

ARMS SALES MONITOR

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

And the Walls Come Tumbling Down...

Arms Export Policy and Military Aid Post 9-11

The U.S. government campaign to build an international anti-terrorism coalition has turned into a heyday for U.S. arms makers as the Bush administration quickly turned to arms transfers as the easiest way to make and keep friends. Soon after the September attacks, when it became clear that Pakistan would be a key player in U.S. counter-terrorism activities, President Bush lifted sanctions on Pakistan (as well as India, to play fair) imposed after both states conducted nuclear weapons tests in 1998. But because additional legal restrictions were still blocking arms exports to Pakistan and other potential allies, the administration included a provision in the anti-terrorism bill sent to Congress in mid-September that would have swept aside virtually all arms export controls on all states for the next five years. Ironically, the proposed language would have also waived legal provisions preventing counter-terrorism and non-proliferation aid from going to states that had *not* been cooperating on terrorism or that had particularly egregious human rights records.

After strong opposition was voiced by members of Congress and the arms control community, this proposal was significantly modified. The law that eventually passed waives remaining barriers on arms exports and military aid to Pakistan for two years, including a ban on security assistance to governments that have had a military coup, restrictions on aid to states that have defaulted on loans, and sanctions resulting from Missile Technology Control Regime or Export Administration Act violations. The law also shortens the congressional notification period for transfers of excess U.S. weaponry to any country if the transfers would respond to or prevent international acts of terrorism.

Since the administration lost its first bid to shelve all export controls in the name of fighting terrorism, it has shifted to "salami tactics" to win the same prize. Slice by slice, the administration (along with some members of Congress) is carving away at existing restraints on security assistance. Though each individual waiver or new military-to-military relationship seems of minor consequence on its own, put them all together, and it is clear that U.S. arms export policy is being significantly altered.

No longer Blacklisted

The list of waivers and other policy changes is growing by the day. This fall, Congress passed an amendment to the Foreign Operations Appropriations bill (see p.4) to remove

restrictions on arms sales and military aid to Azerbaijan, which had been prohibited from receiving security assistance because of its ongoing conflict with Armenia. (Congress balanced this provision with a new allotment of \$4.3 million in military aid and training to Armenia.) The State Department announced on January 9 that Tajikistan had been removed from the list of states barred from receiving U.S. military goods and services because of its apparent cooperation in the U.S. "war on terrorism." Senior administration officials have also suggested that it is time to reconsider the restrictions on military aid and training to Indonesia that were put in place after the 1999 massacres in East Timor. On September 19, 2001, the administration lifted those restrictions for non-lethal military articles and spare parts for lethal goods.

With transfer constraints melting away, the administration is keen to start doling out its share of the \$40 billion emergency supplemental spending bill passed in September. (The administration can distribute half of the money; the other \$20 billion is for Congress to appropriate). Pakistan has been the big winner, with \$73 million worth of military equipment (including helicopters, vehicles, communications equipment, night vision goggles, and training) and \$600 million in other security assistance. Turkey and Uzbekistan—neither known for their shining human rights records—are to share \$45 million in Foreign Military Financing, a fund they can use to purchase U.S. arms. Another \$45.5 million in training and equipment is going to all of the Central Asian governments plus Turkey. Discussions on arms sales to India have also begun despite the fact that India and Pakistan have been on the brink of war over a December attack on the Indian parliament that India blames on Pakistani militants.

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Quick Guide to Anti-Terrorism Rewards

Armenia: \$4.3 million in military aid and training
 Azerbaijan: Arms sanctions lifted; border control aid given
 Colombia: More aid planned to fight “narco-terrorists”
 India: Nuclear test-related sanctions lifted
 Kenya: Weapons and combat training planned
 Pakistan: Nuclear-test and military coup related sanctions lifted; \$73 million worth of military aid and \$600 million in Economic Support Funds approved
 Philippines: \$92.3 million of excess weapons promised
 Tajikistan: Military aid and weapons sanctions dropped; border control aid planned
 Turkey: Excess weapons and training pledged; military debt forgiveness being negotiated
 Uzbekistan: Equipment and training



The Terrorists Formerly Known as Rebels

Plans are also underway to increase military aid to states that have been fighting their own “terrorists” (previously referred to as “rebels.”) For example, in November, President Bush offered the Philippines \$92.3 million worth of excess military equipment, including a C-130 transport plane, 8 UH-1H utility helicopters, a naval patrol boat, and 30,000 M-16 rifles plus ammunition. The aid is intended to help Manila fight its various insurgencies, especially the Abu Sayyef, which allegedly has ties to Al Qaeda. U.S. soldiers are also helping to train Filipino soldiers who are actively fighting the Abu Sayyef. This direct intervention in the Filipino conflict risks violating a constitutional prohibition on foreign soldiers fighting on Filipino territory.

The Bush administration has also reportedly offered used helicopters and other excess defense articles to Turkey because Ankara plans to send troops to Afghanistan, though the weapons could just as well be used to fight Kurdish insurgents in Turkey and Northern Iraq. The Bush administration is also reportedly considering dropping Turkey’s \$5.5 billion military debt to the U.S.

Like Turkey, Colombia has profited from labeling their insurgents “terrorists” to win more U.S. military aid. The Bush administration may try to win increased flexibility from Congress to help Bogota fight the war against these “narco-terrorists,” with or without a clear connection to the battle against drug trafficking. Other Latin American states are clamoring to cooperate in the “war on terrorism,” prompting Maj. Gen. Alfred Valenzuela, commander of U.S. Army South, to recommend more arms sales and loans to the region.

Training Too

Military training is also playing a role in building relationships with foreign militaries, even with unsavory ones. The State Department is planning to begin combat and weapons training for Kenyan soldiers as part of the African Crisis Response Initiative, which had previously been limited to non-lethal peacekeeping training. The shift in training could help clear the way for U.S. forces to use Kenyan bases in an eventual attack on terrorist camps in Somalia. The FY2002 Defense Department Appropriations Act includes \$17.9 million for a new “Regional Defense Counterterrorism Fellowship Program,” that will fall mostly outside the human rights restrictions and transparency requirements placed on State Department-funded training. (see p.5) Last but not least, President Bush promised funding for police training and counter-narcotics aid to the new Afghani government, in addition to the weapons provided to the Northern Alliance during the war.

A Good Model?

It is unclear how arms transfers to many of these countries is actually going to help with U.S. military’s anti-terrorism campaign. Of all the countries armed with U.S. weapons under the banner of increased “interoperability,” only a few of the closest of allies have actually sent troops into Afghanistan to date. How and when Central Asian or Latin American states would ever fight with U.S. forces is hard to imagine. One is left with the impression that the fight against terrorism has become just the latest in a long line of excuses to send military hardware abroad and to circumvent traditional State Department-led foreign policy with a new form of military diplomacy.

Moreover, buying foreign governments’ support with military aid comes with its own set of risks. As noted above, many of the recipient states are in highly unstable regions, where new weapons could provoke or exacerbate conflicts. The U.S. government also risks associating itself more closely with regimes accused of terrible repression. A better way to build an international coalition in support of the U.S. struggle against terrorism would be to provide only economic or humanitarian aid. These inducements have the side benefit of reducing the poverty that is often the breeding ground of terrorism.

For more details see www.fas.org/terrorism/at/index.html

Looking for military aid statistics?

Check out the ASMP’s new military aid database, including Foreign Military Financing, International Military Education and Training, and other security assistance: www.fas.org/asmp/profiles/aid_db.htm

Fundraising the JSF way

On October 26th, 2001, the Department of Defense (DoD) announced with much fanfare that Lockheed Martin won the contract to produce the Joint Strike Fighter (JSF) (F-35), the next generation fighter jet designed for the U.S. Air Force, Navy, and Marine Corps. Although a staggering \$200 billion to develop, the Pentagon argues that it would cost less than separate development of new generation jets for each of the armed forces branches.

Given the exorbitant costs, the Pentagon had to think creatively about how to raise the funds. The solution developed by the Clinton administration was to court foreign governments' financial participation in development of the JSF. Governments were invited to 'buy-in' to the program at four different levels, each of which gives the participating country the ability to provide input into the development process, the right to purchase the fighter once it is in production, and a cut on the proceeds of sales to other states. The United Kingdom is the only country invited in at Level 1. For a \$2 billion investment, the UK has the highest level of input, with ten people in the JSF office at the Pentagon. Level 2 participants (for \$1.2 billion) will probably include Italy, Israel, Turkey, and the Netherlands. Canada is a Level 3 partner (for \$200-400 million) with Denmark and Norway also possibly joining at this level. Poland and Singapore have also considered partnership.

While in the competition stage, Lockheed Martin and runner-up Boeing apparently spent enormous sums to woo

these foreign partners. According to the *Washington Post*, the Pentagon facilitated the marketing work, paying for U.S. company executives to fly to Europe to make the pitch and bringing military officials from around the world to the U.S. to see a demonstration of a prototype plane. DoD has touted the program as a way to boost military-to-military relations among the participants, improve interoperability among allies, and most importantly, increase U.S. influence abroad. A more cynical analysis is that the more foreign partners have sunk into development, the harder it will be for Congress to cancel this still-controversial sale.

Making the U.S. military's most sophisticated jet fighter immediately available to U.S. allies undercuts one of the main rationales for developing them in the first place—to gain a distinct military edge over any other country. As part of the partnership agreements, foreign partners will also be vying for lucrative contracts to produce components in their home countries. The U.S. will therefore be transferring production capacity overseas, spreading the most advanced U.S. technology to many countries in the process.

It is expected that eventually over half of the 3,000 JSFs planned for production will be exported. Export of the JSF will also be facilitated by a provision in the Arms Export Control Act that allows for circumvention of the normal congressional notification process for exports of weapons being jointly produced by foreign states. The administration is also planning to use a new "global license" for JSF exports, which considerably reduces the licensing process requirements for the export of complex weapons systems.

Harpoon Missile Sale to Egypt Launches Debate

On November 2nd, the Bush administration announced its intention to sell 53 Harpoon Block II surface-to-surface missiles to Egypt. The \$400 million deal—to be paid for with U.S. funds—would also include four Ambassador-class patrol craft, which will serve as the platforms for the missiles. While Egypt already has an earlier version of the Harpoon missiles, the timing of the sale and the level of technology included in these weapons turned this deal into a thorn in the side of Egyptian-Israeli relations.

Produced by Boeing, the Block II missiles have a range of roughly 67 nautical miles (the equivalent of 77 land miles). With satellite-guided cruise capacity, they can function in all weather conditions and are able to evade anti-missile systems. The Harpoons are primarily designed as an anti-ship system, but their range enables them to threaten and attack targets in littoral environments as well.

The announcement of the sale elicited statements of concern from Israel and some U.S. legislators. Israeli officials see the arms sale as contributing to an unnecessary military buildup and potentially posing a direct threat to Israel while eroding their regional military superiority. If launched from

a patrol craft outside of Israel's territorial waters, the missiles could still land 65 miles inland, under certain conditions. Israel argues that the missile could be mounted on other platforms that could then be used to strike deeper into Israeli territory. Israel also believes the missiles would undermine its air power edge since the missiles can bypass its current air defense systems.

Senators Biden and Helms, Chair and ranking minority member of the Senate Foreign Relations Committee, and Representative Lantos, ranking minority member of the House International Relations Committee, have voiced reservations about the sale.

So far, the Bush administration has defended the sale, saying the Harpoons are only meant to be used to enhance Egypt's role as guardian of the shipping traffic that passes through the Suez canal. State Department spokesman Richard Boucher said, "It is a sea-borne anti-ship system and not anything else." Underlying this debate is the fear the U.S. government has had of rocking the boat with any Arab nation at a time when their support for U.S. counter-terrorism operations was so critical.

Your Tax Dollars At Work: Foreign Operations FY2002



The Fiscal Year 2002 Foreign Operations Appropriations Act (H.R. 2506) that passed Congress on December 19 is a telling statement about U.S. foreign policy. Of the \$15.4 billion appropriated for foreign aid, almost half (\$7.2 billion) was for security assistance. The Middle East received the largest allocation of foreign aid, totaling \$5.1 billion.

There was not much emphasis on counter-terrorism in this bill since new funds and programs had been included in the Defense Department budget and the counter-terrorism emergency supplemental bill. Over \$313 million was set aside for nonproliferation, anti-terrorism and related programs and activities, only a small increase from last year.

Foreign Military Financing

Congress appropriated \$3.65 billion in Foreign Military Financing (FMF) to underwrite the purchase of U.S. weapons and services by foreign governments. As a reward for signing the Camp David Accords, Israel and Egypt are still handsomely rewarded every year with military and economic aid. This year they received \$2.04 billion and \$1.3 billion in FMF, respectively. These payments are intended to secure peace in the region. But the continued violence between Israel and Palestine prompted Senator Byrd (D-WV), Chair of the Appropriations Committee, to state on the Senate floor that U.S. "foreign assistance to the Middle East virtually ignores the spiraling violence in the region," providing no motivation for Israel and the Palestinians to peacefully resolve their conflict and no incentive for Egypt to mediate. Jordan is also set to receive \$75 million in FMF funds. Other identified recipients for this program include Tunisia, Thailand, and Armenia.

Economic Support Fund

The administration received \$2.199 billion for the Economic Support Fund (ESF). While not specifically designated for weapons purchases, these funds are labeled by the administration as security assistance because they are sometimes used for security-related programs and can free up money for military use. This year \$1.525 billion was earmarked for Israel, Egypt, and Jordan, a decline of \$160 million from last year. Congress is cutting back on economic aid to Egypt and Israel, offset in part by more FMF funding.

International Narcotics and Law Enforcement

The majority of the International Narcotics and Law Enforcement funds will support police training, 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. Growing doubts about the efficacy of a militaristic anti-narcotics program, especially among Democrats, led Congress to reduce funding in this area. The State Department-run counternarcotics and

anti-crime program will receive \$217 million as compared with \$325 million in FY2001. The Andean Counterdrug Initiative received a separate allocation of \$625 million, \$106 million below the President's request. (See p. 7 for details.)

International Military Education and Training

Congress appropriated \$70 million for the Pentagon's International Military Education Training (IMET) program. This figure represents a \$12 million increase from last year, and a \$5 million increase over the President's request. IMET funds pay for training for foreign soldiers in the operation of U.S. weapons systems, military doctrine, military management, and—to a limited extent—human rights. The legislation specifies that Guatemala and Indonesia are only eligible for Expanded IMET (which specifically excludes combat training and focuses instead on human rights and democracy training), and there are now additional reporting requirements for Algeria, Guatemala and Indonesia.

Transparency and Accountability

The FY2002 Foreign Operations Appropriations Act preserved key human rights and transparency provisions from last year's law. Section 564 again requires a joint State and Defense Department report on military training, including

Security Assistance FY2002	
Foreign Military Financing	\$3,650,000,000
Israel	2,040,000,000
Egypt	1,300,000,000
Jordan	75,000,000
Tunisia	3,500,000
Armenia	4,000,000
Economic Support Fund	\$2,199,000,000
Israel	720,000,000
Egypt	655,000,000
Jordan	150,000,000
Indonesia	50,000,000
Lebanon	35,000,000
East Timor	25,000,000
El Salvador	25,000,000
Cyprus	15,000,000
Former Republic of Yugoslavia	21,500,000
Burma (for democracy activities)	6,500,000
U.S. programs in Pakistan	2,500,000
Countries with a significant Muslim population	10,000,000
Kosovo and Nat'l Dem Alliance of Sudan	unspecified
Int'l Military Education & Training	\$70,000,000
Peacekeeping Operations	\$135,000,000
Int'l Narcotics & Law Enforcement	\$217,000,000
Andean Counterdrug Initiative	\$625,000,000
Nonprolif., Anti-terrorism, & Demining	\$313,500,000

foreign policy justifications for training and an explanation of benefits gained by participating U.S. military personnel (a different version of this requirement in the Security Assistance Act would significantly weaken this report. See article at right). The "Leahy Law" restriction prohibiting foreign aid from going to military units that have committed gross human rights abuses was kept in place. In addition, Section 572 added conditions that Indonesia must meet before military-to-military cooperation between the U.S. and Indonesia can be reestablished. These include releasing political detainees, guaranteeing safe passage for Timorese refugees, placing the armed forces under civilian control, cooperating with investigators of human rights violations, and bringing to justice those suspected of having committed human rights abuses.

A Step Backwards

On the other hand, Congress overturned legislation designed to prevent weapons from going to Azerbaijan, still locked in conflict with Armenia over its Armenian-majority enclave of Nagorno-Karabakh. In order to "support U.S. efforts to counter international terrorism," Congress waived Section 907 of the Freedom Support Act that had restricted assistance to Azerbaijan since 1992. No need to worry about the risk of renewed fighting, however, since provisions to monitor the military balance between Azerbaijan and Armenia were included in the bill.

Other Legislation of Note

Small Arms Trafficking Act

To help keep the administration actively engaged on the threat of small arms proliferation after this summer's UN Conference, Senator Feinstein (D-CA) introduced the Security and Fair Enforcement in Arms Trafficking Act (S.1555). This legislation is intended to strengthen both U.S. and international standards governing the transfer of small arms and light weapons, especially as they affect terrorism, human rights, and conflict.

The bill would require the creation of a registry of small arms and light weapons serial numbers destined for export. In addition to creating several new reporting requirements on small arms exports, it would also encourage the U.S. government to broker international agreements on small arms export norms, marking and tracing weapons, and the enforcement of UN arms embargoes. Noting the particular danger to civilians of semiautomatic weapons, the bill would prohibit the export to commercial users overseas of weapons banned for civilian ownership in the United States. Finally, the bill encourages the President to implement the UN Conference Program of Action. No action has been taken on S.1555, but some of the reporting provisions were included in the Senate's version of the Security Assistance Act (see next article).

Security Assistance Act - Senate Version

On December 20, the Senate passed the Security Assistance Act (S.1803), with the usual positive and negative elements for arms controllers. The House passed its version of the bill passed last May. The bill would authorize Foreign Military Financing for Jordan, the Philippines, and several Eastern European states. It would also permit the export of naval vessels to Brazil, Poland, Turkey, and Taiwan. To reduce the amount of paperwork—and oversight—of arms transfers, the bill would increase the congressional notification threshold of arms transfers for NATO members, Japan, Australia, and New Zealand from \$14 to \$25 million for significant military equipment and from \$50 to \$100 million for other weapons.

On the other hand, S.1803 takes several provisions from Sen. Feinstein's small arms bill (see article, left). Section 206 of S.1803 would reduce the congressional notification level for small arms transfers to \$1 million since these less expensive items usually fall under the current thresholds. It would also require reports on end use monitoring, arms brokering activities, and Alcohol, Tobacco, and Firearms Agency investigations of small arms trafficking. In addition, the bill allocates \$10 million for post conflict small arms destruction, up from \$2 million in FY2001.

Finally, S.1803 goes both ways on military training reporting. It would amend the annual State Department Human Rights report to include names of U.S. trained foreign military officials who were involved in human rights abuses. But it would eliminate reporting on NATO members and non-NATO major allies from an annual military training report unless specifically requested by Congress. Regrettably, this is actually an improvement on the House version of the bill, which would eliminate the report altogether unless requested by the Chair or ranking member of one of the international relations committees.

The House and Senate must now reconcile their bills, a process complicated by the fact that the House version was wrapped into a broader foreign relations authorization bill.

New DoD Anti-Terrorism Training Program

The FY2002 Defense Department (DoD) Appropriations Act created a new \$17.9 million "Regional Defense Counterterrorism Fellowship Program." According to a Pentagon official, the program will allow for training of about 30 civil servants per year for five years. Although the funds are for non-lethal training only, placing this program under DoD—as opposed to State Department—jurisdiction represents a disturbing break from past practice. The State Department's supervision of military training allows it to ensure that the program content and student selection process mesh with U.S. foreign policy goals. Additionally, this new program could allow DoD to circumvent current restrictions on State programs, such as a ban on military training for Indonesia.

U.S. Government Open to Ideas on Export Policy

At Least From Defense Industry Representatives...

The Defense Trade Advisory Group, a body mainly consisting of defense industry representatives, held its annual public meeting on December 12. These meetings provide a formal avenue for the arms industry to put forward its complaints about the arms export licensing process to U.S. government officials. Representatives from Boeing, General Dynamics, Northrop Grumman, and other weapons makers heard from Lincoln Bloomfield, Assistant Secretary of State for Political-Military Affairs and Lisa Bronson, Deputy Under Secretary of Defense for Technology, Security Policy and Counterproliferation, about their "progress" in expediting the export licensing process and "reforming" export policy in the post September 11th climate. Defense representatives then spelled out their remaining complaints.

Kissing Up to Industry Executives

Lisa Bronson spoke about the need to increase the number of allies able to fight alongside the U.S. military in the war on terrorism, mostly by increasing the amount of U.S. weapons in their arsenals. She noted that the U.S. government wanted to increase defense cooperation between U.S. and European firms and to "maintain a healthy defense base" in the U.S. She suggested that changes to the U.S. munitions list (which identifies which items need to be controlled), export regulations, and even the Arms Export Control Act may be needed to meet these objectives.

Lincoln Bloomfield spoke of the State Department's new enthusiasm for expediting the export licensing process. Trying to ingratiate himself with his audience, Bloomfield listed all the ways the State Department has sped up licensing times. Speaking about his philosophy on U.S. arms exports, he said he has no problem with the U.S. dominating the global arms market, saying "I would rather wake up in a world where the U.S. supplies 100% of the world's weapons."

Voices of Reason

On the other hand, both U.S. officials did voice some words of restraint. Bronson asserted to her critical audience that the U.S. needs to remain vigilant about controlling high-tech transfers, not letting all technology "go out the door without thought." She also said that when determining which technologies should be controlled, the U.S. may need to lead by example; even if other states do not control a certain technology, the U.S. government should implement unilateral controls when the transfer of certain technology undermines U.S. non-proliferation efforts. Bloomfield also reminded DTAG participants that the State Department does have to consider foreign policy implications when examining arms exports, noting that sales that do not directly threaten U.S.

interests may still be ruled out because of the potential impact on allies' security. He also expressed fears of "being hauled up to Congress" or being attacked in the press for having sold torture devices to unsavory regimes.

Industry Speaks Out

For their part, industry representatives complained about how long it was taking to implement the Defense Trade Security Initiatives, the set of 17 steps to expedite the arms export process approved by the Clinton administration in May 2000. They also grumbled about the "black box" surrounding export decision making. Ms. Bronson offered to shed light on the decision-making process if industry would provide a list of the five top "over-controlled technologies."

Joel Johnson, Vice President of the Aerospace Industries Association, suggested that the State Department do away with the informal arms export notification to congressional staff that precedes the formal notification period. Bloomfield agreed that the 20-year-old notification process did need to be updated. But he noted that Assistant Secretary of State Armitage is encouraging greater engagement of Congress on arms sales policy after the DTSI fiasco. A lack of consultation with Congress throughout the policy formulation process prompted passage of a law that has tied the hands of the State Department as it tries to implement one of the key DTSI provisions. (See ASM 45 for details.)

Finally, DTAG participants presented reports on the working groups that have met over the last year. (A copy of the report summaries are online at <http://www.fas.org/asmp/resources/govern/dtag2001.pdf>). Among the working groups' suggestions were to eliminate some of the U.S. government's unilateral sanctions and to reevaluate country risks in light of the post September 11th climate with a view to *lowering* barriers to trade.

Commercial Sales Delivery Data At Last?

It also appears that the State Department will finally publish regulations for the automatic filing of reports to State on shipments of commercially exported arms. The Security Assistance Act of 1999 mandated that these reports be filed within 15 days of export so that the State Department would finally have an accurate picture of which licensed arms exports were actually delivered. (Now they rely on slow and incomplete transmissions of this information from Customs.) Having this information at long last will also allow the State Department to comply with the Security Assistance Act of 2000, which requires data on commercial sales shipments (as opposed to just licenses) to be included in the annual arms export report to Congress.

Missile-aneous: Tidbits on the Arms Trade

Attack Helicopters to Turkey on Course Again

The long-delayed sale of at least 50 Bell Textron AH-1Z King Cobra attack helicopters to Turkey may once again be moving forward. Turkey has been planning to purchase these gunships since late 1997, but a series of financial crises, political problems, and contract disputes have put off the deal.

The latest issue is a disagreement between the Turkish and American governments over where the helicopter mission computer would be produced. Turkey wants to gain the capacity to produce such sensitive technology itself, whereas the U.S. government wants only U.S. produced equipment on U.S. helicopters (see ASM 46 for details). The compromise that will probably go forward is a joint production deal between Northrop Grumman Litton and Tubitak, a Turkish state-owned defense company.

According to *Defense News* (14-20 Jan 2002), Turkish officials are now predicting the contract will be signed in May. This would trigger formal State Department review of the license request followed by a 15-day congressional notification period. While Turkey's human rights record remains abysmal, its support for the U.S. anti-terrorism campaign will make it even more challenging than ever for human rights proponents in Congress to oppose the sale.

In the meantime, Turkey plans to buy 14 Sea Hawk naval helicopters with the remainder of a \$1.3 billion Export-Import Bank loan obtained for the purchase of Black Hawk helicopters in 1999. The Bank is willing to distribute the \$300 million left on the loan, but Congress will first have to approve the deal.

WTO Ruling and U.S. Arms Exports

U.S.-European trade relations hit another snag in January as the World Trade Organization (WTO) once again ruled against U.S. trade practices. The European Union (EU) has been claiming that U.S. tax breaks on exports from foreign sales corporations ("FSCs," or overseas front companies for U.S. firms) constitute an illegal export subsidy. The EU first won the case in 2000, forcing Congress to abolish FSCs and create a new system. Arms makers took advantage of the new law to receive an extension of the tax credit to all of their profits. Previously, the benefit had only applied to half of their export income.

Arms makers seem to have been the only winner in this process, however. Because the FSC replacement program created by Congress did not substantially differ from the original one, the EU took the U.S. back to the WTO, which just ruled again in the EU's favor. The question will now be whether Congress will again make only cosmetic changes to the law or come up with an entirely new scheme. Either way, it is clear that Congress will find a way to keep this key tax break for weapons makers and other large corporations.

Andean Aid Agreed

In December, Congress agreed on a counter-narcotics aid package to the Andean region as part of the FY2002 Foreign Operations Appropriations bill (see p.4 and ASM 46). The majority of the "Andean Counterdrug Initiative" (ARI) funding is for military equipment and training, with some funds for judicial reform and economic development. The final amount of aid for FY2002 will be \$625 million, which is significantly more than the Senate version of the bill, but \$106 million less than requested by the administration. Another \$35 million from State's International Narcotics and Law Enforcement budget can be put toward the ARI.

The final bill included a provision from the Senate version that conditions further aerial fumigation of coca plants on a determination that this practice does not pose "unreasonable health or safety risks" to Colombians. It also includes the Senate's requirement for alternative development programs within the next six months in each Colombian department where aerial fumigation is taking place. Finally, the aid to Colombia cannot be distributed unless the administration certifies that Colombia is complying with certain human rights criteria, including the arrest and prosecution in civilian courts of military personnel suspected of collaborating with brutal right-wing paramilitary groups. Certification is likely despite a lack of real progress on human rights.

Web Updates

<http://www.fas.org/asmp>



The Arms Sales Monitoring Project's web site is filled with up-to-date information and analysis on U.S. arms exports and policy changes. Check out these new pages & updates:

- Arms Sales and Military Aid Post September 11th: www.fas.org/terrorism/at/index.html
- New Action Alerts on Counter-Terrorism Aid and Small Arms Legislation: www.fas.org/asmp/campaigns/actionalert.html
- New Military Aid/Training Database: www.fas.org/asmp/profiles/aid_db.htm
- FY 2000 "655 Report" to Congress on Arms Exports: www.fas.org/asmp/profiles/655-2000/6552000.html
- Database on arms transfers, updated through FY2000: www.fas.org/asmp/profiles/sales_db.htm
- Bills and Laws Related to Security Assistance, updated through 2001: www.fas.org/asmp/resources/billaws.html

To keep on top of changes to the web site, check out the What's New? page: www.fas.org/asmp/about/what'snew.htm

New Documents of Note on the Arms Trade



Documents preceded by an asterisk (*) can be found on our web site at: <http://www.fas.org/asmp/resources/govtdocs.htm> or <http://www.fas.org/asmp/profiles/worldfms.html>

- * Africa: U.S. Foreign Assistance Issues, CRS, Updated 24 Sept. 2001
- * Appropriations for FY2002: Foreign Operations, Export Financing, and Related Programs, CRS, Updated 26 December 2001
- * China: Possible Missile Technology Transfers from U.S. Satellite Export Policy, CRS, Updated 5 Sept. 2001
- * Defense Trade: Information on U.S. Weapons Deliveries in the Middle East, GAO 01/1078, 21 Sept. 2001
- * Export Administration Act: Controversy and Prospects, CRS, Updated 29 Aug. 2001
- * Export Administration Act of 1979 Reauthorization, CRS, Updated 29 Aug. 2001
- * Export Controls: Clarification of Jurisdiction for Missile Technology Items Needed, GAO, October 2001
- * Export Controls: Reengineering Business Processes Can Improve Efficiency of State Department License Reviews, GAO, December 31, 2001
- * Export Tax Benefits and the WTO: Foreign Sales Corporations (FSCs) and the Extraterritorial Replacement Provisions, Updated 25 July 2001.
- * Foreign Military Sales Facts , Defense Department, As of 30 Sept. 2000.
- * Iran: Arms and Technology Acquisitions, Updated 26 January 2001
- * Israel: U.S. Foreign Assistance, CRS, Updated 28 August 2001
- Joint Strike Fighter Program: Background, Status, and Issues, CRS, Updated 11 October 2001
- * Jordan: U.S. Relations and Bilateral Issues, CRS, Updated 30 August 2001
- * Military-to Military Exchanges with the People's Liberation Army (China) in 2000, Defense Dept., 8 June 2001
- * Saudi Arabia: Post-War Issues and U.S. Relations, CRS, Updated 20 Aug. 2001
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