
Towards a New Conventional Arms Transfer Policy

By

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[The following is a reprint of Mr. Wisner's statement before the National Security Industrial Association (NSIA), Arlington, Virginia, April 14, 1994.]

Thank you ladies and gentleman. I am very pleased to be able to join you today. I know well and deeply appreciate the central role you and your colleagues play in keeping our nation secure and at peace. But our gratitude is not only for the work you have done, but for the work yet to come.

This is a time of enormous importance to you in the defense business as we together give fresh thought to our nation's policy for conventional defense exports. I want to take this opportunity today to share with you preliminary thoughts about where we should be headed. Many others in Washington are considering the same subject. At the President's direction, the administration is working hard to develop a comprehensive conventional arms transfer policy. We hope to complete this work soon and we recognize that the entire range of conventional arms transfers must be worked out in close collaboration with Congress before we are finished. We look forward to presenting our ideas during the balance of the year.

I believe it is clear to all of us—you in industry and we in government—that the new international environment requires a continuing review of our defense policies, the readiness of our forces, our modernization programs, and in this context, the nation's conventional arms transfer policy. The cold war has left in its wake profoundly new military requirements for ourselves and our allies. These new requirements have a significant effect on each of us, and on the agencies and industries we represent. Let's be frank. Demand is down in many regions that formerly were major purchasers. Meanwhile, supplier nations—their domestic arms procurement budgets cut from the post-cold war drawdown—are struggling to keep key arms industries alive. The future, in a word, is not as promising for arms suppliers as in recent decades. To put the issue differently, this is no longer a demand-driven market; purchasers have the upper hand.

Add to this the fact, as you all well know, that there is a strong and proper congressional and public interest in the control of conventional weapons, given the instabilities in the world and the destructive power of modern conventional weaponry.

But the news I have for you today is not only negative. There are indeed significant new opportunities for all of us. Our goal finally is a more peaceful and stable world in which we can pursue our national interests. The challenge we will face in the coming months and years is to adapt our policies, our programs, and our organizations to exploit these opportunities. What are these?

First, we will maintain America's strength. The Armed Forces we have planned for in our bottom-up review and provided for in our budget will leave the United States fully capable to provide for our security and extend our influence abroad to help shape the peace. We intend to maintain our technological and production base and we will selectively modernize our forces. The United States will be able to fight and win in two nearly simultaneous regional conflicts.

We will maintain robust forces forward deployed in Europe and Asia and we will increase our capability to reinforce those forces when needed.

Second, the changed world environment brings new and historic opportunities for multilateral cooperation in arms restraint. We must seize this advantage, and do so in a manner which we can sustain both with Congress and our key allies. Our decisions must be grounded in military, economic, and political realities. They must support our national security and foreign policy objectives.

Third, even as we seek, together with our allies, to find new ways to reduce the likelihood that conventional weapons will fall into the hands of those who promote instability, we need to bolster our own and our allies' and friends' military capabilities. And we will seek to do that in ways that foster interoperability and standardization. Our military operations in the future are even more likely than in the past to be coalition efforts.

Fourth, while restraint and selectivity will be our credos for the post cold war world, maintaining a healthy, and adaptive industrial base to underwrite our security will be our tandem goal. The two are indeed complementary.

Let me assure you that the administration is mindful that conventional arms transfers remain an important means of supporting our security both at home and abroad. But let me also be blunt with you today: as committed as the administration is to maintaining our technological advantages and industrial base in the interest of a strong national defense, we cannot rely solely or primarily on export markets to do the job for us. Our arms sales will be selective, and we will respect scrupulously the body of law and regulations which have evolved over the years.

Let me explore each of these premises in turn:

I. MULTILATERAL RESTRAINT

A clear objective of U.S. policy is to reduce dangerous or destabilizing transfers, particularly to rogue states and regions of tension, through increased transparency, vigorous diplomacy and by supporting a balance between responsible arms sales and restraint. The specter of an irresponsible adversary equipped with the most advanced conventional weaponry is one we simply cannot accept.

We in the United States and in this administration take this threat very seriously, and we are working closely with our friends and allies to stanch the possibility of destabilizing transfers. In the new international environment, unilateral restraint is but one—and by no means the preferable—option available to us. A broad agenda of multilateral efforts must be the cornerstone of our policy.

Our efforts will include:

- Seeking full adherence of other participants with existing multilateral agreements. We also should try to expand the quality and quantity of participation in the United Nations Register of Conventional Armaments.

- Promoting multilateral negotiations to constrain the flow of arms to regions of tension. These negotiations will include enhanced transparency and the adoption of multilateral standards of conduct covering sales. One important goal of our international, regional, and bilateral efforts should be to bring the export policy of other major suppliers more in line with our standards of oversight and transparency.

The entire industrial world has a stake in the success of multilateral regimes—be they the missile technology control regime, or the CSCE [Conference on Security and Cooperation in Europe] guidelines for principles of governing conventional arms transfers, agreed in Vienna in 1993.

As you know, COCOM [Coordinating Committee for Multilateral Export Controls] came to end on 31 March 1994. We have reached important understandings with our allies in our efforts to establish a post-COCOM regime that targets sensitive dual-use and military technologies and identifies countries and regions of concern. It also provides for information exchanges, consultations, and restraint to enhance international peace and stability. We are working to bring Russia into the process as well.

Multilateral agreements can productively be oriented towards specific regions as well. All of us also have a stake in regional arms control arrangements like the Perm-5 Group [Permanent 5 members of the UN Security Council] undertaken with U.S. and Russian patronage in the Middle East.

Multilateral cooperation must include incentives. We need to pursue defense conversion programs, including assistance, even beyond the former Soviet Union and Warsaw Pact countries, as a means of cushioning the effects of declining arms sales. Providing options to nations whose economies depend heavily on military production serves our national security by helping to reduce pressure to manufacture and sell arms on the international market.

- In this regard we must try to engage the willingness of the West and Japan, as well as international financial institutions to fund defense industrial conversion. The United States alone cannot support a broad international conversion effort; our limited resources must be targeted on countries of high priority. The Pentagon's assistance has focused on selected states of the former Soviet Union and the nations of Central and Eastern Europe, and within those states, on enterprises that have the capability to produce weapons of mass destruction or significant components of such weapons. Even there we can influence conversion only by providing seed money to demonstrate that joint private ventures can be successful. Russia and its neighbors must make a commitment to conversion. We can assist with technology, by helping to build business partnerships and with seed capital.

Dr. Perry [Secretary of Defense], carried this important message with him on his recent visit to Russia, Ukraine, Kazakhstan, and Belarus, where he outlined new instruments for assisting these countries with defense conversion. These include a U.S.-backed Demilitarization Enterprise Fund, and the use of the International Executive Service Corps which would send resident expert advisers to assist in defense conversion. The Secretary of Defense also was able to sign agreements for some \$75 million worth of Nunn-Lugar conversion assistance. The results of these initiatives will not only redound to the benefit of the states of the former Soviet Union, but to American businesses as well.

II. WORKING WITH OUR ALLIES AND THE INDUSTRIAL WORLD

In confronting the post-cold war security landscape, it is wise to focus our efforts on maintaining robust, ready, and effective military capabilities at home while simultaneously helping our friends and allies maintain their security. Conventional arms transfers have a role to play provided that we are selective. A reasonable flow of arms and technology between our nation and our allies and friends is a *sine qua non* for regional stability, power projection, and interoperable coalition defense.

While United States' technology and arms remain the preferred option for most countries, increased global competition increasingly is a fact of life. In the face of declining demand and

contracting budgets, major suppliers are looking to international sales to maintain economies of scale and to keep production lines open and preserve jobs. Russia, other former Soviet republics, and former Warsaw Pact allies, in an attempt to generate hard currency, are marketing their most modern equipment, often at prices below comparable United States items. China will also continue to export arms to finance military modernization.

We are not opposed to an orderly sale of arms to responsible buyers—a point we make to our friends in Europe, Russia, and elsewhere. Nevertheless, in this more competitive environment, all suppliers will experience a period of reorganization. Responsible sales do make a positive contribution to a sufficient and diverse defense industrial base. They can not be considered the principal substitute for the restructuring of defense industries overseas or within the United States. As all of you know, this is currently in progress in this country.

Responsibility must be the watchword for all major arms suppliers. No major industrial nation, Russia included, can afford to contribute to instability. There is no reason to furnish arms which will upset regional balances, fuel arms races or conflicts between states. Nor should weapons be exported which will supply the arms terrorists use, or feed proliferation, or the development of weapons of mass destruction.

Let me be clear: we accept the premise that conventional arms sales by American suppliers, when conducted within the boundaries of law and regulation, and duly authorized, are a legitimate and important export business. We can only allow arms sales when they support our national security and foreign policy objectives.

III. HELPING U.S. SUPPLIERS SELL OVERSEAS

Therefore, when it is both legitimate and in the interest of our national security to do so, the U.S. government can and should play a role in helping our nation's suppliers—to ensure that they benefit from every reasonable competitive advantage. But we will not sell arms for strictly economic reasons.

Secretary Perry has been a lifelong advocate for ensuring that our defense benefits from the most advanced technology and know-how available in the global marketplace. The very best of our own and our friends' industrial capabilities could be harnessed in the service of collective security.

A major feature of that goal is to pursue armaments cooperation with our close allies. This requires a new approach to cooperative armaments programs. Consonant with long standing policy, the Defense Department Acquisition Team has renewed talks with our European allies and Japan to establish a basis for cooperative programs. In no area is cooperation more important than in the development of Theater Missile Defense programs. We are in the business of pursuing arrangements on the bases of straight sales, cooperative technology development and exchanges.

As a matter of policy, this administration is prepared to be more forthcoming in exchanges of technology with and among our major trusted allies. We must also consider ways to open markets for defense goods and services. If we are going to fulfill our commitment to keeping U.S. Armed Forces on the technological leading edge in an era of declining resources, then we must be prepared to go beyond the narrow strictures of closed markets and duplication of systems. But the economies of scale, improved technologies and other benefits that we and our allies can derive from such liberalization of our internal acquisition practices must be balanced by the adoption of higher, common standards for transfers and retransfers of technologies, armaments and capabilities. Thus, it is essential that we and our allies undertake these changes within the broader context of the multilateral arms control initiatives I have already described.

The Clinton Administration should work to help American suppliers in several ways:

- Where exports meet established national security and foreign policy standards, defense exports will be accorded the same consideration as other United States exports.
- When we choose to proceed for reasons of policy, we will provide the support of American diplomatic missions for United States defense firms in their marketing efforts. Our missions will play an active role in making an American case to governments which are considering arms purchases.

In making this point, I have Asia in mind. I am thinking of the Middle East and the Gulf as well. We have important national security interests at stake in each of these regions. Even if we will be selective in our sales, our friends can be assured that the United States can be relied on to help keep the peace and to assist them in maintaining their defenses.

- We are also seeking legislation to repeal the non-recurring cost recoupment charges from foreign military sales.
- We might also think in terms of building greater consistency and predictability to our arms sales decision-making. One such idea, that is worthy of greater exploration, is the notion of establishing specific "benchmarks" for the transfer of systems or levels of technologies to specific categories of recipients. "Benchmarks" would provide clearer guidance within an overarching policy framework for making case-by-case decisions on individual transfer requests. Benchmarks could help ensure that such decisions can be made more consistently, coherently, and predictably.
- We are planning to continue DoD involvement in international air and trade exhibitions consistent with our national security interests. The first direct DoD participation under this administration was at the Singapore Air Show; EuroSatory was recently approved for direct DoD participation. The Singapore Air Show was a success, and we anticipate that the EuroSatory Land Forces Exhibition will be equally successful. EuroSatory provides a new opportunity for the United States, as this is the first time in the show's 27-year history that the United States and other non-European countries have been invited to participate. We also plan to support exhibits in the Paris Air Show and in Dubai. Our willingness to participate in such exhibitions will be thoroughly discussed with Congress.

- We have other ideas as well. To those of you who are *Wall Street Journal* readers, we may consider linking sales of DoD inventory systems, such as F-16s, to upgrades so that the customer gains a current capability that supports coalition strategies at an affordable price while industry gains the business.

- We are considering the question of financial assisting to defense exports. Though Congress authorized a Defense Export Financing Program for FY 94, they did not appropriate the funding needed to pay for it. The administration is reviewing this issue.

CONCLUSION

As the administration considers its policy on conventional arms transfers, we are taking great pains to balance the challenge of stiffer competition and the need to restrain destabilizing transfers. Our presumption will always be for prudent and legitimate sales to further our security interests. But our policy must be built on a firm foundation of restraint in concert with our friends.

America has long taken pride in the remarkable products and services that you and your colleagues have provided our nation in times of major international conflict and sustained superpower tension. Now it is time to do the job in a different and more complex security environment. As never before, it is necessary to join together in common cause as we construct a new approach for keeping our own defense industries, and those of our friends and allies healthy, vibrant, and ready. In doing so, we must press for increasingly open and cooperative market places while simultaneously building support for restraints on destabilizing arms sales. This is a complicated task. We all will benefit greatly from close collaboration between ourselves in the days ahead as we begin the hard work of building a new and aggressive approach to promoting America's security interests and products—an approach that is sustainable with Congress and the public, with our allies, and with you.