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UNITED STATES ARMS SALES TO THE PERSIAN GULF

REPORT OF A STUDY MISSION TO
IRAN, KUWAIT, AND SAUDI ARABIA
MAY 22-31, 1975

PURSUANT TO

H. Res. 315

AUTHORIZING THE COMMITTEE ON INTERNATIONAL
RELATIONS TO CONDUCT THOROUGH STUDIES AND
INVESTIGATIONS OF ALL MATTERS COMING WITHIN
THE JURISDICTION OF THE COMMITTEE



JANUARY 19, 1976

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FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., December 19, 1975.

This report has been submitted to the Committee on International Relations by Hon. Pierre S. du Pont IV, who conducted a special study mission to examine U.S. arms sales to the Persian Gulf, during May 1975.

The observations and findings in this report are those of the study mission and do not necessarily reflect the views of the membership of the full Committee on International Relations.

THOMAS E. MORGAN, *Chairman.*

(III)

LETTER OF TRANSMITTAL

DEAR MR. CHAIRMAN: There is transmitted herewith a report of a special study mission conducted between May 22 and May 31, 1975 by the undersigned, a member of the Committee on International Relations.

The purpose of the mission was to gather information on U.S. arms sales to Iran, Kuwait, and Saudi Arabia. U.S. arms sales to the nations of the Persian Gulf have greatly increased since 1973. In fiscal year 1975, Kuwait, Saudi Arabia, and Iran placed orders for over \$4.3 billion in American defense equipment and services. These burgeoning arms sales to the Persian Gulf have generated a growing concern in Congress. Congressional concern has focused not only on the volume of the arms sales but also on the apparent lack of a U.S. policy regulating arms sales.

The study mission was timed to precede a series of hearings on U.S. arms sales to the Persian Gulf held by the Special Subcommittee on Investigations of which I am a member. In preparation for these hearings, I found it to be very useful to discuss the issues involved in arms sales with officials in each of the three countries I visited. Talks with members of the government and military in Iran, Kuwait, and Saudi Arabia enabled me to approach the arms transfer question from a variety of perspectives.

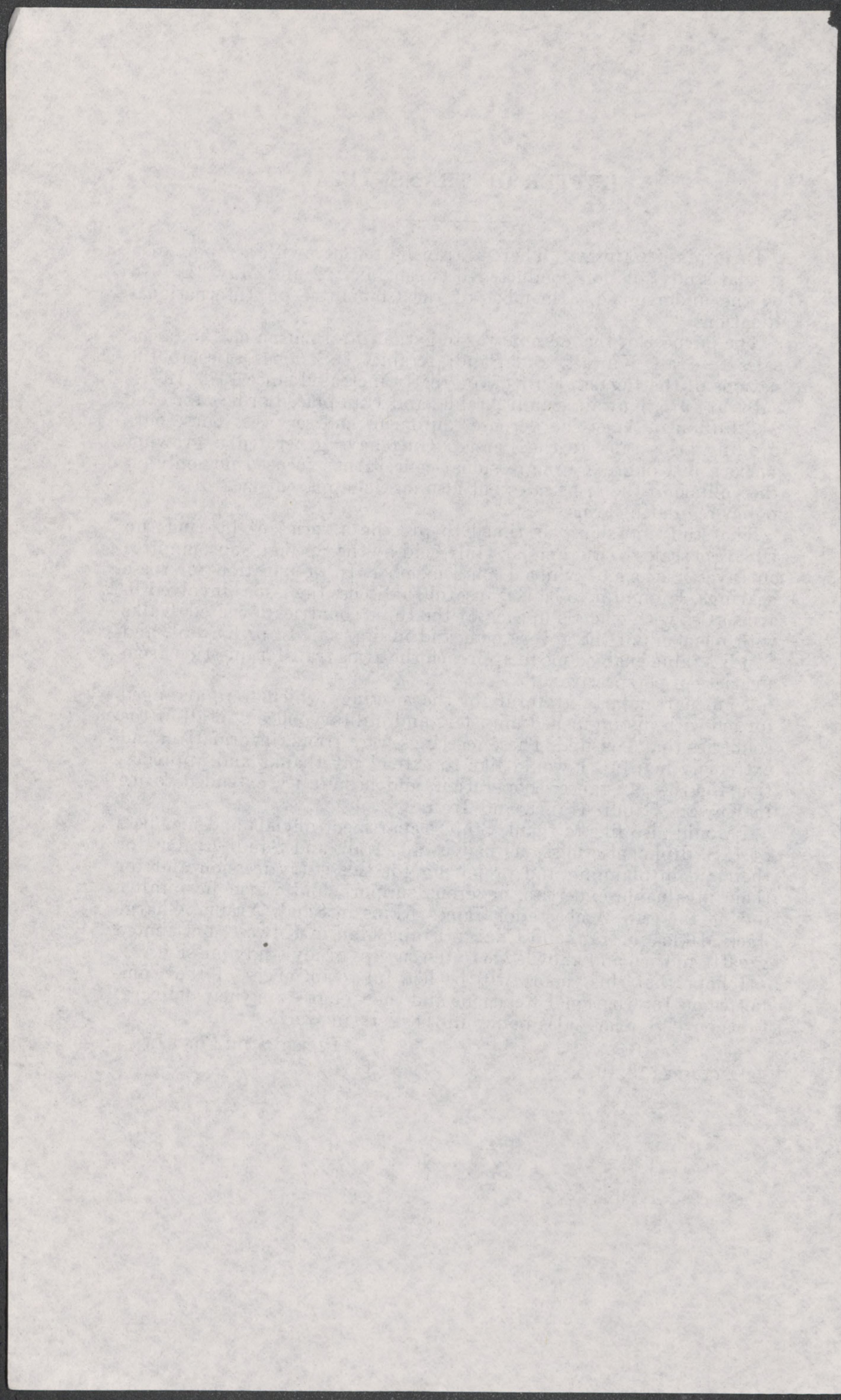
I am particularly grateful for the meetings which were arranged for me with distinguished ministers and military officers in all of the countries that I visited. These meetings were frank, informative, and extremely helpful. I would like to extend my thanks and appreciation for the assistance, cooperation, and hospitality extended to me in Kuwait, Saudi Arabia, and Iran.

I would also like to thank State Department officials and members of U.S. diplomatic missions in Kuwait, Iran, and Saudi Arabia for their aid in planning and preparing for this study mission and for their invaluable expertise, generous support, and warm hospitality during the trip. Ambassador James Akins in Saudi Arabia, Chargé Jack Miklos in Iran, and Chargé Frank Mau in Kuwait contributed greatly in time and knowledge to the success of my study mission.

I hope that this report will be helpful to members of the Committee on International Relations and the Congress in their deliberations on U.S. arms sales policy in the Persian Gulf.

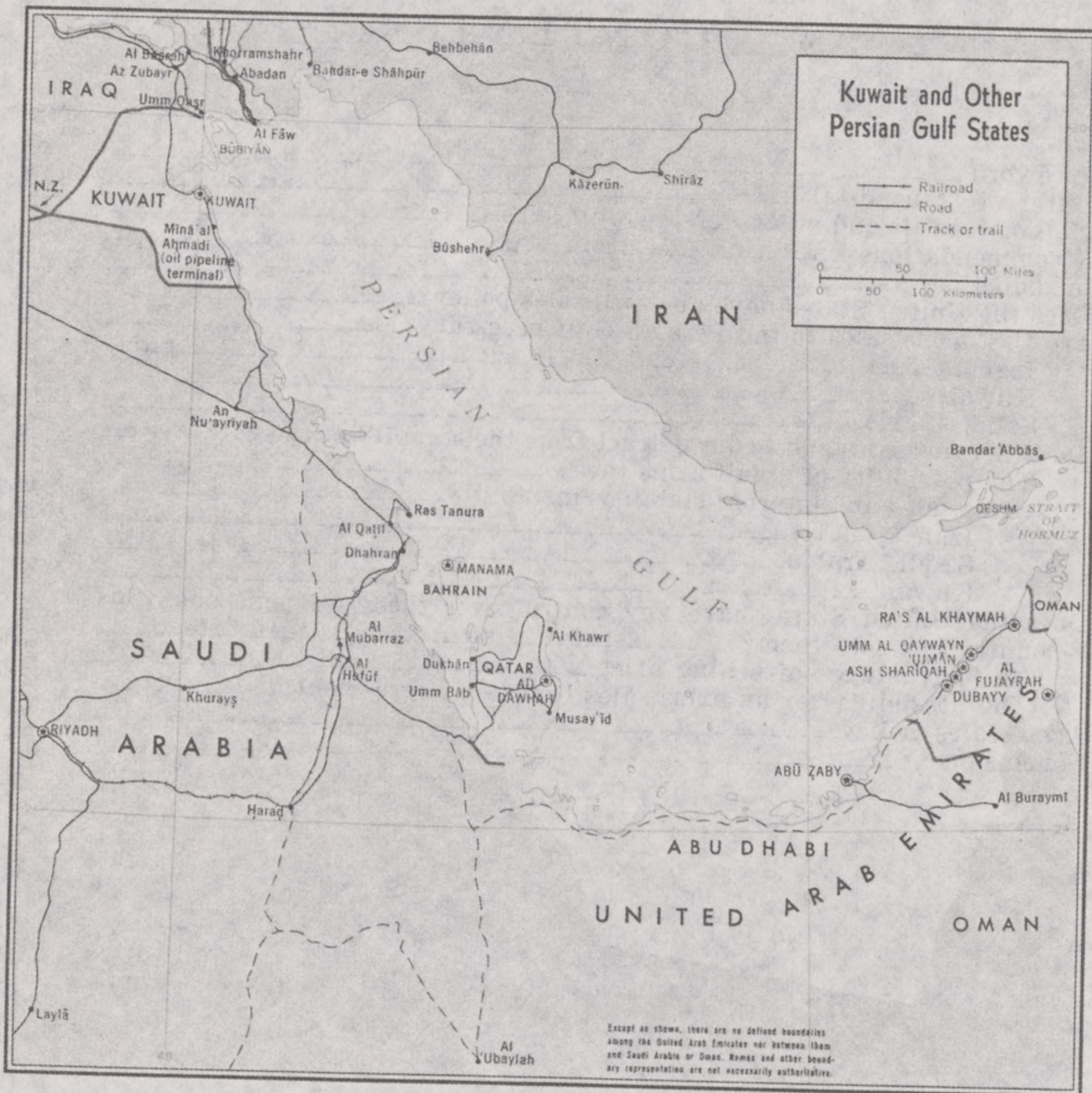
PIERRE S. DU PONT IV.

DECEMBER 19, 1975.



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UNITED STATES ARMS SALES TO THE PERSIAN GULF

RECOMMENDATIONS

U.S. arms sales to the Persian Gulf countries are, and should remain, an instrument of American foreign policy in that region. However, the United States must define better the objectives and examine more carefully the impact of its arms sales to the gulf countries and the risks engendered by those sales.

At present, the United States lacks a cohesive arms sales policy and considers arms sales on a case-by-case basis. As a result of inadequate procedures for considering an overall sales policy, the sale of U.S. arms has escalated to the point that gulf states are annually ordering over \$4 billion in arms or, in other words, over 45 percent of annual worldwide sales.

In concluding that the United States should continue to sell military hardware to the Persian Gulf, however, I would like to make the following recommendations:

1. The United States should formulate a comprehensive arms sales policy. This policy should take into consideration whether or not the sale of sophisticated weaponry is in the security interests of the United States. (Pp. 30-32.)

2. The U.S. Congress should not impose a moratorium on U.S. arms sales to the gulf countries. Although a unilateral moratorium might at least temporarily end U.S. arms sales to the Persian Gulf, it would not limit the sale of arms to the gulf by other arms suppliers. In the long term, therefore, there is little evidence that a moratorium would substantially lessen arms procurement in this region.

In addition, a U.S. arms moratorium would damage American relations with the countries of this area who depend upon the United States for military counsel, assistance, and training, in addition to hardware. These countries would interpret a U.S. moratorium as evidence of a reckless disregard for their legitimate defense needs. A U.S. arms moratorium, therefore, would undermine the good relations in the Persian Gulf this country now enjoys. (Pp. 28-29.)

3. The United States, as the major arms supplier to the region, should initiate talks with the Soviet Union, France, Great Britain, and the other major arms suppliers to the Persian Gulf, in an effort to reach an arms limitation agreement for the gulf region. In these discussions, this country should attempt to promote an acceptance of a general restriction on the quantity and the sophistication of the arms sold to the gulf. (P. 29.)

(1)

4. The United States should encourage regional security pacts among gulf states as an alternative to a spiraling arms race in the region. (Pp. 9-12.)

5. The United States should attempt to avoid sole-source relationships in military procurement with Persian Gulf countries. An American monopoly of the arms market in a nation creates a dependency on American arms, technology, and training for that country's defense. This dependency relationship presupposes a U.S. responsibility toward that country's security, which could lead to a deeper American involvement in the area should military conflict occur. The United States should employ self-restraint in negotiating arms sales with Persian Gulf countries, keeping its share of each national market at less than 50 percent. (Pp. 16-21.)

6. The United States should attempt to maintain cordial relationships with all gulf countries including those to which it does not supply weapons. The United States should avoid any involvement in regional disagreements and conflicts. (P. 30.)

7. The United States should stress development of its non-military exports to the Persian Gulf countries and should seek mutually beneficial investments in this area. Like arms sales, non-military exports benefit the U.S. balance of payments and job situation while they provide the gulf region with needed technology and training. They, therefore, promote good relations between the United States and the gulf countries. But unlike arms sales, non-military exports generate few potentially dangerous side effects and they pose few risks of destabilizing the region or involving the United States in local disputes.

INTRODUCTION

The U.S. arms trade with foreign nations is not a new development. Particularly in wartime but also in times of peace, the U.S. Government has supplied military hardware to foreign governments as part of a policy of bolstering the defenses of nations friendly to this country.

In recent years, however, the U.S. worldwide arms trade has increased tremendously:

*U.S. arms exports*¹ [Millions of dollars]

1963 -----	1,198	1969 -----	3,497
1964 -----	1,124	1970 -----	3,117
1965 -----	1,490	1971 -----	3,378
1966 -----	1,887	1972 -----	4,102
1967 -----	2,232	1973 -----	5,018
1968 -----	2,685		

¹ Includes foreign military sales deliveries, commercial sales, and military aid grants.

Source: *World Military Expenditures and Arms Trade, 1963-1973*, U.S. Arms Control and Disarmament Agency, 1975.

In 1974 and 1975, foreign military sales orders totaled \$10.8 billion and \$9.5 billion, indicating an ever-expanding U.S. worldwide arms trade in the future.

The character of the U.S. worldwide arms trade has changed in two important ways in the past several years. The terms of the trade are becoming increasingly oriented toward sales and some credits rather than toward grants. As the chart on the following page shows, while the level of military assistance grants has declined steadily over the past 10 years, the level of foreign military sales deliveries has risen.

FOREIGN MILITARY SALES AND MILITARY ASSISTANCE GRANTS, 1964-75

[In thousands of dollars]

	Fiscal year—											
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Military assistance grants-----	1,256,380	1,435,108	1,062,335	942,708	792,217	653,039	536,488	532,081	553,441	520,137	788,614	504,000
Foreign military sales deliveries-----	479,839	703,375	821,806	886,515	1,051,766	1,227,603	1,325,392	1,326,607	1,308,023	1,385,285	2,936,000	-----

Source: Department of Defense, Foreign Military Sales and Military Assistance Facts.

The character of the U.S. worldwide arms trade has changed in another significant respect. Prior to 1973, the largest proportion of arms sold on a government-to-government basis by the United States went into the arsenals of Western European nations which were members of NATO and, therefore, allied militarily with the United States. In the last several years, however, the percentage of the worldwide total of U.S. foreign military sales deliveries which went to NATO countries has declined and the percentage delivered to the Persian Gulf countries, Iran, Saudi Arabia, and Kuwait, has increased significantly.

FOREIGN MILITARY SALES DELIVERIES

[Percentage of worldwide total]

	Fiscal year—				
	1970	1971	1972	1973	1974
NATO countries.....	44	43	45	32	23
Iran, Kuwait, and Saudi Arabia.....	10	7	18	24	24

Source: Foreign Military Sales and Military Assistance Facts, Department of Defense.

Looking at arms sales orders alone, these Persian Gulf countries, in fiscal year 1975, ordered \$4.3 billion which is over 45 percent of the worldwide orders of U.S. arms during that year. This high percentage of arms orders emanating from the Persian Gulf reflects the great increase in foreign military sales orders which Iran, Saudi Arabia, and Kuwait have placed in the United States:

FMS CASH ORDERS

[In millions of dollars]

	Fiscal years—			
	1972	1973	1974	1975
Iran.....	528	2,109	3,917	2,568
Kuwait.....	(1)	(1)	30	370
Saudi Arabia.....	342	84	2,539	1,374
Total.....	870	2,193	6,486	4,312

¹ Less than \$100,000.

Source: Defense Security Assistance Agency.

U.S. commercial sales to Persian Gulf nations have also become more significant:

COMMERCIAL SALES: DELIVERIES

[In thousands of dollars]

	Fiscal year (actual)	
	1974	1975
Iran.....	35,322	100,000
Kuwait.....	106	1,000
Saudi Arabia.....	18,031	10,000
Total.....	53,459	111,000

Source: "Foreign Military Sales and Military Assistance Program," Congressional Presentation Document, fiscal years 1976 and 1977, Nov. 5, 1975, Department of Defense.

This increase in U.S. arms sales orders placed by Persian Gulf nations has been financed by the tremendous oil revenues pouring into those countries since 1973. Financial power has given Persian Gulf nations the means to build military power. No longer dependent upon military assistance and credits for armament procurement, Iran, Saudi Arabia, and Kuwait can now theoretically buy all the weapons they want. Whereas Congress previously regulated the upper limits of the value of arms transfers to the Persian Gulf by annually setting levels of military assistance, grants, and credits for that area through the foreign aid bill, these countries are now no longer dependent upon American military assistance.¹ Oil revenues have freed the gulf countries from congressionally imposed restraints on the value and amount of arms they may purchase from the United States.

The United States has not been the only nation to trade arms for petrocurrency in the past several years. France, Great Britain, and the Soviet Union have all been developing growing arms markets in the Persian Gulf.

Chart III.—Arms deliveries to Persian Gulf countries,¹ 1970-75

United Kingdom-----	\$1.83 billion
France -----	1.67 billion
U.S.S.R. -----	600.5 million
 Total -----	 4.1 billion
United States-----	7.94 billion

¹ Iran, Iraq, Saudi Arabia, Kuwait, Oman, Qatar, U.A.E., Bahrain.

Source: *Defense Monitor*, volume 4, No. 3. May 1975.

Further analysis of these data shows that the United States, Great Britain, and France are competing against each other for one share of the market while the Soviet Union enjoys a practical monopoly in the other portion. In the gulf area, Iraq relies almost solely upon the U.S.S.R. for arms purchases and assistance. Iran pursues a not dissimilar purchaser-supplier relationship with the United States. But in Saudi Arabia, Kuwait, and Oman, the French and the British compete successfully with the United States for arms sales.²

Accompanying this tremendous escalation in the quantity of arms sold has been an even more significant increase in the sophistication of the arms sold. The Saudis and the Iranians are writing orders for weapons of great sophistication. The Iranian concept of defense now centers around Hawk missiles, F-5's, F-14's, *Spruance*-class destroyers, and submarines. The \$4 billion shopping list the Iranians are bringing to the Department of Defense is not a compilation of rifles

¹ The last year any Persian Gulf nation received military grant aid from the United States was in 1973.

² Saudi Arabia, which has excluded the Soviet Union from any arms deals [Saudi Arabia does not maintain relations with the Soviet Union], has bought almost two-thirds of its military equipment from the United States and the other one-third from France and the United Kingdom. Oman, where there is a British military presence, has depended fairly heavily in the past on Great Britain for its weapons' procurement and has turned only lately to the U.S. for armaments. Kuwait, similarly, has waited until the recent past to purchase American weaponry. Previously, it maintained a small military force which it supplied with British and French armaments. Today, therefore, the United States is competing actively in all of these countries for the weapons market. Retaining its almost exclusive hold on the Iranian market, it is striving to make greater advances into the Saudi market while it is opening up the Kuwaiti and Omani markets to its goods.

and tanks; it is a demand for the very latest, most sophisticated, most lethal equipment the U.S. Military Establishment can produce. It is their desire for the most advanced levels of American equipment even more than the high dollar amounts involved, which poses a disturbing prospect for U.S. security interests now and in the future. The Shah of Iran boasts that that country will be one of the five great world powers within two decades. The United States may, therefore, be helping to develop a military power with whom it will have to reckon in years to come—a power that occupies a strategic location on the Straits of Hormuz out of which pours 60 percent of the world's oil supply. And Iran is only one of the nations that the United States is arming in the Persian Gulf. Under these circumstances, the need for a sound approach to arms sales should be obvious.

DOES THE UNITED STATES HAVE AN ARMS SALES POLICY?

Unfortunately, a U.S. arms sales policy has not developed as quickly as the sales themselves. Our policy is a nonpolicy—an ad hoc response to individual arms requests rather than a well-formulated plan designed to protect U.S. security interests. In Iran, Saudi Arabia, and Kuwait, I encountered a shadow of a U.S. arms sales policy based on a dollars and cents approach, and on a sense of fear that if we do not sell them arms, someone else will. Pressure for an economic approach toward arms sales emanates from the American business community which sells to the Persian Gulf. With money in abundance in this part of the world, there is a heightened awareness of the ready profits to be made.

Further, the dollars and cents approach can be justified in terms of our balance of payments: a concern that is not misplaced. The serious drain of petrodollars to oil-exporting nations and its adverse effect on the U.S. economy should generate a serious search for markets abroad. However, our balance-of-payments problem must not be the sole determinant of American foreign policy. Economics is certainly one factor in foreign policy considerations, but it should not be the only factor.

Nor do I think the United States should sell arms just because everybody else does, or because if we do not do it, somebody else will. This rationale does not hold up as the basis for U.S. policy when this country is selling four or five times the value of weapons the Soviet Union is selling in the Persian Gulf, and an even greater multiple of the amounts sold by France and Great Britain. The United States, in selling arms, is clearly doing more than filling a vacuum.

In formulating an arms sales policy, several fundamental questions arise:

1. Are U.S. arms sales to the Persian Gulf necessary?
2. Do U.S. arms sales add to or detract from the stability of the gulf area?
3. Does the United States have any control over these arms once this country has sold them?

These questions will be examined in the sections of the report which follow.

ARE U.S. ARMS SALES TO THE PERSIAN GULF NECESSARY?

The Persian Gulf is an area which has maintained a low arms profile in the past. Relatively free of conflict, there was neither the need nor the revenue to build large military establishments. Responsibility for regional security fell largely to Great Britain which stationed military forces in the area until 1971.

The recent arms buildup in the Persian Gulf region, therefore, represents the introduction of several increasingly strong military forces into an area where there were only minimal defenses before. The United States, through its arms sales policy, is helping to add one more armed coefficient into the world balance of power equation.

The immediate reaction to such an arms buildup in the Persian Gulf must be one of regret. Not only is there an absence of open hostilities which would necessitate these weapons, but the current trend in the area is toward the settlement of longstanding grievances. Iran and Iraq have recently resolved their old dispute over the Shatt al-Arab River and Saudi Arabia has entered into border agreements with Iraq and the Emirates.

But the absence of open hostilities does not mean that no threat to the security of the area exists. It is the perceived existence of a security threat to a friendly nation which is the basis for a U.S. supply of weapons to that nation. In order to determine the initial wisdom of the U.S. arms sales policy in regards to a particular country, therefore, one must look at what threats it is trying to meet. Iran, Saudi Arabia, and Kuwait view their respective security needs very differently.

IRAN

Iran faces possible aggressors to the north and to the west. The Soviet Union, a traditional enemy, continues to worry Iran. Not only increased Soviet activity in the Indian Ocean but also Soviet influence in Afghanistan and in Iraq, neighbors of Iran, and in India, the rival of Pakistan whose security Iran considers vital to her own interests, have given Iran the incentive to arm heavily. Members of the U.S. Military Advisory Assistance Group in Iran, on the other hand, see Iran as having no expansionist dreams. Although not all observers would agree, American military advisers stated that Persian Iran appreciates the fact that an Iranian move across the gulf would lead to conflict with the entire Arab world.

Iran's current policy is to build a credible deterrent force vis-a-vis the U.S.S.R. But Iran's capacity for supporting a force strong enough to deter one of the world's superpowers seems unlikely and an Iranian attempt to match Soviet military might would be futile. It is more likely that Iran's military forces will never reach this level but will still attain enough strength to become a regional power within the gulf area. The United States should encourage Iran to direct its

armaments program toward creating a defense establishment that would inhibit Soviet as well as Iraqi meddling in the gulf area, but to avoid consideration of military parity with the U.S.S.R.

KUWAIT

Kuwait, like Iran, views Iraq as a threat to its security. Iraq, sitting on Kuwait's northern border, has never recognized this line as a national boundary. Instead, it has tried to convince Kuwait of the virtues of "pan-Arabism" meaning that Iraq views the southern boundary of Kuwait as its own southern boundary. An Iraqi attempt to annex Kuwait in 1961 and subsequent incursions into its neighbor's northern ranges have made Iraq's territorial pretensions evident.

Kuwait, therefore, has expressed interest in a deterrent force directed at Iraq. U.S. military advisers in Kuwait have defined this deterrent force as one capable of a 2- or 3-day holding action against Iraq. During this time period, the Kuwaiti military would act as a "triggering force" to bring in military support from the outside. The question here is whether a nation of 900,000 people with armed forces of 10,000 men can build a credible deterrent against a nation of 10 million with armed forces of over 100,000. Iraq has extremely well-equipped (Soviet) ground forces and a strong airforce. To build Kuwait up to a level where it could effectively deter Iraq would require an outlay of enormous sums of money, far out of proportion to what a country can normally expect to pay for a military force. Kuwait, too, is a country with special climatic problems which increase the difficulties of maintaining sophisticated weaponry. An inordinately high maintenance cost, because of the harsh elements, will accompany any armaments program. Kuwait's financial resources might be better devoted to developing an industrial infrastructure rather than on sophisticated aircraft that might soon rust out and would be incapable of deterring the Iraqi Air Force. The United States would do better to encourage Kuwait to seek a regional agreement with Iran and Saudi Arabia and perhaps even with Iraq rather than to sell massive amounts of U.S. arms to the Kuwaiti Government. In the 1961 threat, Arab-British pressure and action prevented an Iraqi takeover. Now that the stakes are even higher, Iran and Saudi Arabia would be no less likely to allow Iraq to extend its influence down the gulf. Such an agreement would be the most effective counterweight to Iraqi aggression. It is this type of guarantee which the Kuwaitis are seeking in the long run; they will need it whether or not they have sophisticated missiles and aircraft and they can have it more cheaply without them.

SAUDI ARABIA

The external threats to Saudi Arabia appear to be less sharply defined than are those mentioned in relation to Iran and Kuwait. Although suffering from a vague uneasiness concerning Soviet Russian and Iraqi intentions, the greatest worry over security I encountered

was a preoccupation with U.S. invasion threats. Statements by Secretary of State Kissinger and Secretary of Defense Schlesinger hinting obliquely then openly at a possible U.S. invasion of the eastern province oil fields sent shock waves through Saudi Arabia. Perplexed by this apparent hostility on the part of an ostensible friend, the Saudis stressed that big power involvement in the area was not within their interests. Saudi officials eyed the presence of MIDEASTFOR at Bahrain somewhat apprehensively and also indicated to me that they preferred that the United States not develop Diego Garcia. The Saudis do not want to see the gulf come under the domination of the superpowers, preferring instead to develop their own military capability.

More concerned by U.S. intentions than I had anticipated, the Saudis were less worried about the Iranian arms buildup than I would have assumed. The Saudis did not see their country as a particular object of Iranian belligerency. On the other hand, government officials did not indicate a readiness to align their country defensively with Iran either. They intend to see Saudi Arabia develop as an independent military power.

The Saudis, although without a history of open hostility with Iraq, the Soviet Union, or Iran, are arming as a nation. However, the armaments program is more gradual and up to now less ambitious than the Iranian program. Saudi Arabia, for example, decided against purchasing the F-14, the most sophisticated American fighter jet available, relying instead upon the F-5A and the F-5E aircraft. In contrast, Iran has ordered 80 F-14's. Saudi Arabia has also been less anxious to go into a blue water navy, limiting its orders up to this point, to hovercraft and patrol boats while Iran is building upon its extensive hovercraft fleet by adding to it *Spruance*-class destroyers and submarines purchased from the United States which will enable Iran to extend its range of naval activity into the Indian Ocean. At present, the Saudi military defense program does not seem out of line with the general apprehensions of a rich state which has neighbors with systems of government opposed to its own and the ability to use military force to achieve their goals.

The degree of threat, therefore, and the capacity for deterring it vary considerably from country to country. The United States should ponder these two factors and their relevancy for each nation when developing an arms sales policy. I am not suggesting that a country should not have the right to build a military force to protect itself from outside threats, but I do believe the United States can help friendly countries to build a viable military force without encouraging them to undertake an all-out arms binge. It is an unwise policy which would encourage a nation to make the enormous outlay for a military force when it could never hope to build a credible deterrent against the perceived enemy. It appears to me that the U.S. policy in helping Kuwait to arm with sophisticated weaponry is expensive and futile since that small country does not possess either the human or other physical resources to combat Iraq. The United States could be headed in the same direction with Iran, if it encourages that nation to purchase weaponry with the idea in mind that it could effectively engage in a conflict with the Soviet Union.

The United States should foster alternative approaches to establishing defense perimeters. Not only in the case of the smaller states such as Kuwait but also with Iran and Saudi Arabia, the United States should use its influence to promote the establishment of regional security pacts. There has already been some movement in this direction among the gulf states. The United States should encourage further talks which might lead to security agreements that could minimize the possibility of conflict as well as reduce the spiraling defense costs of the region.

DO U.S. ARMS SALES ADD TO OR DETRACT FROM THE STABILITY OF THE GULF AREA?

Military weaponry sales which are designed to promote security may actually have the opposite effect and undermine security. This may occur in two ways: first, an arms buildup may provoke instability in a region by promoting an arms race which raises the level of tension in the area, and tension plus availability of weapons may create greater potential for conflicts. A nation will not go to war unless it has the means to fight; by supplying nations with the means to fight, the United States may also be creating the will to fight. Second, instability may also arise in terms of internal unrest caused by a military powerplay against civilian interests. The United States should, therefore, carefully scrutinize the potential for regional and national instability when supplying a country with arms.

THE POSSIBILITY OF A GULF ARMS RACE

The United States is, at present, selling arms to Iran, Saudi Arabia, Kuwait, and Oman in the Persian Gulf. The greatest potential for an arms race probably exists between the larger of the two nations, Iran and Saudi Arabia, or between these two nations and Iraq.

Iran has been developing a defense establishment for a longer period and to a greater extent than either Iraq or Saudi Arabia. From 1950 to 1973, Iran obtained over \$1.7 billion in military equipment and services from the United States while Saudi Arabia obtained \$324 million and Iraq, \$59.8 million.³ In terms of total defense spending, Iran has spent annually more on defense than either Iraq or Saudi Arabia, particularly since 1972.

STATE AND DEFENSE BUDGETS OF GULF COUNTRIES

[In millions of dollars]

	1972		1973		1974		1975	
	State budget	Of which budgeted for defense	State budget	Of which budgeted for defense	State budget	Of which budgeted for defense	State budget	Of which budgeted for defense
Iran.....	2,813	915	7,000	1,973	11,000	3,160	36,300	10,160
Saudi Arabia.....	2,567	641	3,607	1,080	6,444	1,706	28,071	2,888
Iraq.....	1,067	472	4,554	816	9,864	803	NA	NA

NA=Not available.

Source: Middle East Economic Digest Feb. 7, 1975.

In 1975, Iran spent almost 28 percent of its total budget on defense while Saudi Arabia devoted 10 percent of its budget to defense. Using the most recent figures available for Iraq, in 1974 that country spent

³ Includes MAP and FMS. Iraq received no MAP after 1968. Source: Department of Defense, Foreign Military Sales and Military Assistance Facts, April 1974.

around 8 percent of its budget on defense. Defense spending in Saudi Arabia increased by 450 percent between 1972 and 1975. Defense spending in Iran increased during the same period by an even larger 1,110 percent.

Iran's recent penchant for the most sophisticated of U.S. weaponry, including F-14's, submarines and *Spruance*-class destroyers, has created concern over the intended use of this equipment. Some observers see the increasing Saudi armaments procurement as a response to Iranian military development. Although American military officials in Saudi Arabia stated that the Saudis do not regard Iran as threatening, Saudis do worry over Iranian expansionist rhetoric. The Shah insists upon calling the gulf "Persian", and asserts that he is responsible for the protection of 60 percent of the world's oil supply, a percentage which includes Saudi as well as Iranian oil. Although without apparent fear of direct Iranian belligerency, the Saudis would like to keep their options open. Their current trend toward heavier arming would seem to be at least partially in response to an Iranian buildup.

There is also an incipient arms race between the Iranians and the Iraqis. Each nation is gaging the potency and size of its own armed forces upon the strength of the other's. The Iranians repeatedly used their estimate of Iraqi military capability as a point of reference for their own military needs. At present, however, the Iranians have more military personnel and have a larger number and wider variety of equipment in all three branches of the armed forces. Although the United States, which presently supplies no arms to Iraq, has no leverage over the military purchases of that country, it should keep in mind that there is a competitiveness in arms procurement between Iran and Iraq. The United States should try to maintain its arms sales to Iran at a level which will make Iran comfortable about its security without creating a great imbalance which Iraq would want to overcome. Otherwise, the arms race between these two nations will only spiral upwards at increasingly dangerous and expensive levels. The United States should attempt to engage the U.S.S.R. in talks aimed at avoiding a possible arms race between their respective Persian Gulf friends.

ARMS SALES AND INTERNAL STABILITY/INSTABILITY

Another aspect of instability potentially furthered by arms sales is internal. An arms buildup can promote social and political instability in a nation in several ways.

Money spent for weapons procurement cannot be spent for social welfare. Jets and tanks do not benefit the populace of a nation as directly as hospitals and schools do. The applicability of this argument to the oil-producing nations, however, is questionable. Their enormous oil production has provided these nations with more revenue than they can channel into the civilian sector. These countries are now building as many houses, roadways, and schools as they can absorb. Senior economic and planning ministers in both Iraq and Saudi Arabia stressed in their talks with me the enormous development occurring in their respective countries. The speed and intensity of their plans to develop an infrastructure of transportation, roads, buildings, and factories for their nations was impressive. These indi-

viduals did not express any concern that their countries concurrent military development was undermining their plans for civilian development. In effect, these countries are actually in the unusual situation of being able to buy both guns and butter.

The danger here is that these nations may become involved in a military spending spiral that requires an ever larger percentage of their budgets to be committed to military spending, to the point that future social needs may be endangered by the intention of a huge military spending program. In its recently announced budgets, for example, Saudi Arabia has increased the amount earmarked for defense spending from the 1974-75 figure of \$2.8 billion to \$6.51 billion for the coming year. This is approximately one-fifth of the total budget, thereby increasing the absolute amount and the percentage of the total budget devoted to the military.

As the Government adds new military programs to old ones, the costs of keeping a defense establishment risk consuming an ever greater proportion of the budget. The United States should not encourage constantly increasing military budgets that may stifle economic and social developments more critical to long-range needs of developing nations. Although rich, these nations will be in need of tremendous sums for many years in order to raise the standard of living of their populations.

There is another important resource in the gulf countries which is very limited and which is, therefore, more difficult to allocate between military and civilian sectors: manpower. Throughout the gulf countries, members of private industry, government officials and military leaders all spoke of trained manpower as the most precious national commodity and as the least available. American military officials remarked with some frustration that the high salaries of the private sector lured away men to whom the U.S. military training groups had taught invaluable skills. In Saudi Arabia an officer with the U.S. military training mission told me that there is no obligatory enlistment period for the Saudis in the military and that they are fairly free to leave when they choose. Members of the private sector remarked, however, upon the growing intent of the military in these countries to create benefits which will attract and keep good men. A continued military buildup could diminish economic growth through robbing the civilian sector of the economy of needed manpower.⁴

There are also possibilities for political instability as well in each of these countries which a military buildup could aggravate. Representative government has developed in varying degrees in gulf countries. The Kuwaiti Parliament is fairly outspoken on domestic issues; the Iranian National Assembly is normally docile, while the Saudi Assembly is selected, not elected, from the extensive royal family, reserving its criticisms for meetings of the inner councils. While to

⁴ The problem of manpower is particularly acute in Saudi Arabia where the population totals only around 4,000,000, of which as many as one-half may be women who are, for the most part, not allowed to work in Saudi Arabia. With the money available to develop their country, the Saudis feel greatly hindered by this lack of manpower. Their problem is even more acute than the Iranian's, who have the numbers of people available if they can effectively train them. The Saudis long-term solutions to the shortage of people is to import foreign labor, both skilled and unskilled, to allow women gradually to enter the work force and to outlaw birth control. The short-term importance of labor may help diminish the shortage though the extent of it will have to be kept small so as not to disturb the Saudis. The latter two solutions will require much more time to produce results.

the Western eyes, these parliaments may not seem effective, they have, to date, satisfied their populations to a large degree. However, the recent influx of money and technology into the Persian Gulf is creating an educated and westernized middle class which feels stifled by the limits set on real political participation in their society. University age students in Iran are already a source of unrest. It is likely that the educated young Persian (65 percent of the population in Iran is under 20) will remain a potentially disruptive force while increasing in numbers. Although the availability of ready wealth will suffice to satisfy many in the gulf countries, not all of the growing middle class will be content to remain outside the decisionmaking process. Impatience with the old ways could combine with a sense of frustration to produce a volatile atmosphere.

In the event of social disturbances, it would be U.S. trained and equipped forces which would be called in to deal with the unrest. Military force can be as effective against internal as against external threats. Too often those who possess military strength succumb to the temptation of relying upon that force, tightening their grip in moments of crisis. Such policies are often conducive to promoting ever greater unrest in the future. We should be aware of the indirect role the United States may be playing in the future events of gulf countries.

IRAN

In looking at the implications for social instability the arms buildup may have, one should also attempt to envision the eventuality of an Iran without the Shah. Iran is sometimes called a "one-bullet" nation—a nation where one bullet could remove not only the head of state, but national stability with him. Although American officials are inclined to think that the Shah's ministers together with the Empress could effectively assume control of the country until the young prince could reach his majority, there lingers the possibility that the death of the Shah could signal chaos. The Shah has never allowed his ministers the decisionmaking authority that would prepare them to govern. Inexperience, combined with a sudden diffusion of power, could lead to turmoil and a heavily armed Iran falling into the hands of elements hostile to the United States. This is an unknown factor, a risk which this country must constantly assess. At present, the Shah is still young, healthy, and well protected. He states that he wants to include more people in the governing process and that he intends to close the disparity of wealth which is growing in Iran. The United States should carefully watch these developments. The risks of arming Iran appear to be worth taking at present; they may not be in the future.

SAUDI ARABIA

On the surface, Saudi Arabia appears politically stable. U.S. Embassy officials stressed the smooth transition of power after the assassination of King Faisal in April 1975 to Faisal's successors, King Khalid and Crown Prince Fahd. Anxiety that Faisal's death would produce turmoil came to naught. American authorities pointed to the effective transfer of power and to the continuity in government domestic and international policies as indicative of Saudi stability. Saudi

Arabia is dominated by the conservative Wahhabi sect of the Muslim religion.

It is a traditional society where family roots and ties are strong. The popular devotion to the monarchy as well as the Muslim antipathy to atheism should make Saudi Arabia the one Middle Eastern society which communism finds impregnable. Yet, a few years ago, many would have made the same statement about Libya which now, under Colonel Qaddafi, is moving steadily leftward.

In the next few years, the tremendous economic development of Saudi Arabia is bound to produce stresses and strains in the social fabric of the country. Here, as well as in Iran, the United States might be arming a nation which shows a potential for internal turmoil.

The United States has implicitly shown its preference for the existing Saudi regime not only by arming the nation, but also by its involvement in an extensive training and armaments program for the Saudi Arabian National Guard (SANG). The national guard, about 35,000 men strong, is a force devoted to the protection of the royal family and its interests. Created in the early 1960's, it was instrumental in keeping King Faisal on the throne in 1963. Members of the national guard are drawn exclusively from the Bedu, the nomadic tribesmen who have historically been the strongest supporters of the royal family. In helping to strengthen the national guard, the United States is committing itself to securing the position and safety of the royal Saud family.

The U.S. Government signed an agreement with the Saudi Government on March 19, 1973, to equip and train SANG. Under the terms of the agreement, the Saudis are paying all of the costs of this modernization program which amount to \$335 million. The standard 2 percent foreign military sales surcharge covers all administrative costs and the salaries of the U.S. personnel involved including that of the chief of the project management office (PMO) which is in charge of the program.⁵

The present United States-Saudi agreement runs through 1977. American military advisers, however, anticipate a renewal which would extend the program through 1979. During this time, according to the contract, the Saudis are to equip the national guard solely with American equipment, although the Saudis did break this agreement once by buying some European built weapons. American officials consider U.S. weapons not only to be superior to any others available, but indicate that a sole source policy facilitates efficiency and standardization which multisource weaponry would only confuse. Since

⁵ The Chief of the PMO, who reports to the Army Materiel Command in the Department of the Army, works directly with Prince Abdullah bin Abd al-Aziz, the head of the Saudi National Guard in a United States-Saudi coordinating committee. The PMO also coordinates its SANG program with the Army Corps of Engineers which is in charge of the construction of the facilities needed for the National Guard. The Army Corps of Engineers does not report to the PMO, however, but reports to the Mediterranean Division of the European Command. Actual training of Saudi manpower is the responsibility of a private contractor which reports to the PMO. In January 1975, Prince Abdullah bin Abd al-Aziz awarded this contract to the Vinnell Corp., a California based concern. This contract was the subject of great controversy in the United States at the time with many critics calling the Vinnell instructors "mercenaries," an epithet one official felt is unjustified. Vinnell employees are mostly former American officers and servicemen who will train the Saudis in military skills under the close supervision of the project management office. At no time will they be involved in fighting for the Saudi Government. This official considers training by a private company to be preferable to a U.S. Government involvement in the training, noting that the Chief of the PMO had the right to dismiss any individual who did not meet the standards of correct behavior.

the United States is assuming the entire responsibility for training and equipping the Saudi National Guard, the Saudi National Guard becomes in a sense the creation of the U.S. Army, becoming closely identified with the U.S. Government. The exclusive responsibility for assuring the success of this organization puts the United States in the position of strengthening and insuring the continuation of the present Saudi Government.

Also, ironically, the United States through its accelerated training program, is promoting the demise of these very Bedu which have been the monarchy's strongest supporters by drawing them out of their tents and by introducing them into a modern military system.

Traditionally, the irregular battalion commanders of the national guard have been the tribal sheikh; however, the King, who is anxious to provide the PMO with the best possible officer material, has given American advisers the power, if they can show just cause, to remove the sheikh and to replace him with a better qualified individual. The PMO is developing a service record system for these Bedu soldiers which will help define a uniform pattern of achievement, recognition, and promotion and which will pipe the tribesmen into it. By educating and training them, by ranking them according to ability rather than by status, by putting modern weapons into their hands, the United States is westernizing these people and thereby undermining those traditional qualities which originally made them supporters of the monarchy. Whether or not their increased awareness of the world beyond their tents will expand their political horizons is not yet clear. The adoption of Western ideas and lifestyles, however, has weakened support in the past for traditional monarchies in other countries and it could create a similar result in Saudi Arabia.

The U.S. Government through USMTM⁶ is also arming and training MODA, the Ministry of Defense and Aviation. The Saudi Government keeps the lines of authority for MODA, the regular military which includes the army, the air force, and the navy strictly separate from the national guard. While the national guard reports to Prince Abdullah bin Abd al-Aziz, MODA must account to Prince Sultan, Minister for Defense and Aviation, and to the Vice Minister, Prince Turki. The two leaders of MODA are from a different branch of the Saud family than is Prince Abdullah bin Abd al-Aziz. The U.S. Government in compliance with Saudi policy, has installed separate military missions to aid in the equipping and training of the national guard and of MODA. While the chief of the project management office reports to the Army Materiel Command in the Army, the chief of USMTM reports to the European Command. Although in practice the PMO and USMTM consult in military matters, officially they are independent, parallel missions responsible to separate officials in Washington.

The Saudis have deliberately kept these forces separate in order to balance one against the other. Noting other developing areas of the world where a strong military has captured the reins of government, they hope to create an independent national guard sufficiently strong to fend off any attempted coups against the Government by the armed services. The Government of Saudi Arabia has particular cause for

⁶ The U.S. Military Training Mission—the equivalent of a MAAG. The Saudis objected to the term "Assistance" in the Military Advisory Assistance Group so the U.S. Government altered the name of the group in Saudi Arabia to USMTM.

concern in this area. In September 1969 some 60 officers of the Saudi Armed Forces were involved in an attempted coup against the Government. Many of these officers were high ranking members of the Saudi Air Force. The fact that it was members of the air force who engineered the coup attempt indicates the risk the Saudi Government could run with its modernized armed forces in the future. The Saudi Air Force has received disproportionately in the past the best training, equipment, and available manpower.

Generous benefits including good pay and extensive training abroad have attracted to the air force the elite of the Saudi military, an elite which even includes many royal princes. Notably, their presence in this branch did not prevent it from participating in the 1969 coup. Although SANG intervened in 1969 as it had in 1963 to prevent an outcome deleterious to the royal family, the guard's effectiveness in similar situations in the future is less certain. An agreement among the royal princes decided that MODA would control all air units while SANG would remain strictly a ground force which means that the effective balancing role the national guard has played vis-a-vis MODA will diminish in the future since land units are no match for ground forces backed by a sophisticated air force.

Perhaps not deliberately, but directly, nonetheless, U.S. arms sales policy is promoting the end to the traditionally effective balance between MODA and SANG. Eventually the national guard will no longer be able to provide a counterweight to the armed forces. Should there be another coup conducted by members of the air force, their position relative to the national guard would be relatively much stronger. U.S. arms sales to Saudi Arabia, therefore, affect the internal mechanisms of political balance in that country, creating definite risks for the Saudi Government and for U.S. interests. The United States must consider these risks when formulating an arms sales policy and estimate whether or not it is prepared to take those risks.

KUWAIT

The threat of political instability runs particularly high in Kuwait. In my estimation, the U.S. arms sales policy in Kuwait contributes to the incipient political instability in this country.

Kuwaitis form a minority group within their own country. They comprise only 48 percent of the national population of 900,000. Stringent requirements including a minimum mandatory residence of 15 years must be met in order to obtain Kuwaiti citizenship. Kuwaiti citizenship implies financial benefits as well as status since noncitizens do not receive the healthy social welfare payments and services which citizens enjoy. The Kuwait Parliament, reluctant to see a dilution of the Kuwaiti national character, has not been willing to relax citizenship requirements in the past although it is aware that this is a great source of discontent among non-Kuwaitis who would like to be eligible for the benefits. The Government does permit non-Kuwaitis, however, to enter the armed services. Although all pilots are Kuwaitis, it is Iraqis and third country nationals who repair the aircraft. There is a real danger in integrating into its armed services those very people a government will not allow to integrate into its society. Disenfranchised, economically disadvantaged, and, therefore, frequently discon-

tent, non-Kuwaitis can infiltrate the military, making it a tool for alleviating their discontent. Even officers and soldiers holding Kuwaiti citizenship may find the armed forces to be their own tool for expression since members of the military in Kuwait do not have the right to vote. Kuwait, which traditionally has been a nation of commerce, actively participating in gulf trade, has granted the profession of soldier little esteem. Adding to this potentially explosive situation is the presence in the military of Bedouin tribesmen who have traditionally wandered back and forth across the Kuwaiti-Iraqi border, owing allegiance to neither country. U.S. officials estimate that these nomadic people may comprise as much as 80 percent of Kuwaiti military manpower. The United States, in arming Kuwait, may, in fact, be arming unpredictable and disruptive elements.⁷

Not only are the risks of political instability in Kuwait strong but the United States, through its arms sales policy, is increasing the likelihood of political instability. Our decision to sell sophisticated armaments to Kuwait does not appear to be in U.S. interests.

The United States, before undertaking large-scale arms sales to Persian Gulf nations, should carefully analyze the effect of these sales on the stability, both intranational and international, of that region. This country should consider the potential for international political instability in the gulf nations and to what extent arms sales affect the chances for stability to continue and grow in these countries. The United States should not, through its arms sales, contribute to a regional arm race. Where the possibility of an arms race exists, such as between Saudi Arabia and Iran, the United States, which is selling heavily to the two sides, should impose self-restraint in determining the permissible limits of its arms sales. The United States, in determining its arms sales policy, should impose self-restraint in three areas:

1. The overall level of U.S. arms sales.
2. The percentage of each national defense market the United States enjoys.
3. The sophistication of the weaponry the United States is prepared to sell.

The United States is now annually selling over \$4 billion worth of arms to nations in the Persian Gulf. Appropriate officials in the Department of State, the Defense Department, and the Arms Control and Disarmament Agency should immediately undertake serious consideration of the possibilities for a scaling down of arms sales to the Persian Gulf.

Rather though, than proposing fixed maximum levels of U.S. arms sales for each nation in the gulf area, I would argue that a more flexible and effective approach to arms sales limitations would be to set maximum percentage levels of the foreign arms market of each country that the United States may enjoy. I would propose that the United States should control no more than 49 percent of the foreign arms market in any one country.

⁷ An opportune moment for an outbreak of hostilities would be the summertime. The heat of the Persian Gulf summers is unbearable. When I was in Kuwait at the end of May, the temperature was already reaching 126° F. The Government of Iran, fortunately, has mountains conveniently near Tehran for a cool summer escape. The Saudis return for two or three months to Taif, the mountain city near Jiddah. Kuwait, haplessly, affords no cool retreat. The Kuwaiti government, therefore, spends the summer months at its mountain hideaway in Lebanon. When I asked U.S. officials in Kuwait what would be the effect of arming a country whose government departs the premises for two months every year, the non-plussed reply was: "It's too hot to fight a war during the summer."

In other words, if Saudi Arabia orders \$2 billion in military equipment and services in fiscal year 1976 from foreign governments, American defense industries and the U.S. Government should sell to Saudi Arabia no more than \$0.98 billion in arms and services in fiscal year 1976. This is still an enormous sum, permitting the U.S. defense establishment to compete actively for the arms market, while it discourages an American monopoly of the military purchases of any one nation. The United States remains only one supplier, although a major one, rather than the supplier. No country becomes totally dependent upon the United States for its defense needs as it does when a sole-source relationship exists. A sole-source relationship in weapons procurement places a responsibility upon the United States which it should not assume in the gulf. In this way, too, it does not appear that the United States is giving its unofficial support to an existing regime. Not being identified with the policies of any one regime would enable the United States to maintain its neutrality in dealing with the variety of countries and regimes which exist in the gulf.

The United States should also set limits on the levels of the sophistication of the armaments it is prepared to sell to foreign governments. The United States should continue its ban against selling nuclear weapons to other nations but it should also refuse to sell any weapon intended mainly for offensive purposes, particularly those offensive missiles which will accommodate a nuclear warhead. Offensive weaponry is dangerous not only in terms of the potential damage it could cause in the event of an outbreak of hostilities but also for the psychological implications it carries with it. The acquisition of offensive armaments by one nation is subject to an interpretation of aggressive intentions by other nations. The United States, should it single out one nation as an initial buyer of a clearly offensive system could inadvertently signal to other nations in the region a lack of concern for their security, if not outward hostility. The United States should, therefore, set limits on the types of armaments it is prepared to sell.

DOES THE UNITED STATES HAVE ANY CONTROL OVER THESE WEAPONS ONCE THIS COUNTRY HAS SOLD THEM?

Another issue involved in arms sales which is confronting the United States is the ability—or the lack of it—to control arms once this country has sold them. One aspect of this issue of control is the U.S. ability to terminate the supply of spare parts and ammunition for weaponry it has furnished in the past should the purchasing nation violate an American law or principle. Another aspect of this issue of control involves the prohibition against the transfer of weaponry by the purchasing nation to a third nation. The transfer of a weapon would include the selling, leasing, or lending of a U.S. weapon by the purchasing nation to a third nation.

The ability to regulate the flow of spare parts to a nation equipped with U.S. weaponry does offer the United States some measure of control over the use of the armaments it has sold abroad. A modern weapon, technologically complex and sophisticated, permits no substitution of components not specifically designed for it. Without a continuous resupply of parts and ammunition, the weapon is useless. By threatening to end the supply of parts and ammunition, therefore, the United States exercises some degree of control over American-made weapons use though it is difficult to estimate the extent of this control.

It is the U.S. policy to prohibit a purchasing nation from transferring American arms to a third nation without prior U.S. authorization. Section 3(a)(2) of the Foreign Military Sales Act states:

The country or international organization shall have agreed not to transfer title to, or possession of, any defense article so furnished to it or to anyone not an officer, employer, or agent of that country or international organization and not to use or permit the use of such article for purposes other than those for which furnished unless the consent of the President has first been obtained;

Should an illegal transfer occur, this country is obligated under the terms of 3(c) of the same act to terminate all military sales to the offending nation:

. . . any foreign country which hereafter uses defense articles or defense services such country under this Act, in substantial violation of any provision of this Act, shall be immediately ineligible for further cash sales, credits, or guarantees.

Section 3 attempts, therefore, to discourage unauthorized transfers of American weapons by prohibiting such transfers and by ending cash and credit sales to violators of section 3. This is not a guarantee

against arms transfers; there is, in fact, no foolproof guarantee against arms transfers.

In each nation I visited, American officials felt confident that the particular nation would not transfer U.S. arms to a third nation or organization without prior American knowledge and consent. They consider these nations to value sufficiently U.S. goodwill and weaponry that they would not run the risk of losing either. According to these officials, all Persian Gulf nations buying U.S. arms also buy weapons from other nations which place less stringent transfer regulations on the arms they sell. If a nation were going to transfer armaments, therefore, they would transfer French or British arms rather than U.S. arms. The probability of an illegal transfer of U.S. armaments, therefore, could easily increase as this country corners an ever larger share in the military hardware market of any one nation.

Although the U.S. arms transfer prohibition undoubtedly has some restraining effect on foreign governments, I am doubtful that this prohibition will prevent all transfers. The U.S. Government should realize that a government which sees its security threatened or the security of a friendly nation threatened, might be prompted to run the risk of U.S. wrath and transfer whatever weapons it felt the situation required, American or otherwise. The United States would then confront the situation where, in order to make the threat credible, it would have to proceed to an automatic cutoff of arms to the offender. The United States may lose not only the goodwill and cooperation of the "offender" which it has been attempting to win, but also bases and other military advantages of the offending country which resents not only the U.S. lack of sympathy but also the American paternalistic retribution. Alienation of a heretofore friend may be the major result of this form of control.

The best safeguard against transfers is a prudent selection of U.S. arms recipients. This country should avoid selling weaponry to nations which have special incentives to transfer arms. Again, I would refer to the example of Kuwait.

Kuwait has a large Palestinian population which, in the past, has successfully urged the Government to contribute generous monetary aid to Palestinian groups and arms to Arab confrontation states. The Kuwaiti National Assembly has been highly critical of the U.S. Middle East policy. The potential for a transfer of U.S. arms by Kuwait to one of the Arab confrontation states should Middle East hostilities resume, therefore, looms as a considerable danger.⁸

Public pressure upon the Government to transfer arms, including U.S. arms, would probably be very strong. The larger the share of the Kuwaiti military market the United States enjoys, the less likely it will be that the Kuwaitis will have French or British arms to lend instead of U.S. arms. If the most modern, most sophisticated equipment in Kuwait is American made, there is a greater probability that the Kuwaiti Government will transfer U.S. arms to a confrontation state should the need arise.

U.S. influence in reducing the possibility of transfers would also be less should U.S. defense industries agree to establish coproduction

⁸ During an interview with 10 members of the press service in Kuwait, one reporter bluntly asked me: "Don't you realize any arms you sell here will be sent to confrontation states"?

facilities in the Persian Gulf. Coproduction, or the manufacture of military equipment by a U.S. firm in conjunction with a foreign government, does not yet exist in the gulf region because, according to U.S. defense industry officials, the work force of the gulf countries does not yet possess the necessary skills to produce technologically sophisticated equipment. It does not pay for a company to establish a plant which requires skills which are neither readily available locally nor easily trainable. However, there has been some interest in eventually establishing military equipment coproduction facilities with indigenous capital and American know-how and technology. Coproduction is a phenomenon that is likely, therefore, to occur in a few years when the general skill level of the work force has risen. This country, therefore, should develop a policy in this area before coproduction begins to "spring up" here and there around the gulf. Coproduction removes some of the advantages of arms sales in terms of the benefits of increased employment in American factories and greater profits for U.S. concerns. Coproduction abroad does exist in other areas of industry, however, and has brought many benefits to this country. But coproduction in defense industries contains an element of danger which coproduction in other industries does not.

Although the transfer of weapons manufactured under licensed production are subject to the same nontransfer restrictions as those weapons produced in the United States, there is a greater danger that if coproduction would multiply, the end use of the armaments would be more difficult for the United States to ascertain and to control. Foreign production under license also undermines one rationale for current U.S. arms sales which argues that U.S. arms sales to foreign nations gives this country greater control over a purchasing nation's military policies by means of our ability to control the flow of spare parts. If that nation can supply its own spare parts, through coproduction with American firms, it would remove this aspect of U.S. control.

Although the United States sells weapons to a nation to enable it to provide its own defense and to strengthen its internal security, there are no restrictions in section 3 of the Foreign Military Sales Act which would prevent a U.S. arms recipient from equipping its troops with American weapons to come to the aid of a third nation. For example, both Saudi Arabia and Iran have sent troops supplied with U.S. weapons to Oman to aid that Government in its struggle against the rebels in the Dhofar Province. These weapons remained in the hands of their own soldiers so that this did not officially constitute a transfer of arms. Also, during the 1973 Arab-Israeli war, Iran transported Saudi troops to Syria in U.S. supplied C-130 aircraft. Iran ceased its unauthorized use of the C-130 upon U.S. protest.

There are no legal restrictions on the use of American weapons by the purchasing nation beyond its national boundaries. The gulf countries need no prior U.S. authorization to supply their troops fighting overseas with American armaments. The only leverage the United States has in such an instance is to express disapproval hoping that the nation involved will, as Iran did in 1973, cease the deployment of U.S. weapons, not wanting to invoke U.S. displeasure.

The United States, in this way, can exercise very little control over the end use of the weaponry it has sold to the gulf countries. As long as

conflicts exist in Oman or in the Middle East, there will be opportunities for gulf countries to deploy U.S. weapons throughout the region.

Whether or not legal restrictions on the end use of weapons exist, the U.S. Government has little real ability to exercise control over American weapons once it has sold them. Should a country decide to transfer American weaponry, the United States can do little to prevent it. Only after a transfer has occurred, can the United States then move to prohibit future transfers by terminating its arms sales to the violating nation. This is not an effective control of U.S. weaponry sold abroad. Nor can this country actually prohibit the use of American weapons by the purchasing nation beyond its own boundaries. In formulating an arms sales policy, therefore, this country should take into account the lack of effective U.S. control over armaments once this country has sold them.

THE ADVANTAGES OF SELLING ARMS

Up to this point, I have mainly discussed the problems and destabilizing factors involved in U.S. arms sales. Not all the factors involved in these arms sales to the Persian Gulf are negative, however. Arms sales bring several advantages to this country. They aid the U.S. balance of payments. They also expand U.S. influence within a nation and promote friendly ties with this country. In addition to this, they promote the security of nations whose security is important to the United States. By selling arms to certain nations the United States can build the defenses of these nations to levels where they are able to insure their own security. In this way, they do not have to rely on the direct intervention by the United States for their protection.

There is no doubt that U.S. arms sales to the Persian Gulf improves the U.S. balance of payments. Since 1973, this country has sold more than \$12 billion in defense hardware and services to the oil-producing nations in the Persian Gulf. This has contributed considerably to offsetting the serious drain of petrodollars to this area.

U.S. arms sales frequently also have a ripple effect in that they promote American technology and products in general. Throughout Iran and Saudi Arabia I encountered officials who expressed admiration for the "Made in America" label. Frequently, they remarked that they not only preferred the product itself but that they also preferred to deal with the American businessman rather than with his European or Oriental counterpart. American marketing techniques are impressive because they are efficient, direct, and they are not imbued with the paternalism characteristic of the attitudes and methods of former colonialists. American businessmen stressed the importance of United States involvement in all of the varied aspects of the Persian Gulf market. Not only do American jet fighters build up a reservoir of respect for U.S. products, but they also create the need for American spare parts, for American training, and frequently for American-built air strips, hangars, and control instruments. Many of the companies which produce military equipment are also involved in the production of nonmilitary goods. Relationships established during the sale of helicopters or tanks often lead to building business contacts and good relations which give an advantage to the company when it is

competing for a telephone system or hospital contract. To abandon the military market in the Persian Gulf would lead to a reduction of U.S. participation in other markets as well. The financial benefits generated by arms sales cannot, therefore, be added up in terms of arms sales alone, but extend to earnings gained from an entire range of nonmilitary sales and activities as well.⁹

U.S. exports, both military and civilian, mean more than petrodollars returning to this country. They also mean jobs for Americans working in the defense industry and in other export industries. For each \$1 billion in military sales, approximately 47,000 jobs are created. These jobs and salaries are of enormous importance to the economy of this country.

The advantages do not all lie on the side of the Americans, however. The gulf nations feel that they benefit first of all in terms of strengthening their own security. They stress that strong defenses contribute to their confidence, integrity, and well-being. But government officials also underline the importance of American training programs to other sectors of their economy. The ability to speak English as well as the mechanical skills which a Saudi soldier learns in his military role wins for that soldier both respect and a good salary upon his discharge. Most government officials whom I queried on their national arms buildup felt that their countries need armaments for reasons of security, and that the training and technology involved are not only beneficial but essential to the economic growth of the country.

The United States and the Persian Gulf share another interest in developing the indigenous military establishments of this area. The ability of these nations to defend themselves means a minimal need for United States direct involvement in this area. The power vacuum left by the British military withdrawal in 1971 is being filled by these nations assuming their own defense rather than their once again relying on an "outside" nation such as the United States for military security.

It is important also to remember that the magnitude of current arms sales orders is misleading. A significant proportion of the money involved does not go toward purchasing hardware, but actually purchases the training necessary to operate that equipment. The Department of Defense estimates that approximately 60 percent of the total financial figures involved in each sale will underwrite the expenses for training the manpower to operate the equipment. Only about 40 percent of the total value of each sale, therefore, represents the hardware being purchased. And arms sales do not signify arms deliveries. Many arms deals concluded in fiscal year 1975 will actually specify deliveries that will be spaced over the next several years.

The transfer of American arms to gulf countries holds benefits for the United States and for Iran, Kuwait, and Saudi Arabia. The United States without becoming directly involved can help these countries, through their purchase of military weaponry, to insure their own security. Arms sales aid the U.S. balance of payments and job situation while they provide the purchasing nations with invaluable training and technology.

⁹ The United States has been steadily increasing its exports of all goods to the Persian Gulf. Total U.S. exports to Saudi Arabia in 1974 reached \$835,000,000, an increase of 90 percent over 1973.

THE POSSIBILITY FOR AN ARMS SALES LIMITATION AGREEMENT

In moving toward the formulation of an arms sales policy, a discussion of not only the complexities and the pros and cons of arms sales is necessary but also a look at possible alternatives for regulating the arms flow to the Persian Gulf is needed.

A U.S. arms sales policy for the Persian Gulf could encompass an arms limitation agreement with other major suppliers to the area or it could even impose a unilateral moratorium on the shipment of all U.S. military weaponry to the gulf.

Formal restrictions of the flow of arms to the Middle East have existed in the past and could serve as possible models for an agreement in the neighboring Persian Gulf region. In the 1950 Tripartite Declaration, Britain, France, and the United States established the Near East Arms Coordinating Committee which successfully regulated the supply of military weaponry to Israel and the Arab states until 1954. In 1955, the demise of the Committee occurred when the Soviet Union, which was not a party to the Declaration, began to supply Syria and Egypt with military weaponry.

Subsequent Soviet attempts in 1956 and 1957 to resurrect an updated variation of an arms limitation agreement in the Middle East met with U.S. State Department suspicion and opposition. Since the 1967 war, however, the United States has made some feeble, unheeded calls for arms restraints in the Middle East. Resolutions urging a ban on arms shipments to the area have also come out of the Security Council and the General Assembly of the United Nations on several occasions since 1948.

Previous attempts at arms limitation, which were mostly aimed at the adjoining Middle East area, were either unsuccessful, broke down after some positive results, or were too slight to have any effect at all.

Any attempt today to construct an arms limitation agreement in the Persian Gulf would have to take into account several complicated factors. Present efforts at arms control such as the SALT and the MBFR negotiations have involved a very limited number of countries, the United States and the U.S.S.R., and have been in good part concerned with nuclear weaponry. Despite the specificity of the weaponry involved and the small number of participants engaged in the talks, negotiations are arduous, slowly yielding minimal results.

Were there to be arms limitation talks in the Persian Gulf, the first important decisions to be made would necessarily revolve around which countries would engage in the talks. Iran would undoubtedly want assurances that her participation would mean not only that Iraq but Afghanistan and India as well would join any negotiations. On the other side of the gulf, the Saudis would hesitate to consider arms limitations without Israel and several of the radical Arab states becoming involved. This vast area and multitude of states required for effective participation would make the mere convocation of arms talks difficult. The area involved also represents a huge market for military weaponry, thereby diminishing the incentive of supplier nations to encourage arms agreements that would cut into important revenue.

Arms agreements or externally imposed national arms limits would have to take into account diverse factors that do not always equate easily such as size of population, extent of land area, wealth, and the

educational level of the work force. How would negotiations decide what level of arms would be appropriate for a nation like Israel whose 21½ million people are educated and technically proficient compared with a nation like Iran whose 30 million inhabitants are only beginning to acquire the skills necessary for military effectiveness?

Despite the complexities arms limitations might involve in the area of the Persian Gulf, a strong desire to limit military weaponry might suffice to overcome difficult obstacles. However, this desire is lacking in the nations of this region. Iran, Saudi Arabia, and Kuwait are only beginning their armaments programs and are not yet ready to call them to a halt. U.S. officials expect a continuation of the current high level of arms sales orders from this area over the next few years. The military authorities with whom I spoke in the countries I visited gave every indication that they intend to pursue a policy of building a strong defense establishment during the course of the rest of the decade. These nations regard suggestions of arms limitations as another manifestation of big power paternalism. They resent other nations admonishing them to direct their budgetary priorities toward civilian spending, regarding these as internal decisions. In the opinion of the arms recipient nations, they themselves are best qualified to evaluate their national security needs and to meet these needs through legitimate defense expenditures.

Attempts at arms transfer controls appear not only paternalistic to these nations but discriminatory as well. These controls hit hardest those nations who do not possess their own armaments factories while permitting the West and the U.S.S.R. to supply themselves with an unlimited quantity of arms through indigenous defense industries. Observing the thriving East-West arms race, many of these nations cynically regard United States-Soviet attempts to limit foreign arms transfers as extremely hypocritical; they also see it as giving an unfair advantage to those nations which have special defense agreements with one of the major powers or have an important backlog of military equipment acquired over the years.

The United States can no longer unilaterally shut off the flow of arms to the Persian Gulf, which was an option open to this nation when gulf countries received U.S. arms under military assistance and credit provisions. Iran, Kuwait, and Saudi Arabia are now buying equipment with cash and expect to be treated as good paying customers. No arms limitations agreements can be reached without their support and participation which, at this time, seems unlikely. A U.S. moratorium on its own arms transfers would cut out only one source of supply, creating a void which other nations, in good part, could fill. A U.S. decision to impose a moratorium on its arms sales to this region would also greatly damage U.S. relations with these countries. Such a decision would appear arbitrary and unreasonable to Iran and to Saudi Arabia which would consider such an arms shut-off as endangering their national security. They would categorize the United States as unreliable and would hesitate to turn to this country in the future for counsel and assistance. Therefore, a unilaterally imposed arms moratorium would achieve no productive goals. It would not stop the flow of arms into this area though it would antagonize the gulf countries who would regard this action as arbitrary and heed-

less of their legitimate defense needs. An arms sales moratorium would irreparably damage the friendly relations the United States presently enjoys with Persian Gulf countries.

Faced with the probable ineffectiveness of a unilateral U.S. arms moratorium in controlling the flow of arms to the Persian Gulf and with the opposition of the gulf nations themselves to arms limitations agreements, the United States should attempt to initiate talks among the major arms suppliers to the region in an attempt to reach an arms limitation agreement. The major arms suppliers, including the Soviet Union, France, Great Britain as well as the United States should, in these talks, assess the effects of their combined arms transfers to this region and should consider ways and methods to reduce and control these arms transfers. Although the likelihood that such talks would produce a meaningful agreement might appear to be slight, the United States, as the number one arms supplier to the Persian Gulf, should undertake the responsibility of convening a multilateral arms limitation conference and of working toward an effective agreement.

ARMS SALES POLICY

Keeping all these difficulties and opportunities in mind, I believe the United States should follow several guidelines in taking positive steps toward formulating an arms sales policy.

First, the United States must define its own legitimate concerns in the area of the Persian Gulf and decide whether or not the arms buildup of Saudi Arabia, Iran, Kuwait, and other future purchasers of U.S. arms is in the interest of the United States.

U.S. interests in the Persian Gulf involve insuring U.S. access to oil supplies and trade avenues. The importance of these interests can only increase in the future as this country becomes increasingly dependent upon foreign sources of oil to meet its energy needs and as U.S. investments in the gulf nations grow.

The United States can protect these interests by maintaining a military presence in the area such as that of MIDEASTFOR at Bahrain in the gulf or the projected naval facility at Diego Garcia in the Indian Ocean. An effective U.S. military presence in the gulf is difficult and expensive to operate, however. Also, it is questionable whether or not the Government of Bahrain will continue to permit MIDEASTFOR to use that island nation's port facilities beyond the near future. Diego Garcia, which will take years to develop, is a sufficient distance from the gulf to limit its capacity to enable a quick deployment of U.S. forces in the gulf.

Rather than a direct U.S. presence in the gulf, therefore, the United States can secure its interests by providing nations friendly to the United States with the military capability to protect the area from outside interference and to insure its stability. If stability is the goal of the United States, however, this country should carefully avoid a heavy injection of armaments into the gulf.

Second, the United States should carefully consider whether or not its arms sales are contributing to the stability of the gulf area. The United States should not, through its arms sales, contribute to a regional arms race. Along these lines, the United States should pay particular attention to the nascent race it may be fostering between Saudi Arabia and Iran and between Iran and Iraq. Instead of encouraging an arms race in the area, the United States should encourage these nations to conciliate their differences and to form regional defense pacts to decrease the likelihood of hostility and outside interference. It should not increase the polarization of the gulf by informally alining itself with the position of any one nation in the area. It should also attempt to remain on cordial terms with all gulf nations including those to whom it does not sell arms and which appear threatening to U.S. arms recipients. The United States should, as far as possible, maintain a neutrality in its relations with the nations of the gulf.

The U.S. government should also carefully analyze the potential for internal political instability in the gulf nations and to what extent

arms sales affect the chances for stability to continue and grow in these countries. This country should take every precaution not to put arms into the hands of politically unstable elements or to encourage the disintegration of a society through an unwise arms sales policy.

Third, the United States should estimate the likelihood of arms transfers when considering every potential customer. This country should not rely upon the vague threat of an arms cutoff, a threat which has not always worked in the past, to discourage transfers. The best prevention against transfers is in the initial selection of arms customers. This country should also restrict the ability of these nations to use U.S. weapons for nondefense purposes in third countries. U.S. permission for such forays should be mandatory.

Fourth, the United States should set limits on the levels of sophistication of the arms it is prepared to sell to foreign governments. This is one of the most difficult areas to assess. Exactly how and where do we set limits on sophistication? Certainly, the United States must continue its ban on selling any and all nuclear weapons to other nations. But I think that the line should be drawn well before nuclear weapons. The United States should not sell its most sophisticated offensive missile systems to other governments. Some of these missile systems such as the Lance or the Pershing are capable of delivering tactical nuclear weapons. Although the United States may not furnish the Lance or Pershing with a nuclear warhead, nations could obtain these warheads independently of the United States and equip the missiles themselves. This country, therefore, should not put these lethal offensive missile systems into the hands of other nations. Not only would such sales increase the risks of U.S. defense technology falling into the hands of unfriendly nations, but if this country is interested in building the security of other nations, it should not give those nations weapons that are obviously offensive. Other armaments, such as the B-1 bomber, which are also clearly offensive in nature, should not find their way into the arsenals of other nations. Limiting the level of sophistication of the weaponry sold to foreign governments is a possible focus for arms limitation talks. There are few nations that are capable of supplying the most sophisticated weaponry; in some cases, weapons would only be available from the United States or the Soviet Union. The United States should take immediate steps to initiate such arms sales limitation talks with the Soviet Union, France, Great Britain, and all other major suppliers of military equipment to the Persian Gulf.

Fifth, this country should carefully weigh the advantages and disadvantages of coproduction before entering into any such agreements with Persian Gulf nations. Coproduction would make U.S. prohibition of arms transfers to a third nation even more difficult than it is now. It would also remove one of the major reasons for U.S. arms sales—the control over the supply of spare parts which this country presently enjoys when it supplies weapons systems. Coproduction would enable gulf nations to manufacture their own supply of spare parts.

Sixth, this country should define what its involvement in the training and equipping of a foreign military force means in terms of a U.S. commitment to that nation. The presence of a U.S. military training mission in a country implies an American interest in the preservation of the current regime and in the strengthening of that

nation's position vis-a-vis its neighbors. When the American training mission exists as only one of several which possibly include French or British military teams, the United States shares in the responsibility for the military development of a country. When, however, the United States attempts to establish a sole source relationship with a country as it has by contract with Saudi Arabia in the National Guard training program, this country is making a foreign military force its own creation. Although there is no formal military alliance binding the United States to this other country, the American role in its military development creates ties that could lead to increasingly deeper involvement.

American firms, competitive and enterprising, with merchandise generally considered far superior to that of France or Great Britain, fares extremely well in the world military markets. The Persian Gulf once the domain of British influence has sparked the appetite of American arms companies who are annually increasing the percentage of the market American firms control. The U.S. Government should monitor their progress, seeking to avoid monopolization of any one national market. Sole source relationships imply a dependency-commitment relationship this country should seek to avoid in the Persian Gulf.

CONCLUSION

The United States and the Persian Gulf nations have legitimate reasons to engage in the transfer of arms. However, these reasons seem inadequate to explain the \$4.3 billion annual level of U.S. arms sales orders to this area. The United States should initiate a policy of restraint in its arms sales in terms of absolute amounts, levels of sophistication of the weapons, and the percentage of each national market it controls. It should also take the lead in formulating an agreement with other arms merchant nations to limit future sales to the gulf and to encourage regional defense agreements.

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