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REPORT ON THE SECURITY NEEDS OF LATIN AMERICA AND THE IMPACT OF LIFTING THE EXISTING U.S. BAN ON HIGH TECHNOLOGY SALES TO THE REGION

The report submitted to the House of Representatives by the Committee on Appropriations and in association with the Foreign Operations, Export Financing, and Related Programs Appropriations Bill of 1998 directs the Secretary of State in consultation with the Secretary of Defense, to provide a one-time report detailing the security needs in Latin America and the impact of lifting the existing U.S. ban on high technology sales to the region.

SUMMARY

The President announced his policy last August for advanced U.S. arms transfers to Latin America. This policy is based on case-by-case review for arms transfer requests to that region. The policy will be implemented within a context which serves to promote stability, restraint, and cooperation in the region.

For most of the last twenty years, it has been the practice of the United States not to export advanced arms to Latin America. This is not to say that the U.S. Government had banned the sale or transfer of high-tech or other military equipment to Latin America. It did, however, have a policy towards Latin America that developed as a result of the regional situation marked by authoritarian military government, systematic human rights abuses and inter-state tensions which did not support the transfer of advanced weapons to the region. Over time, a series of country-specific policies, such as that proscribing advanced arms transfers to the military Governments of Chile and Argentina (in the 70's and 80's), was expanded to presume the denial of advanced systems, particularly fighter aircraft and missiles. Additionally, the long-standing embargo on all economic activity with Cuba continues.

In the last decade, however, Latin America has changed dramatically from a region dominated by military governments to one where elected governments and civilian control of militaries predominate. As a result, the prevailing atmosphere in Latin America is one of improved regional political cooperation, economic reform and integration, and increased defense cooperation. Accordingly, our partnership with Latin American countries has reached a new level of maturity, cooperation, and dialogue. As their democracies strengthen and their economies grow, the governments of some

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Latin American countries are now addressing the modernization of their military inventories.

The recent review of U.S. security policy in Latin America concluded that it is in the United States' national security interest to assist countries in this hemisphere to modernize and restructure their defense establishments responsibly and with restraint. The U.S. government will consider requests from appropriate civilian government officials for advanced conventional arms to modernize aging and obsolete systems while taking into account our primary security goals for the region:

- 1) enhance democracy, including civilian control of the military;
- 2) encourage countries in the region to concentrate their resources on economic and social development;
- 3) prevent the proliferation of weapons of mass destruction or an arms race, and foster regional stability, transparency, and confidence-building;
- 4) promote responsible decisions by countries in the region so that defense modernization addresses legitimate defense needs within reasonable economic parameters, and
- 5) work with suppliers of sophisticated military equipment to ensure that their actions support the foregoing goals.

The governments of many of the countries in Latin America confront many decisions about modernizing their military institutions, strategies, and force structures. Our goal is for these decisions to promote democracy, stability and security in the region, not undermine them. As expected after years of over-due modernization for obsolete and obsolescent defense equipment, some of these decisions have led to requests for purchasing new military equipment, including advanced fighter aircraft.

Restraint remains the fundamental principle of U.S. arms transfer policy in this region and worldwide, but restraint does not equal a ban.

Restraint means that the U.S. will be very careful and cautious in considering requests, so as to ensure that a sale will serve our overall goals. We do not believe that modest modernization of defense forces by civilian leaders leads to an arms race. Quite the contrary, we believe that

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modern, modest defense structures and professional military forces are essential underpinnings of democracy.

The U.S. will promote transparency and dialogue among countries of the region to provide a framework within which modernization decisions will take place and provide momentum to regional security and confidence-building efforts. To this end, the U.S. will support hemispheric arrangements to establish standards of transparency, and promote regional restraint arrangements among neighboring states. The U.S. will also encourage the governments of Latin America to focus modernization on defense missions now appropriate to the region, in particular: participation in multinational peacekeeping operations, support of civilian authority, counter-narcotics in support of law enforcement, humanitarian assistance missions.

The U.S. also wishes to build and maintain close military-to-military ties in the region. Within the context of the goals outlined above, the U.S. is prepared to help governments of Latin America to modernize their institutions and forces to facilitate inter-operability with the United States. As countries consider options for modernizing equipment and capabilities, we believe that further policy dialogue, both bilateral and multilateral, will help ensure that such modernization decisions support the goals described above.

OTHER SIGNIFICANT ISSUES

Preserving Regional Balance

The U.S. government is actively seeking to preserve regional balances of military forces in the Latin America region. This can be accomplished by discouraging arms races, limiting arms sales to the region that in our view would be destabilizing or create significant imbalance, and by assisting disadvantaged nations to develop defensive strategies to counter external threats. Nonetheless, some Latin American governments are facing obsolescence of aging weapons systems and will purchase advanced replacements from the U.S. or other foreign suppliers. In most cases this will be a one-for-one, or less than one-for-one substitution and will not lead to increases in the size of the armed forces.

The U.S. government is also committed to promoting conflict prevention and resolution, and confidence and security building measures (CSBM) and arms control measures which support regional stability, deter human rights

violations, and promote other U.S. foreign policy objectives such as the expansion of democracy.

Aging Inventories

Although some Latin American countries have a few advanced aircraft and missile systems (for example, Peru has Russian MiG-29s and Russian AA-11 missiles) most have older 1950s and 1960s era systems. For example, Chile presently uses A-37 and F-5E aircraft, Argentina uses Mirage S and Brazil uses F-5E aircraft. In addition, Ecuador uses Mirage F1, Jaguar and Kfir C2s.

Older systems which are no longer manufactured require increasing maintenance to ensure safe and reliable operation. For example, as the worldwide pool of older aircraft in countries' military inventories diminishes with time, economies of scale for providing maintenance services decrease, driving up maintenance costs. Many Latin American countries are now experiencing a cost-effectiveness dilemma which compels them to consider purchasing newer systems.

In addition, advanced fighter/attack aircraft available on the world market (both U.S. and foreign) are more capable than older aircraft such as the F-5 and A-37. Thus, Latin American governments are coming to the realization that the deterrence value of their aging aircraft and air-to-air missile systems continually depreciates as new systems are introduced to the region. This increasingly motivates them to modernize their forces.

Impact on U.S. Defense Industrial Base

Unilateral arms embargoes and proscriptions in a climate of foreign competition result in losses for the U.S. defense industrial base without a corresponding gain for U.S. foreign policy goals. They also result in a ceding of influence to foreign competitors making these sales.

We are committed to weighing the *costs* and benefits to U.S. national security that would result from approval or denial of U.S. arms transfers, taking into account the availability of competing foreign military equipment.

We are also actively pursuing sensible global multilateral restraint, an effort which has the additional value of avoiding competitive disadvantage for U.S. industry.

U.S. companies are now allowed to compete on a more equal basis with foreign competitors. At the same time, we are actively pursuing discussions with foreign suppliers when the systems they offer would provide a capability which is not consistent with our goals for the region.

Support for Counternarcotics Efforts

The U.S. supports Latin American crime prevention and counternarcotics programs. Narcotics and associated illegal activity continue to pose a threat to the U.S.

While counternarcotics efforts by Peru, Colombia and other Latin American nations have had an impact on the drug trade, continued U.S. support is necessary.

The U.S. Government will continue to support counternarcotics programs in Latin America through transfer of helicopters, vehicles, communications equipment and computers as well as through intelligence-sharing and assisting in construction projects.

Counternarcotics continues to be fully supported. The change in U.S. arms transfer policy towards Latin America is not particularly relevant to the war on drugs since US-provided counternarcotics support does not include advanced weapons transfers.

Foreign Competition

Foreign competition regarding military sales to Latin America has grown because:

- 1) Some foreign suppliers are willing to provide more sophisticated high-technology than the U.S. is willing to introduce into the region.
- 2) Some foreign systems are cheaper. For example, used Russian MiG-29 aircraft can be obtained for a lower price and with better financing terms than used F-16 aircraft.

Economic Issues

The increasing GDPs of most Latin American countries will probably mean increased purchasing potential in the area of defense spending. The total GNP of Latin America nearly doubled from \$899 billion in 1985 to \$1.574 billion in 1995. Many of the nations have embarked on economic reform programs. In large part this growth is due to economic reform programs underway in many Latin American

countries which have contributed to GDP growth. A significant portion of these economic reforms includes greater fiscal discipline. Latin American nations still lag behind much of the world in military expenditures and spend less than 2.0% of their GDPs on their militaries, the lowest percentage of any region of the world. While military expenditures increased from \$17.2 billion to \$26.5 billion from 1985 to 1995, the overall percent of GNP devoted to the military has remained in the range of 1.7% to 2.0%, a modest level compared to the developed world's military expenditure level which was approximately 2.8% of GDP in 1995 and compared to NATO countries which averaged about 3.0% in 1995. We do not expect defense spending as a percentage of GNP to increase significantly in Latin American countries.

EFFECTS OF THE NEW POLICY

Since the policy was revised last August, there have been no U.S. sales or transfers of advanced aircraft, such as F-16 C/Ds and F/A-18s, or advanced air-to-air missiles (AMRAAM, etc.), to Latin America. Nevertheless, the President did announce on August 1, 1997 that U.S. companies could participate in Chile's acquisition competition for advanced fighter aircraft. In addition, munitions approved for marketing in conjunction with U.S. fighter aircraft included the AIM-9M Sidewinder, AIM-7 Sparrow and the AGM-65 Maverick missiles.

The President's announcement notwithstanding, some Latin American countries are still hesitant to buy U.S. military equipment. They are concerned that the United States is not a reliable supplier because of our previously demonstrated willingness to cut off the flow of spare parts for U.S.-provided equipment when negative political developments occurred in the receiving state.

In recent years, some Latin American countries have gone elsewhere to satisfy their modernization requirements and may continue to do so in spite of the new U.S. approach to Latin American arms sales. For example, some countries are reportedly in the process of acquiring the Israeli PYTHON-IV missile and Peru has purchased Russian MiG-29 aircraft and Russian AA-11 missiles. Ecuador reportedly has considered the purchase of Russian MiG-29 aircraft.

CONCLUSION

The previous practice of presuming to deny most requests for advanced arms transfers to Latin America is no longer appropriate. Latin American countries have made

tremendous strides in building democracy, establishing appropriate civilian control of the military, ending human rights abuses, and developing their economies. it is no longer appropriate not to provide our democratic friends in Latin America the same consideration given to our friends and partners in other regions of the world with respect to legitimate security and defense modernization needs.

Latin American countries have demonstrated a interest in acquiring advanced systems, and the growth of Latin American economies in recent years has made such acquisitions possible. Latin American militaries have large stocks of obsolete equipment that must be replaced. U.S. arms transfer policy is a legitimate and instrumental foreign policy tool that can help the U.S. maintain its positive influence with the militaries of this hemisphere.

This is a critical period as the arms which these countries purchase in the next few years will affect military-to-military relations with the U.S. over the next 20 years. The U.S. should be in a position to encourage Latin American nations with legitimate modernization needs to acquire U.S. hardware over foreign alternatives.

As a result of the complex political, economic, and diplomatic factors that must be considered in resolving each case and because of the length of the arms acquisition process, we cannot yet determine the effect of the President's policy on the volume of advanced arms transfers to the region. However, there is no indication that Latin American arms purchases will be beyond that which is required for legitimate modernization of forces.