
Proposed Arms Sales to Saudi Arabia

By

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[The following is a reprint of a statement presented by Mr. Rope in Congressional testimony before the House Foreign Affairs Committee in Washington, DC, on June 19, 1990.]

It is a pleasure for me to appear before you this afternoon, along with Mr. Covey from our Near Eastern and South Asian Affairs Bureau and Mr. Smith from the Department of Defense, to discuss the Administration's plans to proceed with three major arms sales to Saudi Arabia.

These sales include:

- approximately 1,100 Light Armored Vehicles and related ammunition and support equipment;
- software and hardware modifications for the radar and computer systems on board the Saudi AWACS and aerial refueling tankers; and,
- 12 M88 tank recovery vehicles.

The Light Armored Vehicles and the AWACS modifications items were listed in the Javits Report submitted last February [per Section 25(a)(1), AECA]. Informal notification of the sales was made on May 4 and the formal notification [per Section 36(b), AECA] was delivered on June 5.

Our decision to notify was made after a lengthy assessment of the impact of these sales on U.S. interests in the Middle East and the security situation there. As a result of our assessment, we concluded that Saudi Arabia has a legitimate need for this equipment, that the sales will not have a negative impact on regional stability, that they will not pose a risk to Israel's security, and that they will serve a number of important U.S. interests.

GENERAL BACKGROUND

The largest of these three sales is the light armored vehicle or LAV package which totals approximately \$3.4 billion in value, of which about 75 percent of the components (valued at \$2.5 billion) will come from the U.S. The principal component of this package will be 1,117 LAVs. The LAV is a lightly armored, wheeled vehicle—not a tank. LAV denotes a family of vehicles which vary as to armament and function. About two-thirds of the LAVs to be purchased by the Saudis are armed variants and one-third will be support vehicles.

Machine guns constitute the primary weapon on most of the LAV variants; however, some are equipped with heavier guns and about 10 percent are equipped to fire TOW anti-tank missiles. The armor on the LAV is sufficient to protect against small arms fire and shrapnel from artillery.

Also part of the LAV package are 2,000 TOW 2A missiles, 116 TOW launchers which will be mounted on some of the LAVs, 27 155mm towed howitzers, and related logistical, training, and

construction support. Delivery of the LAV's could start in 1992 and would continue throughout the 1990s.

The second of these packages involves modification of Saudi Arabia's five AWACS and eight tanker aircraft. This package is valued at approximately \$600 million.

Modifications to all thirteen aircraft will enhance their navigation and self-protection capabilities. Seven additional modifications to the AWACS aircraft will involve hardware and software upgrades to the radar and computer systems.

These modifications represent a modest increase in operational capability and are fully consistent with the Presidential assurances given to Congress concerning the Saudi AWACS program. Their greatest value lies in ensuring the Saudi AWACS continued interoperability with the U.S. Air Force and in increasing the reliability and maintainability of the Saudi AWACS.

The third package includes the sale of 12 M88A1 tank recovery vehicles. It has a total value of approximately \$26 million. We have sold the M88 to Saudi Arabia on several occasions in the past.

MILITARY JUSTIFICATION AND IMPACT ON THE REGIONAL BALANCE

In deciding to proceed with these sales, we looked first at the Saudi need for each system. The LAVs are to be used by the Saudi Arabian National Guard. This is a separate organization from the Royal Saudi Land Forces (i.e., the Saudi army), and does not fall under the Saudi Ministry of Defense and Aviation. We have been closely involved in assisting the modernization of the National Guard since 1973.

The Saudis need the LAVs to replace a similar type of vehicle, the V-150 Commando Car, that has been in the National Guard inventory since the mid-1970s and is becoming increasingly difficult to maintain. As such, the acquisition of the LAV does not signify an expansion of force structure or mission; it represents the necessary replacement of aging equipment.

The LAVs will be employed primarily in an internal security role. The National Guard is charged with securing a number of fixed sites which could be vulnerable to terrorist attack and subversion. These include: the holy cities of Mecca and Medina, government facilities in Riyadh and elsewhere, the oil fields in the oil-rich Eastern Province, and various oil pipelines. The LAV's combination of mobility, armor protection, and firepower make it ideal for this mission.

The secondary mission of the National Guard is to support the Royal Saudi Land Forces in case of external attack; accordingly, a number of the LAVs will have an anti-tank capability. In performing this mission, the LAVs could be moved quickly by road, since they can travel at speeds up to 60 mph and are not dependent upon tank transporters, to take up forward blocking positions until such time as the Royal Saudi Land Forces deploy. The TOW missile would provide the firepower necessary to engage attacking armored forces; however, the LAV's light armor would limit its long term effectiveness in this role. It is with this secondary mission in mind that the National Guard has also requested 155mm towed howitzers as part of the LAV package.

The modifications to the AWACS and tanker aircraft are also being applied to U.S., U.K., and French AWACS aircraft. For the most part, these modifications represent modest improvements in existing system capabilities. As a result of these modifications, the on-board computers will be able to process data faster and more accurately, and the radar will be better able to identify targets. However, since the radar operates on a line-of-sight basis, its range will remain unchanged. The only new capability that these modifications will provide is the ability to detect, but not jam or interfere with, emissions from air defense and other radars and electronic emitters.

These modifications constitute the first update of the software on the Saudi AWACS since their delivery. They will advance the 1960s and 70s technology currently found on these aircraft to that which is now standard on U.S. Air Force AWACS aircraft. Without these modifications, it would be necessary to operate a separate supply and maintenance system just to support the Saudis—an inefficient arrangement for us and a less responsive system for them.

These modifications are also essential to ensuring continued interoperability between U.S. and Saudi aircraft. This paid off during our Persian Gulf operations in 1987 and 1988; and it remains important today that Saudi aircraft be compatible with, and able to operate with, our own.

The modifications would be applied in three phases starting in the fall of next year and continuing through the end of the century.

Finally, the M88 Recovery Vehicles are required by the Royal Saudi Land Forces to support their armored forces. These vehicles serve a strictly logistical support function. The Saudis are buying them now because the U.S. production line will be closing.

We believe that each of these packages is well suited to specific Saudi defense needs. Given the type of equipment and the role in which it will be employed, the impact of these three sales on the regional balance and, in particular, on the security of Israel, will be minimal. None in any way undercut our unshakable commitment to the security of Israel.

U.S. INTERESTS SERVED BY THE SALES

All three sales will serve important U.S. interest and objectives. The U.S. and Saudi Arabia have a 45-year-old security relationship, which has been vitally important to our economic and strategic interests.

A key facet of our relationship has been U.S. willingness to provide the weapons the Saudis require to meet their legitimate defense needs. It should be noted, however, that of the more than \$50 billion in U.S. sales of defense equipment and services to Saudi Arabia since the 1950s, less than 15 percent has gone to the purchase of actual weapons systems. The rest has been used to purchase non-lethal equipment, construction, and other support services.

In addition to fostering closer security relations with the Saudis, these sales will directly enhance Saudi Arabia's ability to defend its vast oil reserves—one-quarter of the world's proven reserves—a resource in which we will have a major interest for many years.

By tangibly demonstrating our commitment to Saudi security, these sales will strengthen our political ties with Saudi Arabia, which will also advance U.S. interests.

The Saudis have helped shift the Arab consensus from the *rejectionism* of the 1970s to a search for a *just settlement* which included recognition of *the right of all states in the region to live in peace* in the 1981 Fahd Plan. They have worked quietly to have these principles reaffirmed in the Arab League summits at Fez, Algiers, and Casablanca.

Saudi Arabia worked to achieve Egypt's return to the Arab League with its ties to Israel intact and played an important role in encouraging PLO leader Arafat to make his statements recognizing Israel's right to exist, renouncing terrorism, and accepting UN resolutions 242 and 338.

They have long been active in seeking a settlement of the now 15-year-old civil war in Lebanon. Although last year's Taif Accord has still to be fully implemented, the Saudis worked extremely hard to bring it to fruition.

They have also been instrumental in promoting the resolution of disputes in North Africa; and with the U.S. and Pakistan, they have provided vital support for the Afghan resistance which has been instrumental in the Afghan peoples' struggle for self-determination.

And most recently, they worked hard with Egypt to moderate the tone of last month's Arab League summit in Baghdad.

Finally, these sales will yield substantial economic benefits. Their cumulative value is approximately \$4 billion of which components worth slightly more than \$3.1 billion will come from the U.S. Though the LAV is being assembled in Canada by GM of Canada, approximately 75 percent of the total package will be U.S. in content and will yield over 11,000 worker-years of employment in at least 24 states. The AWACS modifications will generate additional employment in eight states. These are all cash sales that will involve no cost to the American taxpayer.

In sum, the Administration has considered carefully all facets of these sales. We do not mean to imply that \$4 billion in defense equipment and services is inconsequential. The Saudis will be getting equipment for which they have a legitimate defense need and will be getting their money's worth. Given the nature of the equipment included in these sales, we believe that they will serve Saudi Arabia's security needs and U.S. interests well without upsetting the regional balance or posing a threat to Israel. Under these circumstances, we have elected to proceed.

Presidential Policy on Offsets in Military Exports

[The following represents an April 16, 1990 statement by President Bush's Press Secretary plus a separate Fact Sheet issued by the Press Secretary on the same day relating to offsets associated with military export sales.]

The White House Office of the Press Secretary

The President announced today [April 16, 1990] his Policy on Offsets in Military Exports. This responds to the requirement under the FY 1989 National Defense Authorization Act, Section 825, 10 U.S.C. Sec. 2505.

The President stated that the United States Government is committed to the principles of free and fair trade. Consequently, the United States Government views certain offsets for military exports as economically inefficient and market distorting.

Mindful of the need to minimize the adverse effects of offsets in military exports, while ensuring that the ability of U.S. firms to compete for military exports sales is not undermined, the President has established the following policy.

- No agency of the U.S. Government shall encourage, enter directly into, or commit U.S. firms to any offset arrangement in connection with the sale of defense goods or services to foreign governments.
- U.S. Government funds shall not be used to finance offsets in security assistance transactions except in accordance with currently established policies and procedures.
- Nothing in this policy shall prevent agencies of the U.S. Government from fulfilling obligations incurred through international agreements entered into prior to the issuance of this policy.
- The decision whether to engage in offsets, and the responsibility for negotiating and implementing offset arrangements, resides with the companies involved.
- Any exception to this policy must be approved by the President through the National Security Council.

The President also noted that the time has come to consult with our friends and allies regarding the use of offsets in defense procurement. He has, therefore, directed the Secretary of Defense, in coordination with the Secretary of State, to lead an interagency team to consult with foreign nations with a view to limiting the adverse effects of offsets in defense procurement. This interagency team will report periodically on the results of these consultations and forward any recommendations to the National Security Council.

FACT SHEET

Offsets have become a common feature in the international arms trade. In the most general sense, offsets are industrial and commercial compensation practices offered or demanded in connection with the purchase of defense goods and services. While offsets also occur in civil trade, and include business practices as old as barter itself, the scope and variety of offsets associated with military exports have become the focus of increasing public attention.

Some forms of offsets have become basic components of achieving defense sales and of furthering national policy goals of the U.S. and foreign governments. The objectives of a government making a foreign arms purchase often go beyond procuring arms at cost-effective prices, and include considerations of the political acceptability of a foreign source, the maintenance and development of domestic defense and non-defense industries, obtaining advanced military and commercial technology, increasing employment, and other economic goals such as conserving foreign exchange.

In this context, a U.S. seller of defense goods and services is often faced with difficult choices:

- The seller can elect not to offer offsets, which could result in the loss of sales because of the existence of competition willing to offer offsets;
- The seller can elect to offer offsets and hope to minimize their costs during implementation;
- The seller may face foreign government demands that obligate the seller to provide offsets as a non-negotiable condition of sales.

Because some offsets can alter the nature of defense sales transactions by including terms unrelated to price and performance of the product or services, offsets can introduce market rigidities and increased costs to the purchaser. In these circumstances, the result not only distorts trade and reduces economic efficiency, but it diminishes the purchasing power of scarce defense resources.

The President's policy, announced today, clarifies the role of the U.S. Government in offset arrangements. It commits the government not to encourage or commit to offsets and constrains the use of U.S. Government funds in offset arrangements. However, recognizing the commercial reality of these arrangements in the free marketplace, the President's policy does not limit the negotiating and implementing rights of U.S. industry in establishing offset arrangements with foreign buyers of U.S. goods and services.

The offset policy was developed through interagency consensus on the subject. Participating agencies included the State, Treasury, Defense, Commerce, and Labor Departments, the Arms Control and Disarmament Agency, and the Federal Emergency Management Agency, as well as four elements of the Executive Office of the President (the United States Trade Representative, the Council of Economic Advisors, the Office of Management and Budget, and the National Security Council). The policy also reflects the majority of the views submitted by the public as a result of a Department of Commerce *Federal Register* notice inviting public comment on this issue.