

# America – The Arsenal of Sovereignty

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*"We must be the great arsenal of democracy. For us this is an emergency as serious as war itself. We must apply ourselves to our task with the same resolution, the same sense of urgency, the same spirit of patriotism and sacrifice as we would show were we at war."*



President Franklin Delano Roosevelt delivering his "Arsenal of Democracy Speech" 29 Dec 1940, source: oocities.org

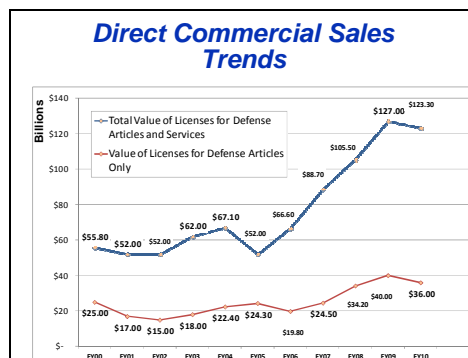
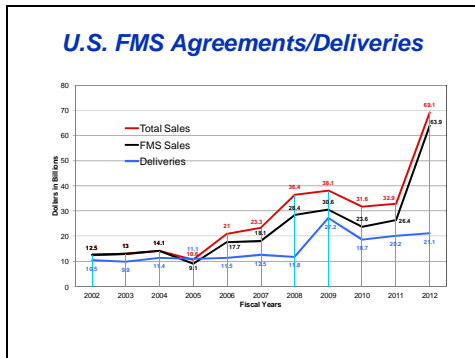
The United States leads the world in the sale of military weapons, services, education and training.<sup>1</sup> In 2010, the combined Foreign Military Sales and Direct Commercial Sales of Defense Articles and Services exceeded \$150 billion dollars, placing the US as the top exporter (44% of all world sales)<sup>2</sup> of such articles in the world, a place we have firmly held for a decade. While few would still call the United States "...the great arsenal of democracy" as President Franklin D. Roosevelt did in 1940, the fact is, the goods and services produced in the United States and sold globally are a major factor for world security and stability. So, rather than the "arsenal of democracy" the US may be more aptly named the "arsenal of sovereignty," as many free nations rely on our military education, training, equipment and sustainment for their domestic, regional and international security. The common defense of the "Free World" is still in the core interest of the United States, and one of our ways of keeping the world free is through providing like-minded nations the means to protect and defend themselves.

The purpose of this paper is to synthesize disparate aspects of defense sales which serve to posture the United States as the primary provider of military materials worldwide. It will also analyze the key factors which have placed the United States into a position of relative advantage in terms of providing security to the free world. Finally, the paper will also extrapolate what this means for the future, as the free world becomes more dependent on the US to provide security and ultimately, sovereignty. While much has been written vilifying "arms sales" writ large, this study aims to illustrate how the transfer of military material and non-material goods and services actually benefits the United States and our partner nations who share common interests, and many times, common threats.

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<sup>1</sup>Shah, Anuup, "The Arms Trade is Big Business," Global Issues, <http://www.globalissues.org/article/74/the-arms-trade-is-big-business>; 05 Jan 2014.

<sup>2</sup> Ibid.



Source: Defense Institute for Security Assistance Management, 2013

Officially called “Foreign Military Sales”<sup>3</sup> (FMS) and “Direct Commercial Sales”<sup>4</sup> (DCS) in the framework of “Building Partner Capacity,” or in defense/military vernacular as “Security Sector Assistance” or more specifically, “Security Cooperation” and “Security Assistance,” the United States provides her allied and coalition partner nations the ways and means to ensure their national sovereignty against external and internal threats, and fulfill treaty obligations through the building of security capability and capacity. This takes form in many ways, but the most visible of these are equipment sales and sustainment of major weapons systems, commonly called “defense articles.” Over the last several years, the amount of Foreign Military Sales (FMS) and Direct Commercial Sales (DCS) of security/military articles has dramatically increased. This increase has positive cascading effects regarding US security, prosperity, and relations with other nations.

The reasons for the United States maintaining this unique position in the world are varied and complex, but fall primarily into a set of factors which, when overlapped, create a place and space where the exchange occurs to the benefit of the free world. While the focus of this paper is on “sales,” it should be clear this is not just about a business contract transaction. The sale of military equipment, education and training is obviously not like trading other commodities or services. It is national security strategy and foreign policy in execution and is a major factor in building a strong relationship between nations.



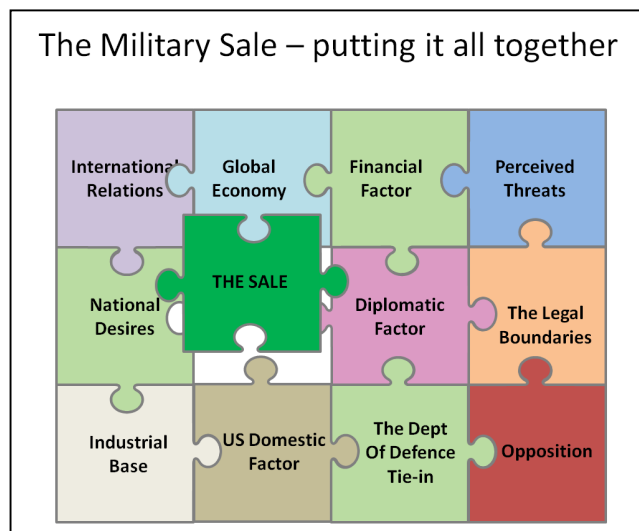
F-15 sales to Saudi Arabia photo courtesy of BusinessInsider.com

<sup>3</sup> Defense Institute for Security Assistance Management (DISAM) Green Book, 32<sup>nd</sup> Edition, Jan 2013, Glossary of Selected Terms, AB-11.

<sup>4</sup> Ibid, AB-4.

The level of FMS has risen from 11.1B in 2005 to \$31.6B in 2010.<sup>5</sup> The figures of DCS are similar...while the numbers for the last several years are still being collated; the value of licenses for defense articles and services has risen from \$52.0 billion in 2005 to \$123.3 billion in 2010.<sup>6</sup> It is important to note these sales include education and training as well, encompassing cognitive/non-material articles as well as material articles. By any standard, the rate of increase, and change in real dollars is significant. While some would posit this is an anomaly caused by the perceived instability of our contemporary environment, the trends over the last decade suggest this is a result of a confluence of several key factors and actors.

What are these factors and how do they matter? We will describe each one individually, but in reality, they are very much intertwined and interrelated for the system to operate.



### International Relations as a Factor

*“The West won the world not by the superiority of its ideas or values or religion [...] but rather by its superiority in applying organized violence. Westerners often forget this fact; non-Westerners never do.”*  
 — Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order*

First, each one of these sales from sources in the United States to other nations is foreign relations activity built on a relationship. As such, they occur in the complex international relations domain with all of its’ formal and informal dynamic processes, laws, guidelines and history between sovereign states, inter-governmental organizations (IGO), international non-governmental organizations (INGO), non-governmental organizations (NGO), and multinational corporations (MNC). The U.S. “partner nations,”

<sup>5</sup> Defense Security Cooperation Agency site; <http://www.dsca.mil/programs/biz-ops/factsbook/default.htm> (accessed 11 April 2014).

<sup>6</sup>United States Department of State, Directorate of Defense Trade Controls, Section 655 Annual Military Assistance Reports for 2010, <http://www.pmdtcc.state.gov/reports2010> (accessed 12 April 2014).

those with close ties to the US, all have their own core vital and important interests they wish to protect and defend. Based on regional situations around the globe, they identify their requirements and go to the world market for solutions, typically seeking U.S. material and non-material solutions first based on a positive, longstanding relationship. The requirements may be driven by a host of factors, internal and external, timing, availability of means, and their own vision of where they see themselves globally in the security environment. U.S. Military sales are a part of these foreign relations and play an enormous part in building trust and capacity between nations. When a partner nation has the capability to do something in the realm of security, they gain confidence and the will to participate in defense related activities. This means the U.S. has a far better chance of building more allies and coalition partners for such activities as peacekeeping operations, disaster response, and the like.

### **The Global Economy Factor**

*“...foreign policy is a matter of costs and benefits, not theology.”*  
— Fareed Zakaria, *The Post-American World*

The movement of wealth around the globe is a major factor in defense sales, both in terms of providing the ways and means to protect the population and terrain containing that wealth, and in terms of driving requirements to perpetuate the prosperity to acquire and accumulate more wealth. The global economy is comprised of various individual economies of countries, with each economy related to the other in one way or another. A key concept in the global economy is “globalization,” which is the process that leads to individual economies around the world being closely interwoven such that an event in one country is bound to affect the state of other world economies. In the past century or so, the focus on globalization has intensified. More and more trade has transpired between different countries, and restrictions on movement and business across borders have been reduced a great deal. The resulting phenomenon is a global economy.<sup>7</sup> Nations are now able to sell their commodities in nearly any market across the world. Essentially, nations who want to protect themselves are doing so, much like the U.S. has done through our own history.

Likewise, consumer nations of military articles also enjoy a much wider variety of goods and services since they can sample them from a new and open worldwide highly competitive market. Currently, the wealth of nations providing energy is on the rise, especially those nations who export energy. The result of this new wealth is that the nations on the rise are seeking increased defense and security vis-à-vis defense articles. This has caused an uptick in both FMS and DCS as trends have clearly indicated. Other trends include nations who want to upgrade weapon systems, such as those in Europe, developing nations coming into wealth more recently, such as India and many Asian nations, and oil producing nations such as Saudi Arabia who may feel threatened by adversaries around the Arabian Gulf. Finally, those nations who import key commodities and energy are looking at ways to secure sea and land lines of communication to ensure long-term economic viability. This is really no different from the U.S. investing in a strong U.S. Navy and Air Force to keep the “Global Commons” open and free for access to markets and resources.

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<sup>7</sup> “What is Economics?”, The Global Economy; <http://www.whatiseconomics.org/the-global-economy> (accessed 14 April 2014).



General Shaikh Mohammad Bin Zayed Al Nahyan, Abu Dhabi Crown Prince and Deputy Supreme Commander of the UAE Armed Forces (centre), enquires about a weapon system at IDEX 2009. Courtesy GULFNEWS.com

The five biggest importers of weapons in 2009–13 were India, China, Pakistan, the UAE and Saudi Arabia. Together, they received 32 per cent of all arms imports.<sup>8</sup> Between 2004–2008 and 2009–13, arms imports to states in Africa increased by 53 per cent, Asia and Oceania by 34 per cent and the Americas by 10 per cent. Imports by states in the Middle East remained largely unchanged, while imports by states in Europe decreased by 25 per cent.<sup>9</sup> As the trends suggest, weapons sales will remain robust for years to follow. Contrary to many who feel we should not offer arms and training, these nations seeking greater security would simply purchase weapons elsewhere, without the oversight and follow-up of the United States. Nations who feel threatened do not wait – they address their own interests.

### **The Financial Factor**

*“International order is not an evolution; it is an imposition. It is the domination of one vision over others- in this case, the domination of liberal principles of economics, domestic politics, and international relations over other, non-liberal principles. It will last only as long as those who imposed it retain the capacity to defend it.”*

— Robert Kagan, *The World America Made*

Closely tied to the global economic factor is the financial factor. In short, a currently lower valued United States Dollar (USD) against other currencies creates a positive sales environment for U.S. produced military articles. Furthermore, historic low global interest rates have made borrowing for defense articles more attractive as of late. The fiscal and monetary policies of the US juxtaposed with many other “defense consumer” nations have also created a window of opportunity for them to acquire top-of-the-line military equipment that is suddenly relatively affordable. Those nations with low debt

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<sup>8</sup> Wezeman, Siemon T. and Pieter D., “Trends in International Arms Transfers, 2013,” Stockholm International Peace Research Institute (SIPRI), March, 2014 report.

<sup>9</sup> *ibid*

ratios and excess capital are investing in defense. The five biggest exporters in 2009–13 were the United States, Russia, Germany, China and France. Together they accounted for 74 per cent of the volume of arms exports. The USA and Russia alone supplied 56 per cent of all exports.<sup>10</sup> The market for quality defense articles is becoming increasingly competitive. While the U.S. has enjoyed superiority in this area, many countries seem to be adopting a philosophy of “...quantity has a quality of its own” where they are willing to accept a less exquisite piece of military technology for a number of lesser weapons for the same price. For example, China can sell a number of rifles to a nation for the price of one American-made rifle. However, these decisions are not as simple as they appear, and many are still opting for quality and the backing of U.S. products. But not all countries want to “buy American.” Nations such as Sudan are clamoring for Chinese weapons – so much so that one defense analyst stated “Images from the parade have revealed to the world that the Sudanese army resembles a second Chinese Liberation Army” when describing Sudan’s 52<sup>nd</sup> Independence Day in 2007.<sup>11</sup>

### **The Threat Factor**

*“The Department of Defense is being challenged in ways that I have not seen for decades, particularly in the Asia-Pacific region. Technological superiority is not assured. ... This is not a future problem. It is a here-now problem.”—Frank Kendall, undersecretary of defense for acquisition, technology, and logistics, House Armed Services Committee, Jan 28, 2014*

All national defense sales are tied to a requirement based on addressing a real or perceived threat. Threats come in many varieties in the five domains of conflict; Air, Land, Sea, Cyber, and Space. While a review of the types of defense articles will not reveal a nation’s defense strategy, it may provide some insights into where they feel threatened externally and in some cases internally. While many of the most obvious defense articles are major weapons systems such as armored vehicles, aircraft and ships, there are also less visible but equally as powerful weapons in cyberspace, for instance, that may not appear on traditional sales charts. In the cyber domain, the “cost of entry” is relatively low, and is mostly a cognitive weapon with effects on material equipment. Thus, defense sales in education and training may tell us more, as most nations can acquire very powerful computers outside the FMS or DCS processes.

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<sup>10</sup> Ibid.

<sup>11</sup> Andrei Chang, United Press International, “Analysis: China Sells Arms to Sudan,” *United Press International*, Feb. 15, 2008, available at [http://www.upi.com/International\\_Security/Industry/Analysis/2008/02/15/](http://www.upi.com/International_Security/Industry/Analysis/2008/02/15/) (accessed 25 April 2014).



North Korean vehicle carrying a missile drives past a mass military parade in Pyongyang's Kim Il Sung Square to celebrate the centenary of the birth of the late North Korean founder Kim Il Sung, April 2012. North Korea recently threatened to attack the U.S. using "smaller, lighter, and diversified" nuclear-tipped missiles. David Guttenfelder / AP / File

One of the most valuable determinants of future challenges and threats comes from a document called the Capstone Concept for Joint Operations, or CCJO for short. In that document, the most experienced and talented military thinkers in the US military describe what the threats will be for decades to follow. The studies underpinning the recommendations in this document are many, but consist of future studies of the world environment like the National Intelligence Estimate (NIE), the Global look 2030, and various "white papers" from sources in and outside the USG to provide a vision of the "operational environment" of the future. As weapon systems become increasingly sophisticated, the lead-time for the industrial base to take defense articles from inception to fielding are increasing exponentially. The CCJO dated 10 September 2012, lays out the perceived future environment for the US military so that it may develop concepts and doctrine, which in turn drives education, training and equipment, to counter these threats.<sup>12</sup>

The CCJO highlights these primary missions to counter specific threats:<sup>13</sup>

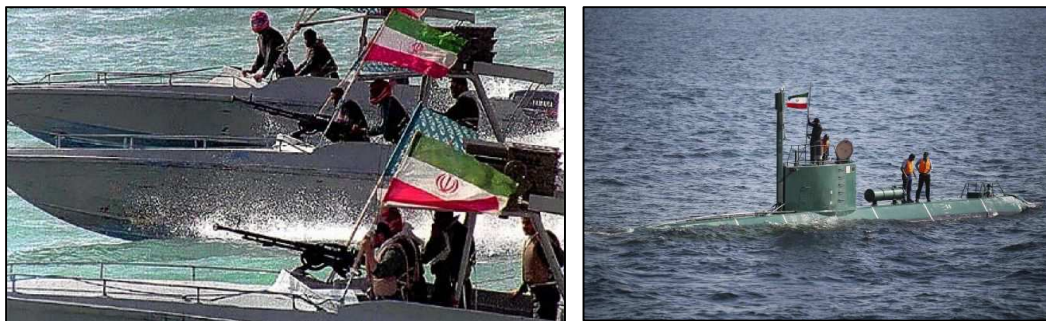
- Counter terrorism and irregular warfare
- Deter and defeat aggression
- Project power despite anti-access/area denial challenges
- Counter weapons of mass destruction
- Maintain a safe, secure and effective nuclear deterrent
- Defend the homeland and provide support to civil authorities
- Provide a stabilizing presence
- Conduct stability and counterinsurgency operations
- Conduct humanitarian, disaster relief, and other operations

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<sup>12</sup> U.S. Joint Chiefs of Staff, Capstone Concept for Joint Operations: Joint Force 2020, 10 Sep 2012, (Washington, DC: U.S. Joint Chiefs of Staff) <http://capstone.dodlive.mil/files/2013/04/CCJO-Sep2012.pdf> (accessed 24 April 2014).

<sup>13</sup> Ibid.

Based on these, many US allies and partners will adopt the same posture for similar threats, in addition to threats in their specific region. Sales of education, training and equipment can be traced back to threats highlighted here and in similar classified and unclassified documents by nation, but many similarities exist. It should come as no surprise to anyone the threats in the Arabian Gulf and South/East China Sea are driving many sales of high-tech weapons (and the associated education and training to use them) in all domains of conflict. The main recipient region in 2009–13 was Asia and Oceania (accounting for 47 per cent of imports), followed by the Middle East (19 per cent), Europe (14 per cent), the Americas (10 per cent) and Africa (9 per cent).<sup>14</sup>



Iranian maritime operations, Arabian Gulf, courtesy Washington Post

It should also come as no surprise the Iranian threat to build nuclear weapons have caused the level of anxiety to rise in the Middle East, with the outcome being increased security sector sales in the billions. Similarly, the expansion of the Chinese military has created an appetite for defense articles from nations in the South China and East China Sea area. Finally, the dramatic events of March, 2014, with the aggressive annexation of Crimea by Russia, will only exacerbate tensions and whet the appetite for more and better weapons – both lethal and non-lethal, to counter that specific threat by Eastern European and Baltic nations. Typically, threats are “regional” before they are “international.” Therefore, it behooves the United States to allow allies and coalition partners in troubled regions to hedge against common and emerging threats earlier than later. Providing them the “ways and means” to deter, deny, diminish, dissuade, diminish or in the extreme case, destroy the threat is preferable to it growing and posing a larger threat outside the region.

### **The Diplomatic Factor**

*“He who wishes to serve his country must have not only the power to think, but the will to act”  
— Plato*

At the risk of being redundant, foreign military sales are part of diplomacy and relationship building. The closer the US is to a nation diplomatically, the more and higher-quality defense articles that nation will receive. For example, US lawmakers on 5 March 2014 passed, with a vote of 401 to 1, H.R. 938

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<sup>14</sup> Wezeman, Siemon T. and Pieter D., “Trends in International Arms Transfers, 2013,” Stockholm International Peace Research Institute (SIPRI), March, 2014 report.



which elevates Israel from “major non-NATO ally” to a new designation as “major strategic partner.”<sup>15</sup> This enables Israel to receive the very latest and best military equipment the US has to offer, and in some cases, to obtain articles usually not for sale anywhere else to maintain the “qualitative military edge.” Essentially, the \$3.1 Billion in annual military aid is enhanced by other joint defense projects and other multi-year initiatives.

Similarly, our relationship with our alliance partners in NATO lends itself to innumerable sales to those nations as well as many of our coalition partners in recent conflicts. Many of our coalition partners who fought with us in Iraq and Afghanistan were rewarded with military equipment being granted to them or sold to them with aid money from us earmarked for that purpose.

The converse is also true, as we will discuss later. Nations falling out of favor - be it long-term or temporary - can be prohibited from purchasing U.S. equipment which can have a very deleterious effect on that nation’s readiness and security. We have seen “on-again, off-again” sales with Pakistan based on issues our U.S. Congress has with behaviors or that nation’s government, military, and sometimes regional actors. Primary national interests drive these arms sales, and the U.S. can and does use them for suasion and influence.

### **The US Domestic Political Factor**

*“Nations are guided only by their own interests and have no obligation to other countries which did not conform to those interests.”*

— *Indira Gandhi*

It is often said that all politics are local. Assuming that is true, all foreign military sales have a local political flavor to them in some way, shape or form. Our favorable or unfavorable views from within the nation shape our FMS policies and programs.

For example, ongoing political turmoil and high numbers of people killed in Egypt in July and August 2013 led to some countries restraining their arms exports to Egypt. The USA suspended the scheduled deliveries of 12 F-16 combat aircraft, M-1A1 tanks and 10 AH-64D combat helicopters. Spain halted the scheduled delivery of C-295 transport aircraft. However, Russia delivered 14 Mi-17V-5 helicopters and continued to market its weapons to Egypt. The USA supplied a corvette in late 2013, and Germany continued its construction of 2 Type-209 submarines for Egypt.<sup>16</sup> All these decisions stemmed from those nation’s internal politics reflected in diplomatic relations with Egypt.

In the USA, these foreign military sales truly originate with American strategic direction guided by policy and strategy statements and documents such as the National Security Strategy (NSS), National Defense Strategy (NDS), National Military Strategy (NMS), the Quadrennial Defense Review and Quadrennial Diplomacy and Development Review (QDR and QDDR), the Guidance for Employment of

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<sup>15</sup> Opall-Rome, Barbara, “US Lawmakers Elevate Israel to “strategic partner,” Approve Billions,” Defense News, March 17, 2014, page 1.

<sup>16</sup> Wezeman, Siemon T. and Pieter D., “Trends in International Arms Transfers, 2013,” Stockholm International Peace Research Institute (SIPRI), March, 2014 report.

the Force (GEF) and the Joint Strategic Capabilities Plan (JSCP) to identify the most influential of the written guidelines. Congress, vis-à-vis the Senate Armed Services Committee (SASC) and House Armed Services Committee (HASC) also provide major oversight in this area, keeping one eye on national security and the other on how the sale can help the comparative advantage of the US in relation to other nations. According to a key official at the United States Army Security Assistance Command, “...every billion dollars spent on security assistance generates roughly 22,000 American jobs.”<sup>17</sup> Assuming that is true, the propensity for support of security assistance programs vis-à-vis foreign military sales for local, state, and national politicians is virtually assured.

Leading and overseeing this sales effort, usually in the form of “security assistance” is the US State Department. Under what are known as “Title 22 Programs,” the US provides military assistance in the form of sales, transfers, education and training to nations with mutual security interests. While many of these programs are processed and implemented by the Department of Defense, they are “foreign assistance” programs from the Department of State, necessarily forcing the departments to cooperate at all levels of leadership -- from the department secretaries down to the officers and enlisted service members cooperating with country-team personnel at U.S. embassies overseas.

### **The Department of Defense Role**

*“The idea is if partners have U.S. equipment and U.S. training and are following U.S. doctrine, our interoperability is greater with them.”*

*National Defense Industrial Association, Derek Gilman, September 18, 2013*

The military cooperatively plans with diplomats for the right mix of defense articles in a given nation or region, and this complex planning is scrutinized under many levels of oversight within the Department of State, then over to the Department of Defense, to include the Office of the Secretary of Defense (OSD), the Joint Staff (JS), the Geographic Combatant Commands (GCCs), the individual Services, and all others who strive to provide the best material and non-material solutions to the security problem at hand.

According to the Defense Security Cooperation Agency (DSCA) the DoD has 768 security cooperation professionals in 148 nations advising and assisting in this endeavor.<sup>18</sup> Furthermore, to illustrate the scope and scale of this enterprise, DSCA is managing 13,000 active FMS cases with a value of \$393B USD, training (as of FY 13) 77,480 students from 141 nations.<sup>19</sup> Humanitarian assistance alone was 391 projects in 75 nations.<sup>20</sup> So, as is very clear, the military professionals on the US Embassy Country Teams are essential implementing the Integrated Country Strategies (ICS) developed for each nation and have a direct role in synchronizing the transfer of material and non-material defense articles.

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<sup>17</sup> Senior Defense Official, US Army Security Assistance Command, New Cumberland, PA; statement made on 14 March 2014 to the US Army War College Foundations of Building Partner Capacity seminar.

<sup>18</sup> Senior Defense Official, Defense Security Cooperation Agency presentation at the US Army War College, 07 April 2014.

<sup>19</sup> *ibid*

<sup>20</sup> *ibid*



Vehicles delivered to Croatia via the DSCA, photo courtesy of DSCA

Beyond the nearly 800 serving in overseas posts, the DoD has thousands of uniform and non-uniform professionals serving this enterprise in the Geographic Combatant Commands (GCCs), Component Commands from each service in those GCCs, and in the Uniformed Services themselves in the United States who themselves have commands and directorates focused on this effort. The principle synchronizer in the DoD is the Defense Security Cooperation Agency (DSCA). DSCA is the central agency that synchronizes global security cooperation programs, funding and efforts across OSD, Joint Staff, State Department, GCCs, the services and U.S. Industry. DSCA is responsible for the effective policy, processes, training, and financial management necessary to execute security cooperation within the DoD.<sup>21</sup> The strength of DSCA lies in its' policy regarding sales. The focus on the "Total Package Approach" (TPA) is a business philosophy that essentially "partners" with the nation to guide them through the process from inception to fielding and beyond. Key elements of the TPA buyers find useful and effective include:<sup>22</sup>

- U.S. Military assistance with identifying and developing requirements
- Standardization and interoperability with U.S. and other partners' forces
- DoD standard acquisition process
  - Same program office that buys for U.S. DoD
  - U.S. acquisition ethics and transparency
- Economy of scale purchasing
- Product improvement notifications
- U.S. logistics information/products
- U.S. resolves disputes with company

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<sup>21</sup> Defense Security Cooperation Agency (DSCA) website, <http://www.dsca.mil/> home page (accessed 15 April 2014).

<sup>22</sup> Senior Defense Official, Defense Security Cooperation Agency presentation at the US Army War College, 07 April 2014.

This approach has been hugely successful for the U.S. thus far, and it would not be surprising to see other nations attempt to mimic this process in the future. One of the key ways DSCA is able to accomplish this so well is through their education arm, or the Defense Institute of Security Assistance Management -- DISAM for short. The Defense Institute of Security Assistance Management provides professional education, research, and support to advance U.S. foreign policy through security assistance and cooperation.<sup>23</sup> DISAM educates both military and civilians here in the US and abroad with mobile training teams, and will even go as far as graduating our partner nation's personnel to help in this sales endeavor. FY13 was the third year within the last four with total DISAM student throughput exceeding 10,000 students encompassing all programs.<sup>24</sup> Both DSCA and DISAM are advocates for American – made products. While not endorsing any particular company or firm or product, they are an unabashed advocate of products made by the United States Industrial Base. Beyond the technical education and training, there is also the element of “culture immersion” that takes place when service members from other nations come to the United States, often with their families, for up to a year at a time for education and training. They observe and inculcate some of the very best of the intangibles of serving in a world-class military, such as living in a representative democracy where civilian oversight of the military is emphasized, where rule-of-law is practiced daily, where religious tolerance is the norm, and where human rights and respect for minorities or the minority opinion is upheld.

#### **-US INDUSTRIAL BASE**

*“With declining federal spending, I think every large and small contractor is thinking to themselves, ‘How do I maintain or replenish my revenue in markets outside of the United States, and how do I do it in a manner that’s smart, that doesn’t get me in trouble and really grows my business?’”Andy Irwin on Defense Companies' Foreign Sales*

While the United States is struggling economically and financially, there has quietly been a positive industrial trend in defense articles. This has been a beneficiary of international relations in the security cooperation/security assistance realm which in turn has provided the domestic industrial base with firm overseas orders and open production lines, a benefit to employment and higher worker compensation. In a briefing at the US Security Assistance Command, a senior official mentioned that for every \$1B in security assistance, 22, 000 jobs (many of them high-skilled) are sustained.<sup>25</sup> America's defense industrial base plays a fundamental role in providing the U.S. military with the equipment and platforms necessary to achieve its objectives with the highest efficiency. While the industrial base has gone through many fluctuations over the past 60 years, this national workforce has continued to produce the most technologically advanced systems available, thereby helping to ensure America's military

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<sup>23</sup> Defense Institute of Security Assistance Management (DISAM) home page – mission statement, <http://www.disam.dsca.mil/> (accessed 23 April 2014).

<sup>24</sup> idib

<sup>25</sup> Senior Defense Official, US Army Security Assistance Command, New Cumberland, PA; statement made on 14 March 2014 to the US Army War College Foundations of Building Partner Capacity seminar.

superiority.<sup>26</sup> America's defense industrial base also serves an important role in helping to build the military capacity of foreign allies while enhancing their interoperability with the U.S. military. These efforts indirectly save U.S. taxpayer funds over time and include the advantage of reducing wear and tear on U.S. equipment.<sup>27</sup>

C-130J Super Hercules for India in production. Photo courtesy of Lockheed-Martin



Why else do international consumers ultimately prefer U.S. made products if they can afford them? They are successful in combat. They work, and the nations who employ them typically prevail, at least in the tactical environment where they are used. For example, one of the best-selling aircraft of all time is the McDonnell Douglas F-15 air superiority fighter. It boasts an impressive combat effectiveness rate. The F-15 in all air forces had a combined air-to-air combat record of 104 kills to 0 losses as of May 2011.<sup>28</sup> Beyond the obvious effectiveness, and the high-quality in terms of research, development, production, delivery and training, these weapon systems are very “inter-operative” with other U.S. systems, allies and partners to provide a synergistic effect on the battlefield. Thus, when fighting in an alliance or coalition type engagement, which is likely in the future, the level of confidence with employment and sustainability is assured.

<sup>26</sup> Eaglen, Mackenzie and Sayers, Eric, “Maintaining the Superiority of America's Defense Industrial Base,” 22 May 2009, Heritage Foundation; <http://www.heritage.org/research/reports/2009/05/maintaining-the-superiority-of-americas-defense-industrial-base> (accessed 18 April 2014).

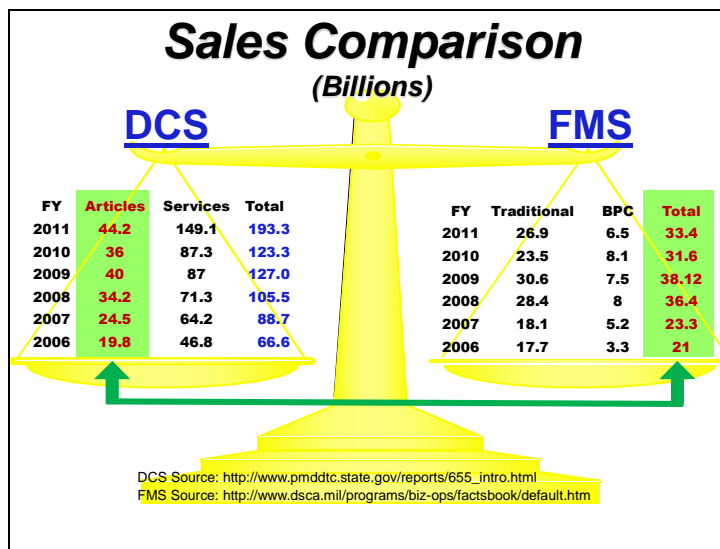
<sup>27</sup> *ibid*

<sup>28</sup> F-15 Family; McDonnell Douglas, [http://acecombat.wikia.com/wiki/F-15\\_Eagle\\_family](http://acecombat.wikia.com/wiki/F-15_Eagle_family), May 2011.



The Boeing AH-64 attack helicopter in production, courtesy Boeing Aircraft

Another externality of these sales is the “offset” characteristic, which describes what the buyer negotiates in the sale that will benefit that nation beyond the defense article. "Offset" means the entire range of industrial and commercial benefits provided to foreign governments as an inducement or condition to purchase military goods or services, including benefits such as co-production, licensed production, subcontracting, technology transfer, in-county procurement, marketing and financial assistance, and joint ventures.<sup>29</sup> For example, the nation may be a contributor of a part, a factory, a technology, or something else that is part of the overall production of that article beyond the initial sale. This is a common practice and is becoming even more ubiquitous as part of the “art of the deal” in foreign military sales.



<sup>29</sup> Defense Offsets Disclosure Act of 1999, Pub. L. 106-113, section 1243(3), there are two types of offsets: direct offsets and indirect offsets.

The benefit from this is the interdependence it creates, which enhances the foreign relationships. The general policy of the Department of Defense with regard to offsets is that they are market distorting and inefficient, and that the taxpayers should not be affected by them, they nonetheless remain a part of many transactions. These transactions, all of them, undergo a level of scrutiny beyond the realm of most other international business deals. Because the subject is defense articles, they are subject to stringent ethics laws of the United States Government. Bottom line: the U.S. government keeps a very tight leash on this process and both foreign military sales and direct commercial sales are effectively controlled. While outside the scope of this paper, the list of prosecutions for violations of arms control statutes is long, with scores of individuals serving prison time for both deliberate and unintentional transgressions.

#### -LEGAL BOUNDARIES

*"The "complete diplomat" of the future should remain cognizant of realism's emphasis on the inescapable role of power, keep liberalism's awareness of domestic forces in mind, and occasionally reflect on constructivism's vision of change."*

— Stephen M. Walt

While the sale of defense articles is generally a positive step in maintaining a nation's sovereignty, these transfers are not completed without serious contemplation of unintended consequences or potential negative outcomes. The United States is one of the few nations who actually maintain a legal apparatus established to force decision-makers to consider the long-term implications of such military sales. This is accomplished through many safeguards, but to ensure compliance, Congress created laws to mandate the procedures that are carefully followed. With respect to the current U.S. security assistance program, two basic laws are involved. The Foreign Assistance Act of 1961 (FAA), and the Arms Export Control Act (AECA), both as amended make-up the foundation of guidance provided to guide military sales.<sup>30</sup>

Flowing from these major bills are a complex series of statutes regulating the transfer of defense articles. Public Law 90-269, or the Arms Export Control Act of 1976, as amended, is one of the principles laws governing this activity. The act requires governments which are recipients of U.S. defense articles employ them for legitimate self-defense. Consideration is given as to whether the exports "would contribute to an arms race, aid in the development of WMD, support terrorism or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control or nonproliferation agreements or other arrangements."<sup>31</sup> The Foreign Assistance Act (FAA) is the authorizing legislation for International Military Education and Training,(IMET), the Economic Support Fund (ESF), Peace Keeping Operations (PKO), overseas security assistance program management, grant transfer of excess defense articles, emergency drawdowns, and a wide variety of other foreign assistance programs.<sup>32</sup>

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<sup>30</sup> Defense Institute of Security Assistance Management (DISAM) Green Book, Chapter 2, Security Cooperation Legislations and Policy, 32nd Edition, Wright-Patterson Air Force Base, OH. Pages 2-1 through 2-10.

<sup>31</sup> Arms Export Control Act of 1976, Public Law 90-269, (AECA of 1976).

<sup>32</sup> Defense Institute of Security Assistance Management (DISAM) Green Book, Chapter 2, Security Cooperation Legislations and Policy, 32nd Edition, Wright-Patterson Air Force Base, OH. Pages 2-1 through 2-6.

One of the ways Congress is informed of defense article transfers is through what is called “Javits Reporting.” In accordance with the AECA, the State Department prepares an annual report to Congress, commonly called the "Javits" Report, regarding arms sales proposals covering all Foreign Military Sales (FMS) and Direct Commercial Sales (DCS) of major weapons or weapons-related defense equipment for \$7,000,000 or more, or of any other weapons or weapons-related defense equipment for \$25,000,000 or more, which are considered eligible for approval.

The “ Javits Report” brings to Congress's attention proposed arms sales (that meet the above-delineated dollar value thresholds) that are to take place during the calendar year in which it receives the report. The dollar values of the cases require notification to the Congress once an application encompassing a proposal is submitted to the Directorate of Defense Trade Controls (DDTC) (in the case of direct commercial sales) for authorization. Projected sales of major weapons or non-major weapons which meet the criteria for Javits reporting is obtained by DDTC via license application data submitted by industry users.<sup>33</sup>



Senator Patrick Leahy; Image courtesy of Politico.com

Another powerful tool used by Congress to control arms sales is “The Leahy Law” or “Leahy amendment.” Named after its principal sponsor, this is a U.S. human rights law that prohibits the U.S. Dept of State and Defense from providing military assistance to foreign military units that violate human rights with impunity. To implement this law, U.S. embassies and the Bureau of Democracy, Human Rights, and Labor and the appropriate regional bureau of the U.S. Department of State vet potential recipients of security assistance.<sup>34</sup> If a unit or even individual is found to have been credibly implicated in a serious abuse of human rights, assistance is denied until the host nation government takes effective steps to bring the responsible persons within the unit to justice.

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<sup>33</sup> US Dept of State Homepage, Directorate of Defense Trade Controls, [http://www.pmdtcc.state.gov/reports/javits\\_report.html](http://www.pmdtcc.state.gov/reports/javits_report.html) (accessed 17 April 2014).

<sup>34</sup> Defense Institute of Security Assistance Management (DISAM) Green Book, Chapter 2, Security Cooperation Legislations and Policy, 32nd Edition, Wright-Patterson Air Force Base, OH. Page 2-10.



THE OPPOSITION – the alternate perspective to consider

*“A country that demands moral perfection in its foreign policy will achieve neither perfection nor security”*

— Henry Kissinger

There are legions of groups and individuals who take the other side of this position on military sales, arguing the transfer of any defense article is a negative action that will only have unintended consequences to the buyer and seller. World military expenditure in 2013 totalled \$1747 billion, around 2.4 per cent of world GDP.<sup>35</sup> Critics argue this wealth could otherwise be used for a variety of other humanitarian or development uses outside of arms and defense expenditures. Many argue there is not transparency in defence spending, and policy decisions concerning arms sales or acquisitions are rarely put before the public due to the over-classification of such transactions to ensure national security. Furthermore, they argue the personnel involved in this endeavour, from end-to-end, skim off the top of the very best and brightest individuals from nations as involvement in this enterprise “pays” where other career paths pale in comparison. On a strategic level, it is also quite common to read and hear about weapons having a destabilizing effect on regional security. It is not difficult to find various examples throughout history where arms sales exacerbated an already volatile situation, and weapons transfers made smaller conflicts larger and bloodier than they would be otherwise.



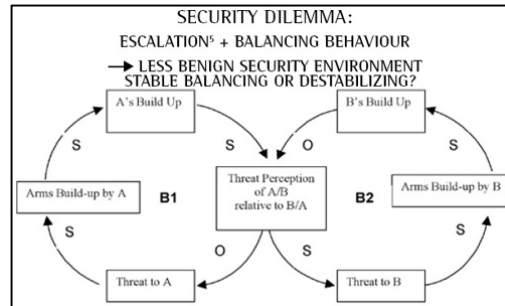
Protestors at the White House, courtesy of Getty Images via Huffington Post

One of the most often quoted warnings is the “Security Dilemma” argument. The security dilemma, also referred to as the spiral model, is a term used in international relations and describes a notional dilemma whereby actions by a state intended to heighten its security, such as increasing its military strength or making alliances, can lead other states to respond with similar measures, producing

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<sup>35</sup> Wezeman, Siemon T. and Pieter D., “Trends in International Arms Transfers, 2013,” Stockholm International Peace Research Institute (SIPRI), March, 2014 report. <http://www.sipri.org/research/armaments/transfers> (accessed 25 April 2014)

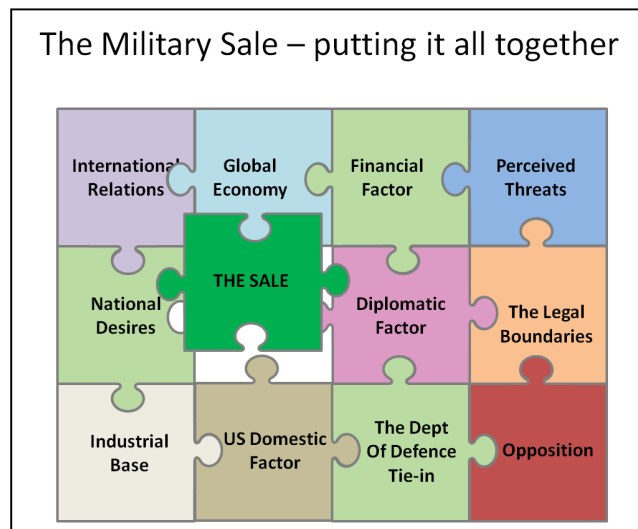
increased tensions that create conflict, even when no side really desires it.<sup>36</sup>



All these critiques are somewhat valid, but at the end of the day, most nations believe building their own capability and capacity to defend their own sovereignty is the best way to establish and preserve a peaceful existence. Even dovish U.S. Presidents have succumbed to the utility of arms exports. Take President Jimmy Carter, who addressed the issue in a 1976 campaign speech: "Sometimes we try to justify this unsavory business on the cynical ground that by rationing out the means of violence we can somehow control the world's violence. The fact is that we cannot have it both ways. Can we be both the world's leading champion of peace and the world's leading supplier of the weapons of war?"<sup>37</sup>

Two years later Carter sold 200 fighter jets to the Mideast! Still, their opinions are considered, and often times their arguments do win the day and sales are either blocked or reduced. In a democracy, this is both necessary and healthy to ensure key decision-makers on arms sales are considering the transactions knowing all potential ramifications.

-SUMMARY



<sup>36</sup> Ken Booth and Nicolas J. Wheeler, *The Security Dilemma: Fear, Cooperation and Trust in World Politics*, New York, NY: Palgrave Macmillan, 2008, 272 pages.

<sup>37</sup> Kimes, Mina, CNN Money; "America's Hottest Export: Weapons," February 24, 2011. [http://money.cnn.com/2011/02/10/news/international/america\\_exports\\_weapons\\_full.fortune/](http://money.cnn.com/2011/02/10/news/international/america_exports_weapons_full.fortune/) (accessed 13 April 2014).

In summary, overseas foreign military sales and direct commercial sales are a very important and necessary element to American national security strategy as they serve to underpin our diplomatic, informational, military and economic efforts in strategic communication, resolve and overall influence around the globe. The 'sale' is a result of various inputs, factors and actors converging in a very dynamic and uncertain international and economic environment, driven by a desire for stability and security, but sometimes stymied by ambition and fear. In consideration of all the advantages and shortcoming of the enterprise, the effort is an overall beneficial and advantageous situation for the United States. The sales build partner capability and capacity, allow those nations to maintain their sovereignty and security, provide a level of interoperability between the U.S. and that nation, sustain the U.S. industrial base, and most importantly, continue to build and strengthen our relationship with many nations.

### **What this portends...**

As we peer into the uncertain and volatile future of worldwide security and stability, we can see several trends emerging in the realm of military sales. First, they will obviously continue, and solidify at an approximate level of \$35-50 billion dollars per year for U.S. articles, for both equipment and education and training. With sales already pending, and service and sustainment to past sales, this is somewhat predictable. What is not predictable is a conflict or an escalation of state violence driving demand for foreign military sales and direct commercial sales up even higher. We cannot predict incursions like Russia into Crimea, but know that when they occur, arms transfers are soon to follow.

Next, the market will become more competitive and crowded as other nations introduce their defense articles to the world market, albeit without the type of success record or sustainment package offered by U.S. manufacturers. Already we see China, Brazil, France, Israel, and other high-tech nations offering everything from submarines to remotely piloted vehicles to nations with the resources to acquire them. The difference between many (not all) of these nations and the U.S. is that the U.S. has a multitude of laws governing the transfer and monitoring of weapons, where most other nations do not hold themselves to that responsibility or standard – it's simply a business transaction.

Furthermore, weapons will become even more technical as nations seek some capability (offensive or defensive) in all five domains (air, land, sea, space and cyber), which will drive costs up and increasingly drive higher education and training of operators. Those who can adapt and keep pace with the speed of innovation will be more secure and have the ability to independently maintain their sovereignty than those who cannot. Those who cannot will be driven to partner with nations out of necessity – and hopefully they will do so with the United States. For example, many nations who cannot afford a force in air and in space rely on alliance or coalition partners for that aspect, relying on cooperative security far more than independently attempting to secure their own capability, which would be prohibitively costly.

Finally, as pressures on the economies of nations continue to increase, we will see more emphasis on "selling" as a cooperative effort from nations rather than from individual corporations, meaning the "push" will be on governments, militaries, embassies, in addition to big multi-national corporations and even unions getting involved in influencing the sales. As this occurs, we will naturally see the opposition

to sales grow from political and citizen groups who are ethically and morally against proliferation – a faction that will have to be addressed in any form of representative government. Truly, American arms sales have now positioned the United States to be the “Arsenal of Sovereignty.”

*“Never again let us hear the taunt that money is the ruling power in the hearts and thoughts of the American democracy. The Lease-Lend Bill must be regarded without question as the most unsordid act in the whole of recorded history.” - Winston Churchill*