. Saudi Arabia	1,590,192,092
4. South Korea	1,494,142,769
5. Canada	1,485,302,485
6. Italy	1,164,615,517
7. Israel	1,080,372,415
8. Germany	866,309,451
9. Singapore	857,577,181
10. Australia	822,885,645

World Total **\$35,683,853,710**

Source: "655" Reports, State Dept. FY 1996-98.

Legislative Update: Progress, Problems, and Postponements

In addition to a boosted military budget, Congress passed a variety of arms trade related measures in the FY 2000 State Department Authorization, Foreign Operations Appropriations, Defense Dept. Authorization, and Defense Dept. Appropriations Acts. Details follow.

Progress...

International Code of Conduct: In November 1999, Congress passed into law the "International Arms Sales Code of Conduct Act of 1999" as part of the State Dept. Authorization Act. The International Code was a compromise between Rep. Cynthia McKinney (D-GA), original sponsor of the Code of Conduct and Rep. Sam Gejdenson (D-CT), a ranking Democrat who favors a multilateral approach to arms control. Passage of the law *does not* create a unilateral U.S. Code of Conduct, but it does represent a significant step towards that goal.

The main operative provision of this law directs the President to begin negotiations on an *international* regime to restrict or ban arms sales to countries which "do not observe certain fundamental values of human liberty, peace, and international stability." The criteria to be used in the negotiations process include some of the classic Code of Conduct eligibility requirements – states must be democratic, respect human rights, and not be engaged in acts of armed aggression – plus criteria added to accommodate other members of Congress: states must not support terrorism or contribute to nuclear arms proliferation, and arms transfers must not contribute to regional arms races or instability. The law does not specify where such negotiations must take place, though they must begin within 120 days of enactment of the law.

The International Code also requires the State Department to include in its annual human rights report an evaluation of the extent to which states meet the Code criteria. This evaluation will show Congress which states receiving U.S. arms would no longer be eligible if an international - or U.S. - Code existed.

Offsets: The Defense Offsets Disclosure Act of 1999, passed as part of the State Dept. Authorization Act, declares that "offsets" – economic incentives to arms importers to offset the price of the weapons – can harm U.S. economic interests and should be controlled, again through multilateral efforts. A "Sense of the Congress" directed the administration to begin discussions on an international set of standards for the use of offsets.

To help develop U.S. and international offsets policy, Congress established a National Commission on the Use of Offsets in Defense Trade. The Commission will report on and propose remedies for the impact of offsets (especially co-production and technology transfers) on the U.S. economy, U.S. national security, and global nonproliferation. Also required is a presidential study on the feasibility and desirability of a multilateral treaty on the use of offsets.

Transparency: Language in the State Department Authorization Act may help the State Department provide more accurate and timely reports on industry-direct arms exports. At present, when the State Dept. issues an arms export license - which is good for four years and does not necessarily result in a sale - it learns whether and when the arms were actually shipped only through slow and incomplete reports from the Customs Service based on shippers' declaration forms. As a result, annual reports on U.S. arms exports leave out billions of dollars worth of commercial arms sales.

The new law requires arms merchants to report weapons shipments via an automated export system rather than a paper form, which will hopefully translate into better reporting from Customs to the State Dept. In addition, the State Dept. Authorization bill requires that weapons exporters report *directly* to the State Dept. when licensed exports have been shipped. This information must be included in the quarterly reports to Congress on arms transfers and hopefully will be incorporated into annual statistics as well.

Other items of interest*:

Reporting Requirements

- The annual "655" report to Congress that lists all U.S. arms transfers must now note whether the arms were purchased with U.S. funds or U.S.-backed loans. Congress also declared its intention for data to be included on military-to-military contacts and the Joint Combined Exchange Training Program.

- Section 656 was added to the Foreign Assistance Act, requiring an annual joint State/Pentagon report on all foreign military training activities. The provision turns the one-time report required last year into a permanent requirement.

- The "655" arms export report and the new annual foreign military training report must now be published on the Internet.

- Arms sales notifications to Congress under the Arms Export Control Act (AECA) must now be printed in the Federal Register "in a timely manner" (to address the lag between announcement to Congress and to the public).

- Proposed commercial technical assistance and licensed manufacturing agreements for defense articles must also now be published in the Federal Register.

- State must report on the performance of its arms export licensing process, with a view to improving efficiency and speed.

- State must prepare a report on the proliferation of small arms worldwide and the Department's ability to treat the problem in a coordinated fashion after the dissolution of the Arms Control and Disarmament Agency.

Reforms and Regulations

- The AECA was amended to require that arms importing states formally accept the U.S. government's authority to verify that U.S. arms are not being misused.

- The "Leahy Laws" barring military aid and training from going to foreign security units with credible evidence of human rights abuses was passed again this year.

* See p. 3 for more Foreign Operations Appropriations provisions.

- The sale of "Stinger" man-portable surface-to-air missiles was banned to countries bordering the Persian Gulf.
- The DoD appropriations bill bars the sale to foreign governments of F-22 fighter jets, still in the development phase.
- The salaries of persons working on the Foreign Military Sales (FMS) program will now have to be paid for by the FMS Trust rather than by taxpayer-funded personnel offices, increasing costs for the FMS program. This change was DoD's "punishment" for lowering the administrative fee on arms exports from 3 to 2.5% without proper consultation with Congress.
- The Defense Authorization bill requires the State Dept. to ensure that enough money is budgeted for the Office of Defense Trade Controls to process export licenses in a "thorough and timely manner." The State Authorization bill allows higher spending to "accelerate" export licensing procedures.
- The sanctions against India and Pakistan have been lifted, with an exception for military goods, at least for now.

Problems

- Title 12 of the State Dept. Authorization Act extended the list of countries eligible to receive used military goods from U.S. arsenals (Excess Defense Articles, EDA) to include many Eastern European and Central Asian states. Congress also raised the ceiling on EDA transfers from \$350 to \$425 million.
- The State Department Authorization bill authorizes the export of certain used military goods to Greece, Turkey, the Philippines, Thailand, and South Korea.

Postponements

Colombia: Congress did not act on S. 1758, a military aid plan for Colombia sponsored by Sens. Coverdell (R-GA) and DeWine (R-OH); its \$1.5 billion price tag was too much for legislators to stomach so late in the year. This January, President Clinton announced an even pricier \$1.6 billion military aid package for Colombia. \$600 million would go to help the Colombian military's southern campaign against guerillas and narcotics traffickers, including funds for special military training plus 30 Blackhawk and 33 Huey helicopters.

Tax relief: A tax break on income from weapons exports for arms manufacturers was rolled into the large tax cut bill last fall, but that bill failed to move forward. It remains to be seen whether this boon to the arms industry will pop up elsewhere this year.

Taiwan: The Taiwan Security Enhancement Act, which would have mandated increased arms sales to Taiwan and deliberately provoked China, was postponed until after the sensitive World Trade Organization negotiations. Congress did, however, require the Secretary of State to consult with Congress on arms sales to Taiwan (to encourage more sales) and the Secretary of Defense to report on implementation of the Taiwan Relations Act (the legal basis for U.S. arms exports to Taiwan).

Your Tax Dollars at Work: FY 2000 Appropriations



The President signed H.R. 3194, the Consolidated Appropriations Act for Fiscal Year 2000, into law on November 29, 1999 (Public Law 106-113). In the Foreign Operations Appropriations section of this omnibus spending bill, Congress appropriated nearly \$6 billion of military assistance, mostly in compliance with the administration's requests (see ASM #39).

Less than one percent of the federal budget goes to international affairs, but of that amount, about a quarter- \$5 billion - funds arms transfers and military aid to Middle East allies. In comparison, Congress appropriated only \$123 million to relieve the debts of very poor countries in FY 2000.

Foreign Military Financing

Congress appropriated \$3.42 billion in Foreign Military Financing (FMF) to underwrite the purchase of U.S. weapons and services by foreign governments. Israel and Egypt received their traditional lion's share of FMF, 94%. Other identified recipients are Jordan, Tunisia and Ecuador; Tunisia will receive \$4 million of its subsidy in military equipment from existing Pentagon stocks and training.

Normally, FMF must be used to buy American weapons, but Israel can spend up to 26.3% of this subsidy on Israeli-produced weapons. The Israeli government has said that it would prefer to use an even greater proportion of U.S. military aid to prop up its defense industry.

Economic Support Fund

The administration received \$2.3 billion for the Economic Support Fund (ESF). While not specifically targeted to weapons purchases, \$1.85 billion of FY 2000's ESF funding goes to Israel, Egypt, and Jordan, and has historically been considered "security assistance." Since giving grant economic aid to an advanced industrial economy no longer seems appropriate, Israel's portion of ESF funding is being gradually phased out (to be compensated by an increase in FMF funding).

The \$8 million designated for the "political, economic, humanitarian and other" activities of Iraqi opposition groups is less traditional, but clearly military-oriented, assistance. The Pentagon has already begun military training of Iraqi rebel leaders using funds appropriated last year. So far training is limited to "non-lethal" subjects such as military organization.

Military Education and Training

Congress appropriated \$50 million for the Pentagon's International Military Education and Training program (IMET), \$2 million less than the administration's request. IMET generally involves training foreign soldiers in the operation of U.S. weapons systems, military doctrine, military management, and human rights/democracy education. Indonesia and Guatemala

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The conference is free of charge.

are eligible only for Expanded IMET (E-IMET)'s human rights and democracy training. For a list of the 124 countries scheduled to participate in IMET, see ASM #39.

Missing from the final bill is a House-approved provision that would have banned IMET funding for the notorious School of the Americas, which trains Latin American military officers in an Army-run facility in Georgia. Instead, Congress required reports on the school's training and trainees in 1997 and 1998, as well as the Secretary of Defense's certification "that the instruction provided by the school is fully consistent with training provided by the Department of Defense to U.S. military training students at U.S. military institutions," especially in human rights.

Int'l Narcotics Control and Law Enforcement

State Department-run counternarcotics and anti-crime programs will receive \$305 million in FY 2000. The majority of this funding supports law enforcement, institution building and economic incentives to grow alternative crops in drug-producing states, but it also includes weapons and training for several Latin American countries.

Though the billion-plus military and anti-drug aid package planned for Colombia was postponed, the overall FY 2000 budget still contains \$78 million worth of counternarcotics aid to Colombia. Some of those millions

FAS Arms Sales Monitoring Project

Founded in 1945, the Federation of American Scientists is a public interest organization of natural and social scientists and engineers dedicated to the responsible use of science and technology. Now in its eighth year, the FAS Arms Sales Monitoring Project works for a reduction in global weapons production and trade.

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will go towards "human rights assistance": \$500,000 to the Colombia Attorney General's Human Rights Unit, \$500,000 to Colombian NGOs involved in human rights monitoring, \$250,000 to the UN High Commissioner for Human Rights, \$1 million to the U.S. embassy to monitor Colombian security forces, and \$5 million to the administration of justice programs. The rest will provide military training and equipment to an army with a history of human rights abuses and close ties to violent paramilitaries.

Your Tax Dollars—FY 2000 Military Assistance

Foreign Military Financing (FMF)	\$3,420,000,000
Israel	1,920,000,000
Egypt	1,300,000,000
Jordan	75,000,000
Tunisia	7,000,000
Ecuador	1,000,000
Unspecified	86,505,000
Administrative Expenses	30,495,000
Security-Related Economic Support Fund (ESF)	\$1,852,000,000
Israel	960,000,000
Egypt	735,000,000
Jordan	150,000,000
Iraqi Opposition Groups	8,000,000
International Military Education & Training (IMET)	\$50,000,000
International Narcotics Control and Law Enforcement	\$305,000,000
Nonproliferation, Anti-terrorism, Demining	\$216,600,000
Prepositioned Stockpiles	\$60,000,000
South Korea	40,000,000
Thailand	20,000,000
Total	\$5,903,600,000

Wye River Accord assistance, available through FY 2002:

"Emergency" Foreign Military Financing	\$1,375,000,000
Israel	\$1,200,000,000
Egypt	\$25,000,000
Jordan	\$150,000,000
"Emergency" Economic Support Fund For Jordan and for the West Bank and Gaza	\$450,000,000

The No List

So who *can't* receive U.S. military assistance? That list is short: no foreign aid can fund the governments of Cuba, Iraq, Libya, North Korea, Iran, Sudan or Syria. Congress specifically bans FMF to Sudan and Liberia. In separate sections, H.R. 3194 also bars aid to Serbia (except Kosovo and Montenegro) and the Democratic Republic of Congo. Any country that provides sanctuary to indicted war criminals gets written off the aid list, and a country whose elected head is deposed via military coup (such as Pakistan) faces a ban on military and other aid.

In a victory for East Timor, all arms exports and aid to Indonesia are banned until it meets a series of conditions, including an end to violence, the safe return of refugees, and full cooperation in the prosecution of members of the Indonesian military and paramilitaries for human rights violations. Similarly, assistance to Cambodia is blocked unless conditions such as free and fair elections and prosecution of Khmer Rouge leaders are met.

Deals in the Works (October 1999 – January 2000)

Since the last ASM table was published (October 1999), the Clinton Administration has notified Congress of the following proposed government-negotiated Foreign Military Sales (FMS) agreements, export licenses for industry-negotiated Direct Commercial Sales (DCS), leases of equipment, and transfers of U.S. stockpiles through the "emergency drawdown" program. The Arms Export Control Act requires only that the administration notify Congress of FMS and DCS valued at over \$14 million for major defense articles and over \$50 million for other weapons. Sales below that threshold are generally not recorded here. The date is the time of notification to Congress, when available.

Congress has also been notified of a variety of Excess Defense Articles (EDA) transfers during this period; however, descriptions of these weapons giveaways have not been consistently posted on the Pentagon's electronic bulletin board and are therefore not listed below.

*Note: These are deals in the works only. Notification to Congress does not guarantee that the sale will go through exactly as described or at all. Sales marked with asterisks (***) have been reported in the press, but final notification has not yet been sent to Congress.*

RECIPIENT	DATE	DESCRIPTION	TYPE	PRICE
Bahrain	03-Nov-99	20 AN/TRC-145 radios to Bahrain.	EDA	free
	03-Nov-99	18 M548 Tracked Cargo Carriers.	EDA	free
	22-Oct-99	**Army Tactical Missile Systems (ATACMS).		
Bosnia-Herzegovina	26-Oct-99	Defense services to help establish a civilian control of the military, train the Bosnia and Herzegovina forces in defense tactics, and improve their capability to deter hostile forces and defend their territory; MPRI.	DCS	\$103 million
Brazil	01-Nov-99	Data, services, synthetic aperture radar, COMINT equipment, and optical IR sensor systems for System for the Vigilance of the Amazon (SIVAM).	DCS	\$274 million
	26-Oct-99	Manufacture of propellants and explosives, for the production of small arms for the Brazilian military, the U.S., and NATO; Dodgen Engineering.	DCS	\$120 million
Colombia	10-Nov-99	Fourteen UH-60L BLACKHAWK helicopters, two spare T700-GE-701C engines, 28 GAU-19 .50 caliber mini-gun, 28 GAU-17 7.62mm mini-gun, 14 M265 2.75 in. rocket pods; United Technologies/Sikorsky.	FMS	\$221 million
Croatia	29-Oct-99	Five FPS-117 dual use air surveillance systems.	DCS	\$87 million
Egypt	11-Jan-00	**Thirty nine AN/AQL-131 electronic countermeasures (ECM) system Block II conversion kits; Northrop Grumman.	FMS	\$39 million
	03-Dec-99	**Upgrade of E-2C Hawkeye airborne early warning and control (AEW&C) aircraft; Northrop Grumman.	FMS	\$138 million
	05-Nov-99	Upgrade of five AN/TPS-59(V)2 radar systems to the AN/TPS-59(V)3 configuration including five AN/TPS-59(V)3E Theater Missile Defense Modified Shelters, five Array Modification Kits, and Command and Control Operation Shelter Interfaces; Lockheed Martin.	FMS	\$85 million
	28-Oct-99	239 High Mobility Multi-purpose Wheeled Vehicles; AM General.	FMS	\$30 million
	28-Oct-99	Two Gulfstream IV-SP aircraft including four Rolls-Royce engines (two per aircraft); Gulfstream Aerospace.	FMS	\$180 million
French Guiana	05-Oct-99	One commercial communications satellite for Ariane launch vehicle.	DCS	> \$50 million
Greece	04-Nov-99	Design development and marine engineering services for the Hellenic Navy to undertake construction of a new class of Corvette in Greece.	DCS	\$281 million
	03-Nov-99	Technical data, hardware, and assistance to support 50 T-6A Texan II trainer aircraft.	DCS	> \$50 million
	27-Oct-99	Seventy F-16C/D Block 50+ aircraft to be configured with either the F100-PW-229 or F110-GE-129 engines, the APG-68(V)7M or APG-68(V)XM FMS radars, 25 LANTIRN navigation and 33 LANTIRN targeting pods; 20 HARM Targeting System (Export); seven F100-PW-229 or F110-GE-129 spare engines, Night Vision Goggle compatible cockpits, conformal fuel tanks, and the Joint Helmet Mounted Cueing System; Lockheed Martin.	FMS	\$3.1 billion
	26-Oct-99	Manufacture, assembly and test of Patriot missile launchers (offset).	DCS	\$65 million
Greece and Jordan	01-Nov-99	**46 GRC-206(V) radio communications systems, 200 VRC-83 radio sets and 22 mobile radio delay sets for Greece, four VRC-83 radio sets for Jordan; Raytheon.	FMS	\$25 million

Gulf Cooperation Council ¹	09-Nov-99	Command, Control, Communications, and Intelligence system.	DCS	> \$50 million
Iraqi National Congress	29-Oct-99	Defense articles, services and training.	Draw-down	\$5 million
Israel	17-Nov-99	700 Joint Direct Attack Munitions (JDAM) tail kits, MK-84 inert bombs; Boeing.	FMS	\$45 million
	01-Nov-99	Technical data and defense services for 400 GD883 Power Packs (engines) less transmissions for Israel's Merkava Mark IV Main Battle Tank.	DCS	\$265 million
	29-Oct-99	Technical data and defense services for the manufacture of J85, T64, T700 and T58 engine parts and components.	DCS	\$70 million
	28-Oct-99	518 M984A1/M985 Heavy Expanded Mobility Tactical Trucks (HEMTTT); Oshkosk Truck Corp.	FMS	\$117 million
	27-Oct-99	Remanufacture of 24 AH-64A APACHE helicopters to AH-64D model aircraft, 12 AN/APG-78 AH-64D Longbow Fire Control Radar, 12 APR-48A Radar Frequency Interferometer, 56 T-700-GE-701C engines, 24 Target Acquisition Designation Night/Pilot Night Vision Sensor (TADS/PNVIS), 480 AGM-114L3 HELLFIRE II laser guided missiles; Boeing, Lockheed Martin, General Electric, and Longbow LLC.	FMS	\$508 million
	10-Sep-99	**Fifty F16I aircraft; Lockheed Martin.	FMS	\$2.5 billion
Korea, Republic of	04-Nov-99	Defense articles and services to support the AN/ALQ-165 airborne jamming systems (Korean Offset Program).	DCS	\$52 million
	03-Nov-99	Fourteen PATRIOT Advance Capability 3 (PAC 3) fire units consisting of: 14 AN/MPQ-53 radar sets, 14 AN/MSQ-104 engagement control stations, 76 M091 launching stations, 31 OA-9054(V)41G antenna mast groups, 14 electric power plants with dual 150kw generators, 616 MM-104D missiles, 333 SINGARS, Cooperative Logistics Supply Support Agreement; Raytheon.	FMS	\$4.2 billion
	28-Oct-99	Twenty nine Multiple Launch Rocket Systems (MLRS) with fire control panels, 281 MLRS extended range rocket pods, 120 reduced range practise rocket pods, one MLRS fire control proficiency trainer, 111 M39 Army Tactical Missile Systems (ATACMS) Block 1 guided missile and launching assemblies.	FMS	\$498 million
	28-Oct-99	67 more kits for co-production of Amphibious Assault Vehicle (AAV7A1).	DCS	\$99 million
	27-Oct-99	Twenty F-16C/D aircraft component kits. Jet engines to power these aircraft will be acquired by direct commercial sales.	FMS	\$379 million
	27-Oct-99	100 Advanced Medium Range Air-to-Air Missiles (AMRAAM) for the F-16.	DCS	\$29 million
Kuwait	16-Dec-99	**Four C-130J cargo planes; Lockheed Martin.	?	> \$200 million
Taiwan	05-Jan-00	**Nine CH-47SD Chinook transport helicopters; Boeing.	FMS	> \$300 million
Mexico	09-Nov-99	Manufacture of wiring harnesses and wiring harness panels for use on United States F-16, C-130, P-3, S-3, and F-22 aircraft.	DCS	> \$50 million
Thailand	03-Nov-99	Two L-STAR commercial communications satellites and control system to the Asia Broadcast and Communications Network (ABCN) in Thailand.	DCS	\$177 million
	03-Nov-99	Knox Class Frigate USS Truett (FFT-1095)	EDA	free
	27-Oct-99	Eighteen F-16A/B Block 15 ADF aircraft including two non-flyable Block 10 OCU aircraft, two Pratt and Whitney F-100-PW-220E spare engines.	FMS	\$157 million
Turkey	10-Nov-99	**Eight CH-53E Super Stallion heavy lift helicopters	?	\$350 million
	03-Nov-99	Manufacture of the AN/ALQ-178(V)5 Self Protection Electronic Warfare System (SPEWS II) for Turkish Air Force F-16 Aircraft.	DCS	> \$50 million
	29-Oct-99	Defense articles and services for the manufacture and retrofitting of X200-4 series transmissions for M113 military tracked vehicles.	DCS	\$169 million
	28-Oct-99	Technical data and 6000 TAC Kits for the manufacture of F110-GE-100/100B Gas Turbine Engine parts and components; General Electric.	DCS	\$150 million
	28-Oct-99	Services, maintenance, and repair of MPN-14K (TU) RAPCON Radar.	DCS	\$141 million
	26-Oct-99	Amendment of a manufacturing license agreement for the production of the ESCORT Short-Range Thermal Surveillance System.	DCS	\$115 million

¹ Bahrain, United Arab Emirates, Kuwait, Saudi Arabia, Qatar, Oman

United Arab Emirates	27-Oct-99	Two geosynchronous communications satellites, related fuels, and ground segments for the Thuraya Satellite Telecommunications Systems.	DCS	\$360 million
Various countries ²	30-Sep-99	Defense articles and services and military training for counternarcotics.	Drawdown	\$72.5 million
Various countries ³	21-Sep-99	Defense articles, services, military education and training.	Drawdown	\$55 million

² Colombia, Peru, Ecuador, and Panama

³ Multinational Force in East Timor

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High Tech Sales

In case there was any doubt that China and the United States are engaged in an arms race over the Taiwan Straits:

China is reportedly buying Russian R-77 "AMRAAMski" air-to-air missiles, bringing a new level of technology into the region. With this barrier broken, the U.S. is now reportedly willing to include software in Taiwan's F-16s that could pave the way for the import of American AIM-120 Advanced Medium-Range Air-to-Air Missiles (AMRAAM).

China is also building a missile base directly across from Taiwan, prompting the U.S. to officially consider selling Theater Missile Defense (TMD) armaments to Taiwan. Advanced TMD technology remains under development and is not yet in the U.S. arsenal.

China warned that it is "seriously concerned" about U.S. plans to export such high-tech military equipment to Taiwan, but the administration does not appear deterred.

Ugly Americanism?

U.S. arms merchants and promoters are not doing their part to maintain America's pristine image abroad. For example...

- A Lockheed Martin representative promoting F-16 jets in Oslo told a Norwegian newspaper that "when Norway decides which party is to be awarded the [F-16] contract, the country is also taking a decision with regards to future relations with the United States and its defense industry. Simply speaking, this is all about how Norway's long-term relations with the United States will continue." The idea that U.S.-Norwegian relations were at stake in Norway's procurement decision instantly politicized the issue, and a decision on the jets has since been delayed. Lockheed Martin insists that its representative's remarks were misinterpreted.
- Bell Helicopter Textron reportedly plans to sue Australia if that country doesn't admit Bell's AH-1Z Viper back into a \$1.3 billion competition for an armed reconnaissance helicopter. The American company didn't like the way Australia estimated costs, and says it will take legal action if the Australian inspector general doesn't allow it back on the short list.
- New Zealand is also finding out that rejecting American weapons means risking American wrath. Newly elected Prime Minister Helen Clark promised during her campaign to scrap a planned lease of 28 F-16 fighter jets from the United States in order to cut costs. When President Clinton himself then phoned her to discuss WTO issues and the F-16 lease plan, according to the New Zealand press, Clark interpreted this as a warning that canceling the deal could "set back defense relations" between the two countries.

A Different Perspective...

A group of small-scale farmers from southern Africa had this to say about the "Northern" agenda during the World Trade Organization ministerial in Seattle:

We don't believe that the industrialized countries that are bringing up the new issues are genuine. If they are really genuine on new issues, the real and important New Issue to include in the WTO agreements is war and arms trading.... All countries caught in stimulating war by selling arms or allowing arms trade from their territory or allowing the transit of arms through their territory should be brought before the Dispute Settlement Board and in case of recidivism be expelled from the WTO.

On the Road Again

Secretary Cohen is at it again, visiting developing states to convince them to buy more arms they don't need at prices they cannot afford. Late last November, Defense Secretary Cohen visited Argentina, Chile, and Brazil to discuss arms purchases. Meanwhile, these countries are still struggling to recover from economic ails that hit hard in the last few years.

Former Costa Rican President and Nobel Peace Laureate Oscar Arias reacted angrily to this marketing tour, noting, "The best way to impoverish Latin Americans is to sell us arms.... What the people of Latin America need are schools and hospitals, not combat planes or helicopters."

The New Arms Gap

One of the major lessons the U.S. military has drawn from Kosovo is that Europe must spend more on weapons to overcome the "technology gap" and achieve "interoperability" with the U.S. This conclusion was codified in the ambitious Defense Capabilities Initiative agreed to at last spring's NATO summit. Secretary Cohen has sharply criticized European military capabilities, especially of Germany's planned decrease in military spending. NATO Secretary General Robertson agreed: "The time for a peace dividend is over because there is no permanent peace in Europe or elsewhere, and if NATO is to do its job protecting future generations, it can no longer expect to do its job on the cheap."

Given the rate at which the United States develops new weapons technology, achieving technological parity with the U.S. is something of a holy grail that Europe can never reach. Europeans are encouraged to buy new U.S. arms to close the technology gap at the same time that the Pentagon uses the potential closing of the gap as an excuse to develop new military technology. European - and U.S. - buyers beware!

Government Documents

The following recently published government documents may be of interest. GAO reports (starting with "NSIAD") are available online at <http://info@www.gao.gov/reports.htm>. CRS reports must be requested from a member of Congress.

- *Colombia: Conditions and U.S. Policy Options*. October 7, 1999, CRS Report No. RL 30330.
- *Colombia: Human Rights Conditions and U.S. Concerns*. September 21, 1999, CRS Report No. RL 30314.
- *Defense Inventory: Inadequate Compliance With Controls for Excess Firearms and Other Sensitive Items*. NSIAD-00-27, Nov. 29.
- *Defense Trade: Department of Defense Savings From Export Sales Are Difficult to Capture*. NSIAD-99-191. Sept. 17, 1999.
- *Democracy in Indonesia: Preparations for the National Election* (hearing before the Subcommittee on Asia and the Pacific, May 12, 1999).
- *Export Administration Annual Report 1998 and 1999 Report on Foreign Policy Export Controls*, Department of Commerce, Bureau of Export Administration,
- *Export Controls: 1998 Legislative Mandate for High Performance Computers*. NSIAD-99-208. September 24, 1999.
- *Export Controls: Better Interagency Coordination Needed*

of Satellite Exports. NSIAD-99-182. September 17, 1999.

- *End-Use Monitoring Report 1998*, U.S. Department of State, Bureau for Internat'l Narcotics and Law Enforcement.
 - *Foreign Military Sales: Efforts to Improve Administration Hampered by Insufficient Information*. NSIAD-00-37. Nov. 22, 1999.
 - *Foreign Terrorist Organizations: Designations by Secretary of State Madeleine K. Albright*, Office of the Coordinator for Counterterrorism, October 8, 1999, www.state.gov/www/global/terrorism/fto_1999.html.
 - *National Security Strategy for a New Century*, White House, December 1999, www.pub.whitehouse.gov/uri-res/I2R?urn:pdi://oma.eop.gov.us/2000/1/7/
 - *Offsets in Defense Trade 1999*, U.S. Department of Commerce, Bureau of Export Promotion, December 9, 1999, available for \$9.50 through GPO by calling 202-512-1800 and requesting publication # 003-009-00677-5.
 - *Preventing Conflict: Military Engagement in Peacetime*, U.S. Foreign Policy Agenda, December 1999, includes articles on security assistance, special operations forces, joint exercises and training, www.usia.gov/journals/itps/1299/ijpe/ijpe1299.htm
- ** The url for the *Foreign Military Sales Facts Book* listed in last month's ASM is: <http://web.deskbook.osd.mil/reflib/DDOD/001EN/001ENdoc.htm>



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