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THE PROVISION OF U.S. DEFENSE ARTICLES AND INFORMATION TO FOREIGN GOVERNMENTS

History and Prospects

DEPARTMENT OF STATE A/ODS/MS

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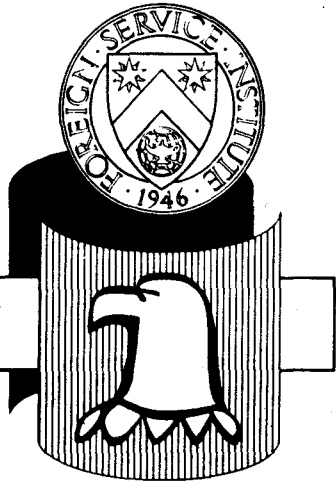
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SEVENTEENTH SESSION

SENIOR SEMINAR IN FOREIGN POLICY

DEPARTMENT OF STATE



1974-75



THIS IS AN EDUCATIONAL EXERCISE AND DOES NOT NECESSARILY REPRESENT THE VIEWPOINT OF THE SENIOR SEMINAR IN FOREIGN POLICY OR OF THE DEPARTMENT OF STATE

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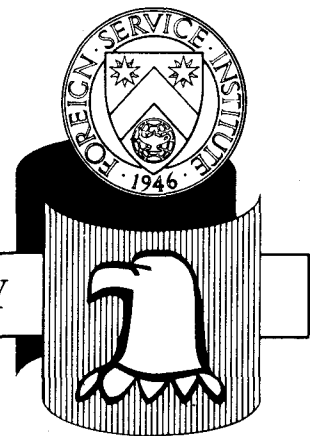
History and Prospects

Case Study by PAUL B. GORMAN

SEVENTEENTH SESSION

SENIOR SEMINAR IN FOREIGN POLICY

DEPARTMENT OF STATE



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DISCONTINUED

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ARTICLES AND INFORMATION TO FOREIGN GOVERNMENTS

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PART I

BACKGROUND

"Our business is not to speculate on what the future may bring forth, but to be certain that it will bring disaster unless you face the facts and consent to do your duty." -- DEMOSTHENES, First Philippic 50.

"Many are now of the opinion that no two things are more discordant and incongruous than a civil and a military life. But if we consider the nature of government, we shall find a very strict and intimate relation between these two conditions; and that they are not only compatible and consistent with each other, but necessarily connected and united together." -- MACHIAVELLI, The Art of War.

"War is nothing else than a continuation of political transactions intermingled with different means. We say intermingled with different means in order to state at the same time that these political transactions are not stopped by the war itself, are not changed into something totally different but substantially continue, whatever the means applied may be...How could it be otherwise? Do the political relations between different peoples and governments ever cease when the exchange of diplomatic notes has ceased? Is not war only a different method of expressing their thoughts, different in writing and in language? War admittedly has its own grammar but not its own logic." -- VON CLAUSEWITZ, On War.

"Speak softly and carry a big stick." - T. ROOSEVELT.

"How many divisions has the Pope!" - STALIN.

"War is the highest form of struggle for resolving contradictions, when they have developed to a certain stage, between classes, nations, states, or political groups...Every Communist must grasp the truth, 'Political power grows out of the barrel of a gun.'" - MAO TSE-TUNG, Selected Works, Volumes I and II.

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The above remarks are recalled only to demonstrate how difficult is the task of those 20th Century individuals who have devoted a good deal of their lives to arms control and disarmament. For in addition to the considerable material benefits flowing to individuals and nations from the development and manufacture of weapons, there is obviously a large body of intellectual opinion that views their possession in adequate quantity and quality as an indispensable element to successful diplomacy. If one postulates potential peaceful technological "spin-off" as well, the post World War II growth in arms transfers and associated manufacturing data is less surprising--if not less ominous--particularly in the light of the near tripling of UN member states since 1945.

Without denying for a moment the absolute legal right of the United States Government to decline to permit the export of weapons or weapons data--either by sale, loan, or grant--to nations that officially request them, a policy of total prohibition could have undesirable political or arms proliferation consequences. Even if the contemporary world were not enriched already with the eloquent principles of the United Nations Charter, it would remain self-evident that all states of the international community have the elemental right to defend themselves against unjust aggression or the real threat thereof. If the leaders of a state perceive a threat to be real, and if the state because of its size or traditionally peaceful behavior does not itself possess the physical means to deter an aggressor or associated pressures, its leaders have not only the right but also the obligation to protect their people by seeking help from whatever sources appear appropriate. If, under such circumstances, the United States Government were approached officially to sell a reasonable quantity of not overly sophisticated defensive weapons and if, because of a policy of total prohibition of arms export, our reply were automatically negative many such nations not yet under external hegemony would be forced to buy elsewhere or to develop an indigenous arms production capability, most likely in association with other states. In the event of the latter decision, the temptation would be enormous to promote exports aggressively from the newly established local production facilities in order (a) to reduce unit costs to the minimum for indigenous consumption, and (b) to enable maximum investment recoupment for return to that part of the national budget whence the scarce investment resource came.

If the foregoing analysis is accurate, the exercise of our right to embargo all arms and arms data, regardless of the justifications accompanying the purchasing state's request, would seem to be self-defeating, if not actually harmful to us, from several viewpoints. It is because of these preliminary conclusions that I decided to examine the question more thoroughly since the entire

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subject* appears to be inextricably related to US foreign policy goals from Woodrow Wilson's era down to the present time. First, a bit of history.

* I wish to emphasize that the subject of this paper is defense articles and information, not combat personnel. Even the use of US military personnel in equipment, familiarization roles, to the extent that it does not take place on United States territory, (or over it), is completely outside the scope of this study.

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PART II

THE INTERESTING PAST

Although it was touch and go for many months, Wilhelm II's arrogance toward the United States finally managed to surpass that of England and the neutral convictions of President Wilson began rapidly to dissolve early in 1917. "The eight months following settlement of the SUSSEX crisis were the most satisfactory period of the war in German-American relations. The Germans were on their good behavior. German submarines continued to prey upon Allied commerce but acted within the rules of law and humanity. At the same time, the Allies, especially the British, were exasperatingly uncooperative." 1/

This situation changed when, after the failure in December 1916 of German peace overtures, Ambassador von Bernstorff informed Washington of his government's decision to resume unrestricted submarine warfare beginning February 1, 1917; the famous Zimmermann Note to the German minister in Mexico surfaced (thanks to British Intelligence) on February 24; and three American merchant ships were torpedoed on March 18. The abdication of Tsar Nicholas three days earlier in favor of the Prince Lvov provisional government, composed mainly of Constitutional Democrats, wrapped things up. Now all our potential allies were "good guys" (democratic regimes), and President Wilson felt justified in calling a special session of Congress on April 2 to urge it to "declare the recent course of the Imperial German Government to be in fact nothing less than war against the government and people of the United States.' He reviewed the long controversy with 'this natural foe to liberty' and explained that the conflict had narrowed down to a life-and-death struggle between the forces of democracy and autocracy. The world had to be 'made safe for democracy' and it was America's duty to dedicate her blood and might to the task. 'God helping her, she can do no other.'" That did it, of course, and two days later both the Senate and the House passed state-of-war resolutions by lopsided majorities, enabling Wilson to proclaim war on April 4. 2/ Just a few weeks later, Congress started lending money to the Allies at 5 percent interest. 3/

But the purchase of US weapons, raw materials, and food had begun much earlier. "...large quantities of American securities held abroad were sold in New York in order to finance purchases of American war materials by the Allied governments. By the fall of 1915 those governments found it necessary to float a bond issue of \$500,000,000 in the United States through the agency of J. P. Morgan and Company, and such borrowings continued until the United States entered the war. The role of lender was then assumed by the United States Government, which advanced to friendly governments over seven billion dollars before the armistice of November 11, 1918, and three and one-quarter billions in subsequent months." 4/

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Consequently, the United States evolved from a net two billion dollar debtor position in 1914 to a net creditor, on both public and private account, of well over twenty billion dollars. 5/ Settling these war debts, and the Allies' insistence on tying their repayment to the German War Reparations question, involves issues that go beyond the scope of this paper. Suffice to say that a very large part of the twenty billion dollars were used to purchase arms and associated data from the United States. Inescapable then to conclude that the world was made safe for democracy partly by God's preference for this form of government and partly by the sale of US-made weapons. Surprisingly, the Honorable Gerald Nye, and many of his Senate colleagues, were to draw somewhat different conclusions from their committee's sensational public hearings in 1934-35.

In March 1934 FORTUNE magazine published a lengthy article, "Arms and the Men" which had a considerable impact on segments of US opinion by describing in detail the World War I activities of Bethlehem, Dupont, Colt, and others in this country, but awarding first prize in munitions machinations to British, German, and French armament firms "...their mines, their smelters, their banks, their holding companies, their ability to supply everything you need for a war from cannons to the casus belli..." Perhaps by coincidence, Senator Nye's committee "was organized for the purpose of investigating the operations of manufacturers of, and dealings in, arms and munitions of war...the committee convinced itself and a large share of the public that a hidden reason for American entry into the war in 1917 had been to protect its trade in munitions with the Allies and the loans made to those same Allies by American bankers..." If the activities of bankers, munitions makers, and citizens traveling in war zones dragged the country into war in 1917 against its own best interests, such activities should be prohibited in connection with future wars...All in all, as the average American saw it, the United States had participated in World War I for altruistic reasons and at great cost. Then its former associates had used the war and the peace settlement for their own selfish advantage, had repudiated the ideals for which America had fought, and had shown neither gratitude for American aid nor a disposition to pay their just debts...it was a wide-spread and popular view, in Congress no less than with the general public. It pointed unmistakably to the conclusion: Our entry into World War I was a grave mistake; we must never repeat it." 6/ Much the same argument was put forth later by LaFollette, Norris, and Read in the Senate and Kitchin, LaFollette, and Jeanette Rankin (the first woman to sit in Congress) in the House; as well as by the liberal apologist William Allen White; the dean of reform historians, Charles Beard; and the irrepressible union leader, Mike Quinn, 7/ during the Neutrality Act debates preceding World War II.

The intensity of the altruism versus greed disputes between educated and apparently honest men with respect to US motives in

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entering World War I and the coming motivational struggles about entering World War II made some observers wonder whether the redoubtable H. L. Mencken was jesting when he described democracy as "the worship of jackels by jackasses," flayed all reformers and their "bilge of idealism," lauded "free competition...to the utmost limit," advocated wars and aristocracy, and labeled the American people "the most timorous, sniveling, poltroonish, ignominious, mob of serfs and goose-steppers ever gathered under one flag in Christendom." 8/

The altruistic interpretation proponents lost. FORTUNE and Nye had had their effect, and the First Neutrality Act became law on August 31, 1935 even though President Hoover joined President Roosevelt and Secretary Hull in urging Congress to adopt a more flexible arms export control bill that had been drafted by the State Department. In spite of Italy's actions in Africa and Hitler's in the Rhineland, Congress passed the Second Neutrality Act on February 29, 1936--an extension of the First Act but stronger in that the President was now directed to embargo all "arms, ammunition, and implements of war" to any belligerent, both attacker and attacked! The trend was not affected by General Franco's attack on the Spanish Government in July 1936. Instead Congress passed the Third Neutrality Act (like the others a joint resolution) which was signed into law on May 1, 1937 by a reluctant President. Among other modifications to the previous Acts, US citizens were now forbidden to travel on belligerent ships instead of being merely warned that such travel was at their own risk. 9/

"The United States was now fortified, or so it seemed, against being drawn into any 'foreign war' through such violations of 'freedom of the seas' as had involved it in 1812 and 1917...But if the new neutrality had its merit from the point of view of the United States alone, from a broader view it did a disservice to the cause of peace. It was notice to well armed dictators like Hitler and Mussolini that if they chose to attack their democratic neighbors, the latter could get no aid from the United States, either in direct war material or in loans of money or credit...the American Congress was so intent upon keeping America out of the war that it deliberately passed legislation which, by encouraging aggression, made that war more probable." 10/

Although a number of influential Americans vainly attempted to convince Congress that the Axis Powers were playing with a fire whose sparks must some day blow in our direction, it was not until September 1939 that Hitler's invasion of Poland provided President Roosevelt with the opportunity he had been seeking. He called Congress into special session on September 21 and asked for legislation to permit the sale of arms to the Allies. On November 4, 1939 the Fourth Neutrality Act became law and thereby the embargo on weapons and ammunition was repealed, enabling sales to belligerents of goods of all kinds on a cash and carry basis. In fact this legislation applied only to Britain and France since

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they were the only European belligerents who could "carry away". To the United Kingdom this was a godsend since most of the British army's equipment was to be abandoned in just a few months on the shores of Dunkirk.

As events in Western Europe accelerated, President Roosevelt, speaking at Charlottesville, Virginia on June 10, 1940 declared, "In our American unity, we will pursue two obvious and simultaneous courses: we will extend to the opponents of force the material resources of this nation, and at the same time we will harness and speed up the use of those resources...in the Americas." 11/ Next came the September deal by which the President, without asking Congress' consent, traded fifty US Navy destroyers for a 99 year lease on some British islands near our shores. Although Roosevelt modestly proclaimed his move "The most important action in the reinforcement of our national defense that has been taken since the Louisiana Purchase", Churchill was to write later in THEIR FINEST HOUR (1949) the transfer was "a decidedly unneutral act by the United States" which could "according to all standards of history, have justified the German Government in declaring war."

But Hitler was in no such mood. He apparently felt that Kaiser Wilhelm had thrown away Germany's certainty of winning World War I by his impulsiveness with respect to the US and that his submarine policy had eventually forced the United States to enter the war on the side of the Allies. So that not even the December 29, 1940 fireside chat foreseeing America as the "arsenal of democracy" or the consequent lend/lease legislation of March 1941, "An Act to Promote the Defense of the United States", with its initial appropriation of \$1,300,000,000, provoked a significant Nazi reaction. Although "from the very outset of hostilities in 1939, while remaining legally neutral, we took the side of Great Britain and France against Germany...and took measures--such as lend-lease the destroyer deal, the defense of Iceland, the order to the Navy to 'shoot on sight'--that were incompatible with the status of a neutral", 12/ it took Japan's attack in December 1941 to lead finally to a state of war between ourselves and Hitler's Reich.

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THINGS WOULD NEVER BE THE SAME AGAIN

Remembering the bitterness of the war debt problem after World War I, President Roosevelt came up with the ingenious idea of lending goods instead of money to get away, he told the press, "from that silly, foolish old dollar sign..." 13/; and as a result the original \$1.3 billion appropriation for lend-lease in March 1941 was to ease up to just over \$50 billion by war's end, with \$11 billion of that amount going to our Soviet comrades. The power which Congress handed over to the Executive on March 11, 1941 by Public Law 11 (the "lend/lease" bill) was extraordinary by almost any standards (certainly in the light of today's executive/legislative struggle) as can be judged from some of its provisions:

"Section 3(a) Notwithstanding the provisions of any other law, the President may, when he deems it in the interest of national defense, authorize the Secretary of War or the Secretary of the Navy, or the head of any other department or agency of the Government".

"Section 3(a)(1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure...any defense article for the government of any country whose defense the President deems vital to the defense of the United States..."

"Section 3(a)(4) To communicate to any such government any defense information pertaining to any defense article furnished to such government under paragraph (2) of this subsection".

"Section 3(b) The terms and conditions...may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory."

"Section 5(b) The President shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose". (Underscoring mine).

"Section 8 The Secretary of War and the Secretary of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which Section 3 is applicable, whenever the President deems it to be necessary in the interests of the United States..." (The writer presumes the foregoing to be the precedent for the famous "Off-Shore Procurement" program so liberally used during the post World War II period).

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As legislative blank checks go, this was pretty heady stuff for the Executive. When, for example, the Germans attacked the Soviet Union on June 21, 1941, the President decided to make the USSR a beneficiary of lend-lease. Churchill was later to write in THE GRAND ALLIANCE about the Atlantic Charter secretly agreed to in August 1941 "...The fact alone of the United States, still technically neutral, joining with a belligerent Power in making such a declaration was astonishing. The inclusion in it of reference to 'the final destruction of the Nazi tyranny'...amounted to a challenge which in ordinary times would have implied warlike action..." 14/ Indeed, one is compelled to think about Tonkin Gulf when one remembers the September 4, 1941 USS GREER incident, a destroyer trailing a German submarine and signaling its position to a British plane. The German sub missed with two torpedoes, but a week later the President, without describing the circumstances of the incident, denounced the German attack as "piracy". As a result of this, and later actual sinkings of US Navy ships doing convoy duty for vessels carrying US-made arms to Britain, the President requested Congress in October 1941 to allow American merchant ships to be armed, and in spite of samplings like the American Institute of Public Opinion Poll on November 5, 1941 that showed a 63 percent "No" versus a 26 percent "Yes" on going to war against Germany, Congress obliged. The President signed the legislation, which also repealed the "cash-and-carry" and combat area provisions of the 1939 Act, into law on November 17, 1941. "American merchant ships were now free to arm themselves and to sail anywhere on the globe, carrying, if their owners wished, arms, ammunition, and implements of war for the British, the Russians, and the Chinese." 15/ (With respect to China, it should not be forgotten that all Chinese seaports were in the hands of the Japanese, and US-made arms and ammunition had to proceed to Chiang Kai-shek's forces by the "Burma Road"--closed by the Japanese army early in 1942--or "over the hump" from India in cargo planes tiny by comparison with those that were available in the Viet Nam war. In this connection, Herbert Feis in his THE CHINA TRIANGLE: THE AMERICAN EFFORT IN CHINA FROM PEARL HARBOR TO THE MARSHALL MISSION (Princeton University Press, 1953) maintains on page 196 that the US "approach to Japan by way of the Philippines and the Marianas was deemphasizing the importance of the war in China, and there was a consequent tapering off in the effort to build up Chiang's military power. This change in policy had its bearing on Chiang's later defeat by the Communists." 16/ In the fall of 1944 the "Stilwell Trail" was finally able to connect India to Yunnan by overland means).

The Arsenal of Democracy delivered its knockout punches in August 1945 when President Truman decided to save a million lives with two atomic bombs. The Sun God of Japan capitulated unconditionally, we all heaved a sigh of relief, and the largest military force in America's history quickly went home. Like most of his colleagues, the writer was overjoyed when it was announced that Congress had directed the discharge of all non-regulars by

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August 20, 1946. But poor President Truman and his congressional allies did not have the luck of President Wilson--the government of Russia was no longer the sweet democracy that Secretary Lansing had welcomed in March 1917. Indeed, if President Roosevelt had ever thought we were going to make the world safe for democracy a second time, he wisely did not publicize it. Nor did Stalin. By 1947 the still enormous Red Army was already a serious threat to the democracies of Western Europe (the few in Eastern Europe were already gone). From the moment that US-made defense articles began to flow to Greece and Turkey as the result of Harry Truman's March 1947 Doctrine that "...it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures" until the American Ambassador was airlifted out of Saigon in April 1975, five US Presidents were locked in struggle with the largest totalitarian states on earth, albeit both "people's democracies". To NATO, Korea, and Southeast Asia US-made arms once again became vital.

So-called "do nothing" Congressmen like Senator Robert Taft "while supporting Truman's decision to respond by force in Korea, gave it as his opinion (on June 28, 1950) that there was 'no legal authority' for what Truman had done. He added that he would vote for a joint resolution authorizing American intervention. Acheson thought this was 'typical senatorial legalistic ground'. On June 29 Truman decided to make a commitment of ground forces south of the combat zone. On June 30 he decided to increase that commitment...On July 3 Acheson recommended that Truman not ask for a resolution but instead rely on his constitutional powers as President and Commander in Chief." 17/ Another "do-nothing", Senator Bricker, tried unsuccessfully from 1952 to 1954 to get his colleagues to empower Congress "to regulate all executive and other agreements with any foreign power or international organization". 18/ So, from the early days when Senator Taft had argued that Roosevelt had "no legal or constitutional right to send American troops to Iceland" which might "nullify for all time the constitutional authority distinctly reserved to Congress to declare war" (only one senator supported Taft's protest.) 19/; through the Great Debate on Korea where Acheson replied:

"Not only has the President the authority to use the Armed Forces in carrying out the broad foreign policy of the United States and implementing treaties, but it is equally clear that this authority may not be interferred with by the Congress in the exercise of powers which it has under the Constitution."

and Senators Douglas, Fulbright, Lehman, and Morse agreed by insisting that if the President thought the defense of America required the sending of troops to Europe, "he has the power and duty to do so" (Fulbright) and "a discretionary power which I believe is inherent in the President of the United States in the field of foreign policy." (Wayne Morse); 20/; to the Tonkin Gulf Resolution; to the War Powers Act of 1974; the President's authority to use force (or transfer weapons) has been a tough act to follow.

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PART IV

THE WAY THINGS LOOK NOW

According to the Department of Defense figures as of February 1975 (extracted from the FY 1974 JOURNAL), worldwide Military Assistance (i.e., grant aid including MAP, MASF, and Excess Defense Articles) between FY 1950 and FY 1974, inclusive, total \$60.3 billion.* Prior to MAP cut-off for developed countries, the big recipients of grant aid were France, Italy, Taiwan, Belgium, the Netherlands, Korea, Turkey, and the United Kingdom (see Chart C). Later, of course, the scene shifted to Southeast Asia, with Viet Nam getting the lion's share (see Charts C, D and E).

As many are aware, current Military Assistance grant (MAP) levels of appropriation have dropped continuously over recent years (excluding the aid to Viet Nam which was funded for three or four years out of the now defunct Military Assistance Service Funded (MASF) account which was created to prevent the Viet Nam tail from wagging the remaining MAP dog), so that the current NOA level of \$450 million, which does not include Israeli monies, is the worldwide remains of the once giant Mutual Security Act (succeeded by the Foreign Assistance Act in 1961) which accorded to France alone a total of well over \$4 billion in grant military assistance.

US Government to foreign government sales (FMS) over the FY 1950 through FY 1974 period total rather less, \$29.3 billion (see Chart A), while US company direct to foreign government sales deliveries total for the period FY 1960 through FY 1973 an additional \$3.7 billion (see Chart B). These data, unlike the others, are for deliveries, not "orders", since DOD must rely on US port-of-exit customs declarations values and the State Department's Office of Munition Control export license values for any kind of accurate tally. Naturally, US weapons firms' total sales are usually higher since such dollar figures represent "orders" rather than "deliveries" (i.e., exports). Thus State Department-licensed commercial sales to foreign governments must always be "behind the curve" actually, in addition to which the continual semantics problem of what is a "weapon" (e.g., dual-purpose end items and spare parts sold by commercial firms directly to foreign governments) further complicates the problem of getting precise "commercial" totals).

With respect to military equipment sales, either FMS or commercial, the Department of State has for years had the last word. Executive Order 11501 of December 22, 1969 specifically

* For comparison, grant economic assistance worldwide during FY47 to FY74, inclusive totalled \$104.9 billion.

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states in Section 2. "Nothing in this order shall be construed as modifying in any way the responsibility conferred on the Secretary of State by Section 2(b) of the Act (P.L. 90-629, the Foreign Military Sales Act) for the continuous supervision and general direction of sales under the Act (ibid.), including, but not limited to, determining whether a sale should be negotiated, concluded, or terminated and the amount thereof." With respect to so-called commercial sales (i.e., US industry direct to foreign governments), the State Department's Office of Munitions Control licenses for export all articles or related data listed in its publication International Trade in Arms Regulations (ITAR) or withholds said licenses when the State Department deems it appropriate.

As a matter of general interest, Congress has imposed an increasing number of restraints over recent years in the Foreign Military Sales Act. The FY 1974 law placed an annual ceiling of \$150 million on FMS sales to Latin American nations; \$40 million to African nations; limited US Government-guaranteed FMS credits (loans) to an aggregate of \$730 million (\$350 million in NOA and the remainder in carry-over from previous years); and provided that any individual FMS sale totalling more than \$25 million would have to be reported to the Congress before it can be considered consummated. (Senator Gaylord Nelson is currently preparing to introduce an amendment which would further require that the Congress actually vote passage of each such individual sale, in lieu of the present 20 day turn-down authority. Israel is, of course, a special case in all these matters and her needs are judged differently both quantitatively and qualitatively.

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PART V

THE COMPLICATED FUTURE

Even if Greece and Turkey were the closest of friends, even if India and Pakistan had never spoken a cross word, even if Israel and the surrounding Arab states lived side-by-side peacefully, the provisioning of US-made arms abroad would provoke debate for other reasons. Let us consider two: competition and cooperation, taking first a rather difficult case, from the US point of view, the arming of Iran.

The Shah, like DeGaulle, appears to respect history. Nevertheless, Persepolis means for him not only the triumphs and tribulations of Persia past, but also symbolizes continuity and renewal. He seems to be thinking not only of potentially belligerent neighbors when he purchases vast amounts of advanced US military equipment, but also (and perhaps more importantly) of using this type of bifurcated technology as a basis for his country's great leap forward. Aircraft, electronic, and ship assembly programs, however rudimentary their beginning, are one way of introducing a developing nation to the wonders of modern times. And as the artisans of the ancient crafts, and their children, graduate from the simplicities of the pure assembly process to the intricacies of manufacturing operations involved in the production of a transistorized radio receiver or an F-5 interceptor, a pool of skills gradually comes into being which can be directed later to other needs of the economy. Thus the Shah builds the two kinds of power which he believes his country needs: military and industrial. So long as his oil supply is abundant, the formula does not appear unreasonable. After all, Germany, Italy, Holland, Belgium, and Japan did much the same thing when they formed their F-104 Starfighter co-production programs with Lockheed and GE in the early 60's. In fact, the four NATO countries went so far (at that time) as to produce under Litton license the so-called "G" model, which incorporated an inertially guided and computer-controlled weapons delivery system that could be used, if necessary, with a particular "Mark" of the US atomic bomb. In the case of the Federal Republic, the skills transfer was so successful that, given an economy such as hers, the German Air Force has had great difficulty in retaining trained technicians, which partly explains the high accident rate of the German 104's versus the other consortium members. But the GAF's loss has been Lufthansa, Siemens, AEG, MBB, and probably even Daimler-Benz's gain. The same thing has certainly happened in the other countries, including Japan. Small wonder then, that the Shah should have reflected over his St. Moritz aperitif on his daily conversations with various and sundry industrial giants.

The Israeli story is so well-known that I will only mention the fact that much of the know-how and sales competition of such firms as IEL, Tadiron, and IAI in today's electronics and aviation

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markets, has resulted from US military equipment and US-company licensed production and know-how transfers to the young state. Again, the Shah could see both military power and jobs tied inextricably together.

Turkey, on the other hand, strikes me as taking the wrong path by undertaking military equipment co-production. Even a short tourist visit to that historically rich land caused me to wonder if enough thought was being given to the development of unique but still largely buried treasures like Ephesus. The tourist's currency buys foreign needs as well as any other local source of wealth, and for a relatively small state capital investment could provide an enormous breadth of jobs, so many of them appropriate for Turkey's labor force as it now exists. Tourism has done well in Switzerland, Austria, Italy, Greece, Spain, and now again in Egypt--to name just a few--so that undertaking F-104's co-production with Italy or trying to compete with the Ruhr or Japan in steel seems a doubtful direction to follow. However, not being an economist, I could well be wrong.

The pièce de résistance currently in the arena of military equipment cooperation is, of course, the replacement of the above-mentioned F-104 aircraft produced and flown in so many allied countries, but now approaching structural fatigue and in some ways functional obsolescence. If the US succeeds with the General Dynamics/Pratt and Whitney F-16, recently chosen as the USAF's Lightweight Fighter (LWF) after a nine-month fly-off competition, American industry and labor stand to benefit by sub-systems sales abroad of approximately 40 percent of the estimated \$15 billion worldwide market. (Past purchasers of French equipment such as Australia, Switzerland, and Belgium would undoubtedly be drawn into the consortium orbit by the declining unit production costs, the generous production distribution arrangements (so-called "offset"), the profitable "learning curve" potential of such a large pool of common airframes, engines, avionics, and weaponry, the advanced technology involved in the F-100 engine (two of these are used in the larger F-15 which recently broke so many world records), the wide use of boron composites and compounds for much of the lightweight but enormously strong structure, and the lower than 1 thrust to weight ratio of this single engine, all-purpose fighter).

At the time of this writing, the Dutch Cabinet announced for the F-16 thus putting great pressure on neighboring Belgium to drop her government's natural predisposition for French products. (Privately owned SABENA recently infuriated both the Belgian and French Governments by purchasing Boeing 737's instead of the new Dassault MERCURE). If Belgium announces for the F-16 also, the ball game for the MIRAGE F-1 and the Swedish WIGGEN is over, since both Norway and Denmark have gone on record for the US aircraft, but their formal announcement is a function of their later budgetary cycle. Thus if the four-nation Mini-group goes F-16, Germany, Italy, the United Kingdom and perhaps even France will eventually join. The

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centripetal forces of rapidly dropping learning curves, new technology, "life-of-type" mass procurement savings, and wartime logistics commonality would, it seems to the writer, be irresistible. And--to express a personal opinion--if the US Navy were obliged by the Secretary of Defense or the Congress to go F-16 also (thus giving a programmed US buy of 1,500 aircraft of the same make), the worldwide attraction of the F-16 as the LWF would be assured. If France threw in the towel on their F-1 (M-53), and if the Toulouse area et. al. got an attractive piece of the "action" who can now foresee what consequences such a development might have for strengthening NATO politically as well as militarily. But that kind of speculation I must leave to the State Department's policy planners.

My discussions in Washington with staffers on the Hill and officials of the AFL/CIO took place during the calamitous days immediately preceding the closing of our embassy in Saigon and the trauma in neighboring Cambodia. Consequently, there was not much rhetoric about the Arsenal of Democracy, which did not surprise me. But I was surprised--in particular in the light of the requirements of the Jackson-Nunn statute--at the relatively low level of importance accorded during the discussions to the purely economic value of US weapons sales. True, Mr. Ernest Lee, Director of International Affairs of the AFL/CIO Washington Headquarters, was far from unaware of the labor-hour issue and in discussing the situation in that context only was certainly not opposed to sales of US-made military equipment, assuming of course the US Government approved. Lee's problem was with deals that in fact exported US jobs through "know-how" and data sales--along with capital transfers--to provide foreign countries with a production capacity which had been bought and paid for by the US taxpayer during the RDT&E stage. Although he understood clearly the frequent foreign political imperative to show how "buying foreign" resulted in some indigenous jobs increase, particularly in large programs like the F-104 replacement competition with France and Sweden, he felt strongly that union membership had no effective voice in the trade-off process and was therefore at the mercy of industry management (seeking to maximize profit) and/or federal bureaucracy with its own fish to fry, be they of diplomatic or military species. Lee felt that the Transfer of Technology Act of 1974 was a step in the right direction, but that much remains to be done in the Executive Branch in the area of international economic policy.

Both John Brady of the House Foreign Affairs staff and Norville Jones of the Senate Foreign Relations staff agreed with Ernest Lee that the sale (or grant) of US military articles is not, per se, immoral. The transfer develops a moral, or ethical, element from the larger context of the alleged need. Both men were worried about the Persian Gulf situation and felt that their concern reflected the views of the majority of their respective committees in this regard. With the exception of Greece and Turkey, both men saw no difficulties with supplying NATO nations nor with providing Israel with sufficient materiel to maintain a balance of power

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in the area. Their views on the latter subject seem to have been thoroughly confirmed by the May 21, 1975 letter, signed by 75 US Senators, to the President which, among other sentences contained according to The Washington Post issue of May 22 (page A27), the statement, "Withholding military equipment from Israel would be dangerous, discouraging accommodation by Israel's neighbors and encouraging a resort to force..." Just how much arms transfers end up being political footballs seems, to the writer, to be illustrated by the fact that the alleged "hawk", Senator Stennis, would not sign the letter, while alleged "doves" such as Senators Kennedy and Church apparently did).

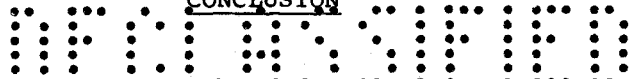
In any event, editors both here and in Europe seem to have concluded that the public is interested in the general subject. TIME did a major story on arms transfers on March 3, 1975; BUSINESS WEEK, surprisingly, also did so on the very same date; The New York Times on April 14, 1975; The Washington Post on numerous dates; no fewer than seven numbers of PARIS MATCH have contained articles on the subject in the past six months; and even tiny, neutral Austria's DIE PRESSE carried a long East/West balance sheet on February 27, 1975. Needless to say, Germany's DER SPIEGEL and Britain's ECONOMIST have also maintained the pace with articles too numerous to list.

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PART VI

CONCLUSION

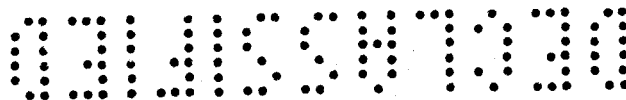


What does it all mean? Given the technology explosion since the beginning of the Industrial Revolution, it would seem that by now wars between so-called nation-states would have been priced out of the marketplace. Although the appeal of the steam engine, the radio, the telephone, the phonograph, the airplane, the auto, television, and even satellites has presumably been to make the "good life" nearer (i.e., cheaper) for all, that attractive outcome has not applied to machines of war. Beginning arbitrarily in 1866 with the importance to the Prussians of the breech-loading rifle against the Austrian front-loader at Koeniggreutz, to the superiority of the Krupp artillery to that of Schneider-Crevsot in 1870-71, to the submarine and torpedo in World War I, to the tank, airplane, and the atom bomb in World War II, one thing has become clear. Where nothing less than victory is acceptable, wars between industrially advanced states depend not only on superior tactics, logistics (and luck), but also on the best available weaponry. The "French 75" could no more stop German TIGER tanks than the heroic cavalry charges of the Poles; the first salvo of the BISMARCK (luck?) sank the pride of the British Navy, HMS HOOD (built in 1922); and the thousands of unstoppable B-29's that rained fire on Japan were only the prelude to Hiroshima and Nagasaki.

Just as War Bonds were later renamed Defense Bonds, so our post Viet Nam military thinking will now center more on defense, i.e., deterrence. But since our military defeat (and the rest of NATO) by the USSR presumably continues to be unthinkable, the "price of eternal vigilance" still rises exponentially because, unlike TV's and cars, the second or third best will not do. For us that means the expense of TRIDENT, nuclear carriers approaching 100,000 tons, F-14's, F-15's, F-16's, perhaps B-1's, improved MINUTEMEN in harder sites or in a mobile configuration, satellites of all kinds, and presumably even improved H-Bombs and eventually laser communications and weaponry. The end obviously is not in sight, for us or the USSR.

For France, the U.K., Germany, China, India, Israel, Iran, Sweden and a few others, the second best has also not been good enough, for their own reasons, which they have found sufficient. I must therefore conclude that arms development and manufacturing will continue to grow until:

1. only the largest and wealthiest states can maintain a creditable deterrent, either as individual entities or as collective groupings of common culture with consequent de facto and relatively unchallenged hegemony over "their" region of the earth; or



2. such a worldwide balance of power fails because, for example, the democratic governments cannot continue to "inspire" their citizens to make the ever greater sacrifices forced on the citizens of totalitarian states, in a dynamic technological age, with the consequence either of the Armageddon or of the "preventive" war or the more likely "Better Red than dead" option; or
3. there develops a world without frontiers populated and somehow governed largely by people whose principal offensive weapon is love and whose principal defensive weapon is patience. (A variation of the UN dream).

Although the last alternative is clearly the most sensible of the three, it would appear to require some kind of miracle, even to get under way. The first alternative requires not only genuine sacrifice and collective security, at least for the democracies to bear the rising cost of "deterrence", but also posits a political world structure which somehow remains forever relatively static--an improbability in an age of accelerating technologies, international competition, conflicting ideologies, and steady-state lust for power. Thus, alternative 2 appears the grim likelihood--either the Armageddon smash of "preventive" war or the more likely slow erosion of free peoples' understanding of what freedom really involves combined with their inability to image what its disappearance really implies. Arms sales would then finally end since only opposing totalitarian blocks would remain.

Preventing my scenario from becoming reality will most likely be the responsibility of the American people. Whether a leader will appear to convince them of this likelihood and of its primordial importance to humanity will be the great question of the future. In the interim, our Government will probably continue to pursue an arms sales policy based on case-by-case analysis, hopefully within the context of a sound, overall foreign policy.

DECLASSIFIED

FOOTNOTES

1. J. W. Pratt, A History of United States Foreign Policy (New Jersey: Prentice-Hall, Inc., 1955), pp 477.
2. W. G. Langsam, The World Since 1914 (New York: The Macmillan Company, 1943), pp 38
3. Ibid., pp 165
4. Pratt, op. cit., p. 559
5. Ibid., pp 560
6. Ibid., pp 597
7. E. Goldman, Rendezvous With Destiny (New York: Alfred A. Kopf, 1953)
8. Ibid., pp 315-16
9. Pratt, op. cit., p. 602
10. Ibid., pp 603
11. Ibid., pp 637
12. H. J. Morgenthau, A New Foreign Policy for the United States (New York: Frederick A. Praeger, 1969), pp 163
13. Pratt, op. cit., pp 638
14. Ibid., pp 641
15. Ibid., pp 643
16. Ibid., pp 673
17. A. M. Schlesinger, Jr., The Imperial Presidency (Boston: Houghton Mifflin Company, 1973), pp 132
18. Ibid., pp 151
19. Ibid., pp 111-12
20. Ibid., pp 138

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FOREIGN MILITARY SALES ORDERS

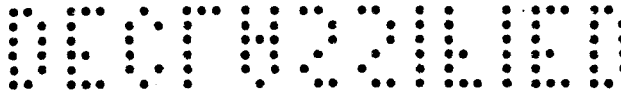
VALUE IN THOUSANDS OF DOLLARS

	FY 1950- 1954	FY 1955	FY 1956	FY 1957	FY 1958	FY 1959	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1950- FY 1974
Worldwide	5,182,667	1,251,952	1,847,749	999,729	804,809	1,187,599	921,576	1,644,239	3,271,719	3,865,703	8,262,579	29,290,311
Argentina	49,049	1,270	7,238	6,511	4,680	978	10,947	14,148	16,556	16,328	8,928	149,805
Australia	272,087	320,863	449,079	118,508	32,769	35,738	61,563	59,890	117,802	27,353	35,074	1,130,870
Austria	35,742	6,219	2,167	2,181	6,041	1,118	1,326	3,791	2,405	2,654	3,056	66,698
Belgium	78,746	6,515	6,310	15,412	2,203	9,754	4,404	4,728	4,728	6,214	9,896	147,181
Bolivia	741	28	132	5	17	3	-	44	5	42	155	1,172
Brazil	19,277	23,625	223	26,452	4,265	11,413	2,538	21,269	34,089	17,276	58,739	219,166
Burma	1,505	53	91	113	100	46	7	84	273	246	111	2,631
Canada	651,836	42,402	71,192	21,713	18,290	15,875	53,358	28,836	37,521	91,254	93,920	1,126,186
Chile	15,992	2,181	1,058	2,560	4,117	1,699	7,699	2,968	6,185	15,012	68,194	572,226
China (Taiwan)	2,116	1,096	4,996	14,347	46,510	36,917	32,649	64,736	78,430	202,166	88,264	882,264
Colombia	10,181	150	496	98	56	141	158	2,168	5,466	1,293	1,085	21,293
Costa Rica	902	-	-	-	-	-	-	-	34	-	-	935
Cuba	4,510	-	-	-	-	-	-	-	-	-	-	4,510
Denmark	31,075	8,206	7,338	9,098	9,126	10,378	6,933	15,996	14,512	11,714	20,863	145,240
Dominican Republic	1,494	115	266	1	1	-	-	31	16	78	32	2,034
Ecuador	2,653	-	119	114	1,410	14	20	315	4	-	-	4,650
Egypt	356	2	-	-	-	-	-	-	-	-	-	358
El Salvador	877	18	35	15	514	6	-	-	11	-	399	1,945
Ethiopia	663	-	30	12	4	7	6	-	10	-	469	1,201
Finland	-	-	1	1	1	-	-	-	63	-	12	79
France	281,191	11,192	8,912	6,448	7,281	6,264	3,429	1,994	7,552	8,693	21,092	368,048
Germany	2,263,781	309,498	166,872	190,167	149,533	592,368	242,404	179,409	942,076	218,770	218,612	5,473,492
Ghana	-	-	-	-	-	-	2	61	-	-	-	187
Greece	1,279	709	471	7,988	15,334	11,210	29,187	24,758	181,926	57,087	434,926	764,845
Guatemala	980	444	546	101	317	153	464	8,126	2,344	3,709	989	18,174
Haiti	224	-	-	-	-	-	-	-	-	-	-	224
Honduras	1,010	13	4	6	59	-	-	-	27	5,468	702	7,288
Iceland	14	-	-	-	-	-	-	-	436	47	-	498
India	52,278	1,874	389	1,988	1,574	163	2,094	856	1,515	-	215	62,947
Indochina	8,542	-	1	1	24	-	-	-	18	-	148	8,542
Indonesia	622	-	-	-	-	-	-	-	-	-	-	622
Iran	1,285	68,857	124,158	147,953	69,365	235,879	113,284	396,613	528,022	2,108,787	7,394,369	7,588,574
Iraq	1,919	10,783	87	361	-	-	-	-	-	-	-	13,152
Ireland	-	-	-	-	-	-	-	-	11	248	197	17
Israel	7,121	89,998	72,134	9,294	75,196	312,944	44,790	379,961	399,712	197,114	2,117,623	3,675,887
Italy	193,483	41,554	37,668	20,721	101,364	37,547	37,249	24,926	81,064	91,421	45,051	712,048
Jamaica	-	1	1	3	-	-	-	-	-	-	-	7
Japan	119,164	16,744	16,734	10,146	20,276	51,899	11,286	47,057	52,055	57,225	424,617	824,617
Jordan	2,236	39,653	1,627	28,282	33,214	13,419	29,367	26,419	19,547	9,213	50,916	253,894
Kenya	-	-	-	-	-	-	-	-	-	-	-	-
Korea	286	-	-	9	1,504	3,368	-	-	480	9,081	1,297	81,424
Kuwait	-	-	-	-	-	-	-	-	-	-	53	18,154
Lebanon	331	1	67	2,235	48	55	1,575	187	299	5,137	9,700	19,635
Liberia	1,146	77	-	-	-	-	-	-	-	-	-	3,240
Libya	687	52	541	15,524	2,389	1,674	5,447	638	2,873	174	19	30,012
Luxembourg	816	466	457	88	1	113	101	95	627	24	21	2,805
Malaysia	30	17	563	509	1,608	1,323	1,837	272	40,124	1,432	1,268	48,963
Mali	-	-	-	-	-	84	5	-	48	-	-	137
Mexico	9,893	573	101	802	96	399	12	437	175	894	411	13,792
Morocco	60	-	6,040	697	9,671	7,931	2,437	2,310	7,833	2,651	8,302	47,932
Nepal	-	-	-	-	-	-	-	-	11	80	1	92
Netherlands	45,498	15,681	24,193	25,057	6,426	4,864	7,608	7,837	29,380	35,460	17,600	219,606
New Zealand	15,457	22,213	5,214	9,454	11,991	30,066	5,442	7,994	4,159	3,108	4,852	119,548
Nicaragua	2,016	26	87	87	103	2	93	674	92	134	133	3,365
Niger	-	-	-	-	-	-	-	-	-	-	-	8
Nigeria	135	-	5	10	-	2	-	-	2,409	687	4,476	7,924
Norway	12,699	21,252	12,913	38,355	56,873	24,117	9,746	25,827	21,959	14,285	50,311	288,339
Pakistan	33,331	1,319	1,147	5,571	14,988	22,462	4,592	22,532	449	22,079	7,895	136,345
Panama	13	-	-	-	-	3	14	9	6	1,618	1,887	3,550
Paraguay	342	34	-	-	1	-	-	-	-	27	12	417
Peru	21,374	3,715	2,664	3,338	1,221	981	2,195	1,526	900	24,590	43,620	106,123
Philippines	4,249	269	137	439	237	454	843	1,107	468	708	5,047	13,947
Portugal	5,223	425	115	497	774	500	1,087	1,156	3,234	564	2,513	16,060
Saudi Arabia	87,028	8,443	8,652	48,482	4,645	4,220	14,854	95,815	342,295	83,984	587,698	1,286,113
Senegal	-	-	-	-	-	-	-	-	5	-	-	6
Singapore	-	-	-	1	841	196	2,476	1,968	5,908	7,601	12,078	31,089
South Africa	3,082	-	56	1	1	4	1	-	2	1	-	3,149
Spain	5,003	28,813	22,636	122,942	8,707	14,072	25,940	110,687	24,819	57,020	147,796	568,435
Sri Lanka	3	-	-	-	-	-	-	-	-	-	-	4
Sweden	27,585	880	449	723	8,010	108	265	883	1,548	1,879	6,988	49,319
Switzerland	46,980	492	1,344	602	24,950	19,576	4,435	515	11,808	3,259	8,394	122,355
Syria	-	-	-	-	-	-	-	-	-	-	-	-
Thailand	1,219	12	1	10	10	3,829	21,150	48	16,978	1,920	19,931	65,108
Trinidad/Tobago	-	-	-	-	-	-	85	-	-	-	-	85
Tunisia	2,874	11	-	-	-	-	-	-	-	2,169	737	5,791
Turkey	422	129	804	922	139	2,096	2,524	1,154	5,462	212,435	17,143	243,219
United Kingdom	492,575	164,707	849,573	48,758	16,280	17,512	63,205	46,825	125,778	110,997	45,079	1,971,267
Uruguay	2,305	-	56	300	30	26	241	1,684	1,612	1,156	9,390	9,290
Venezuela	70,641	10,529	11,687	9,789	1,138	1,173	777	1,677	42,761	24,662	4,377	179,192
Vietnam	5	-	-	-	-	-	-	-	2	-	-	1,167
Yemen	-	-	-	-	-	-	-	-	-	-	2,634	2,634
Yugoslavia	10,547	2	186	323	214	212	41	12	106	717	1,339	12,363
Zaire	-	-	1,142	166	226	-	54	16,928	286	715	1	20,856
International Organizations	143,679	3,660	18,630	23,486	17,915	9,235	37,045	17,365	39,150	94,191	16,839	421,139

NOTE: Totals may not add due to rounding.

* Less than \$500.

g/ Includes \$1.5 billion for which payment was waived pursuant to the FY 1974 Emergency Security Assistance legislation.



COMMERCIAL SALES DELIVERIES

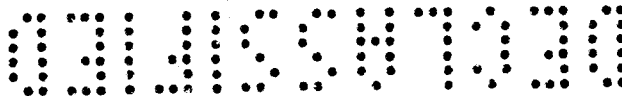
VALUE IN THOUSANDS OF DOLLARS

DATA NOT AVAILABLE FOR FY 1974

	FY 1960 FY 1963	FY 1964	FY 1965	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972	FY 1973	FY 1960 FY 1973
Worldwide	746 417	208 641	155 758	196 421	237 950	257 122	290 819	437 620	396 840	423 579	362 025	3 673 192
Algeria	124	223	275	247	629	3 327	5 247	7 082	2 281	13 575	11 569	370
Argentina	2 779	530	275	247	629	3 327	5 247	7 082	2 281	13 575	11 569	49 298
Australia ^{a/}	823	356	39	3 713	270	432	1 253	1 936	1 599	14 483	5 916	39 147
Austria	3 403	620	98	270	270	149	221	373	5 257	2 088	4 598	12 701
Belgium	66 759	2 045	6 014	1 185	086	638	5 541	9 975	11 239	8 429	4 598	139 381
Bolivia	-	-	-	21	74	69	77	135	349	97	88	1 800
Brazil	2 632	995	465	1 459	5 425	4 539	6 630	6 113	5 810	579	724	35 371
Burma	668	141	279	862	435	77	261	266	349	119	108	3 565
Cameroon	-	-	-	-	-	-	-	-	172	14	3	189
Canada	40 710	11 316	44 524	10 219	18 861	11 608	20 271	54 987	11 370	76 403	82 076	382 045
Chile	900	1 014	910	120	406	377	229	2 373	3 851	359	548	11 087
China (Taiwan)	802	175	635	674	688	1 228	1 889	2 837	7 757	5 392	6 001	28 058
Colombia	1 431	488	80	301	1 817	1 294	2 095	7 682	7 765	221	580	16 754
Costa Rica	-	-	-	-	-	-	-	-	210	41	54	305
Cuba	239	-	-	-	-	-	-	-	-	-	-	395
Denmark ^{a/}	6 311	3 698	1 164	111	1 577	951	1 147	3 066	3 494	3 679	3 354	28 552
Dominican Republic	65	250	-	53	-	-	-	-	26	33	10	437
Ecuador	114	23	-	271	133	291	265	1 372	700	86	26	3 281
Egypt	444	288	-	203	451	25	463	64	106	-	-	2 044
El Salvador	-	26	-	-	37	555	952	482	99	125	218	2 494
Ethiopia	-	-	23	-	39	38	21	-	-	103	107	331
Finland	128	111	112	133	92	20	336	196	149	287	468	2 029
France ^{a/}	61 168	22 032	24 192	23 281	30 646	18 133	17 180	16 950	10 971	14 348	7 297	246 200
Germany ^{a/}	287 626	40 128	15 846	5 338	16 651	10 091	12 716	22 450	30 853	24 916	35 522	502 205
Ghana	-	-	-	-	-	50	79	-	28	-	-	12 169
Greece	673	1 530	106	293	3 004	1 798	1 062	3 425	3 396	1 340	1 335	17 960
Guatemala	327	-	59	76	109	384	179	145	86	506	142	1 983
Guyana	-	-	-	-	193	135	-	-	65	4	13	410
Haiti	-	-	-	-	-	-	-	-	80	75	69	224
Honduras	151	-	-	34	-	-	45	-	56	88	15	389
India	4 222	530	359	1 774	2 626	912	1 382	557	1 491	2 050	22	15 925
Indonesia	6 495	920	5 014	116	23	2 730	412	233	51	60	16	822
Iran	342	364	57	5 122	2 022	5 147	10 064	9 811	27 059	36 975	19 421	116 424
Iraq	607	2 410	99	633	843	271	192	529	217	-	-	9 801
Ireland	-	-	-	-	-	-	266	-	106	192	21	584
Israel	3 032	2 628	1 972	1 317	4 578	10 467	11 708	37 195	26 526	63 068	21 555	184 046
Italy	45 314	17 230	10 128	8 525	10 988	36 074	35 307	82 459	35 404	24 362	22 663	298 454
Jamaica	-	-	-	-	-	-	393	-	160	115	48	755
Japan	88 167	31 953	8 908	18 320	25 442	30 250	39 552	62 481	71 543	20 823	39 725	436 764
Jordan	-	-	296	125	457	216	189	1 612	1 120	57	17	4 088
Kuwait Republic	92	-	-	-	74	265	49	-	2	2	2	454
Kenya	-	-	-	90	92	38	25	2 294	22	86	2	2 447
Korea	713	-	36	-	1 617	586	1 907	1 063	2 037	685	187	8 851
Kuwait	314	-	-	-	43	-	-	228	223	1	5	813
Laos	-	-	-	-	225	96	85	-	-	-	1	410
Lebanon	-	-	-	684	132	-	788	279	22	3	3 044	4 952
Liberia	-	-	-	52	-	-	-	356	269	55	251	983
Libya	427	234	-	56	3 941	2 644	167	20 101	3 770	487	48	31 935
Malaysia	1 062	2 692	280	310	801	10 804	546	1 589	2 039	2 393	2 461	24 977
Mexico	748	-	138	36	527	501	1 603	776	634	491	241	5 197
Morocco	431	-	24	-	108	54	64	370	625	34	251	1 866
Netherlands ^{a/}	42 221	19 186	7 090	46 461	8 014	3 268	2 257	7 778	4 454	4 711	5 681	151 120
New Zealand	-	67	288	299	64	91	114	405	-	593	592	2 513
Nicaragua	-	33	24	152	169	126	349	149	122	212	1	1 599
Nigeria	215	-	-	-	33	122	1 249	2 324	1 591	303	693	6 530
Norway	936	804	4 850	920	1 082	459	1 801	21 064	9 099	2 593	1 633	45 301
Oman	-	-	-	-	43	-	-	78	381	174	65	741
Pakistan	1 160	1 632	1 876	2 512	780	1 470	1 319	1 776	4 254	1 402	1 162	19 323
Panama	108	-	-	-	150	20	-	196	267	318	1 664	2 723
Paraguay	-	-	-	20	23	-	-	58	45	105	96	347
Peru	2 416	190	79	3 607	1 098	663	582	1 588	6 146	604	234	17 117
Philippines	609	64	-	50	90	149	349	53	513	273	187	2 337
Portugal ^{a/}	946	2 123	-	433	469	741	907	608	574	842	788	8 419
Saudi Arabia	902	173	864	14 902	33 580	36 481	6 253	12 723	8 200	6 410	5 649	125 129
Senegal	123	-	-	-	-	-	-	-	-	-	1	124
Singapore	188	-	-	23	1 146	945	1 711	4 169	13 633	4 392	4 033	30 220
South Africa	23 892	1 671	1 927	1 233	1 883	3 596	4 449	2 844	2 976	3 356	3	47 800
Spain ^{a/}	1 619	1 618	89	800	7 407	4 614	13 788	13 590	12 408	7 904	3 851	67 465
Sri Lanka	-	-	24	-	108	22	229	83	-	11	-	478
Sudan	-	-	-	-	1 586	-	-	117	-	-	-	2 104
Sweden	13 092	11 134	9 846	6 318	9 586	3 863	5 919	9 516	9 374	6 931	9 037	94 582
Switzerland	2 511	5 653	2 418	17 836	2 729	16 648	6 255	6 475	6 748	6 656	1 511	75 438
Syria	-	-	-	46	32	142	715	851	34	-	25	1 845
Tanzania	-	-	-	-	-	49	657	153	39	218	31	1 259
Thailand	1 062	1 682	90	739	1 262	6 188	4 149	3 298	3 422	2 922	1 319	26 133
Togo	326	-	-	-	-	-	-	-	-	-	-	326
Tunisia	-	-	-	-	60	81	83	-	-	-	-	194
Turkey	4 219	3 536	519	112	889	318	189	3 416	3 755	1 793	1 063	19 578
Uganda	-	-	-	-	-	-	719	138	6	1	6	1 294
United Kingdom ^{a/}	10 880	613	2 347	10 266	10 486	15 015	11 210	10 019	11 261	34 948	40 412	157 457
Uruguay	-	-	-	-	-	-	403	27	634	106	7	1 176
Venezuela	6 374	1 862	436	961	480	714	894	1 550	16 927	4 123	3 120	37 439
Vietnam	1 726	586	40	1 250	2 509	1 623	299	785	574	30	3	9 433
Yugoslavia	1 162	96	-	134	187	254	352	81	164	685	347	3 462
Zaire	-	-	-	467	84	172	90	310	87	2 149	13	3 372
Zambia	-	-	-	321	-	-	-	90	-	12	2	425
Int'l Org	-	-	-	-	-	-	-	-	-	9 523	7 051	16 574
Other Countries	-	-	-	-	25	40	55	98	33	116	306	672

NOTE: 1. Totals may not add due to rounding.
 2. The data shown for FY 1960 through FY 1971 are taken from Shipper's Export Declarations covering all items exported which were not purchased from U.S. military departments under PMS, are valued at \$20,000 or more and destined for foreign country and international organization military establishments. FY 1972 and FY 1973 data represent the value of exports to foreign countries and international organizations against licenses issued by the Office of Munitions Control, Department of State.

^{a/} Includes exports to overseas territories.
 * Less than \$800.



MILITARY ASSISTANCE PROGRAM

VALUE IN THOUSANDS OF DOLLARS

	FY 1964	FY 1965	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976
Worldwide	30 528 827	361 465	972 719	876 050	596 582	458 158	382 237	761 966	549 130	593 427	788 614	37 455 062	
Afghanistan	2 988	87	119	182	192	270	194	158	240	217	159	4 764	
Argentina	11 625	11 339	11 541	6 158	1 638	667	615	399	723	564	511	45 777	
Austria	97 415	48	22	16	10	4	4	11	23	25	97 574		
Belgium	1 237 242	360										1 237 602	
Bolivia	10 341	1 907	2 561	3 425	2 148	1 759	1 192	1 814	3 450	3 940	2 734	35 271	
Brazil	174 995	11 091	17 310	12 175	2 554	754	777	757	691	718	771	222 593	
Burma	60 167	6 310	3 430	3 578	2 654	83	105	41				76 368	
Cameroon	249											249	
Chile	68 085	8 770	8 806	4 145	1 901	734	852	698	870	939	912	96 613	
China (Taiwan)	2 207 041	58 444	85 918	86 871	61 236	33 844	19 484	20 882	10 924	29 919	28 698	2 643 255	
Colombia	52 903	7 960	11 446	9 090	4 480	3 509	2 681	846	597	528	558	94 598	
Costa Rica	1 362	223	222	20								1 827	
Cuba	10 575											10 575	
Dahomey	62											62	
Denmark	610 308	2 223	5 044	50								617 625	
Dominican Republic	11 335	1 672	2 851	2 676	2 475	2 541	1 902	928	954	653	765	28 752	
Ecuador	28 009	3 315	2 494	2 860	1 588	2 082	1 988	301				42 237	
El Salvador	3 447	531	753	330	375	382	511	336	282	445	564	8 016	
Ethiopia	77 487	8 701	14 244	16 028	11 352	11 601	10 578	11 709	10 648	8 452	11 305	192 085	
Finland	3	5	10	3								118	
France	4 153 052											4 153 052	
Germany	900 806											900 806	
Ghana	29				46	34	46	40	40	55	43	333	
Greece	1 267 152	55 547	75 813	67 564	37 710	39 386	19 428	19 925	10 059	1 045	1 593 620		
Guatemala	8 230	1 273	1 280	2 072	1 034	1 845	1 177	1 863	1 602	804	690	21 870	
Guinea		794	131									885	
Haiti	3 180											3 180	
Honduras	3 358	868	971	809	782	737	442	559	527	557	561	10 171	
India	76 936	10 169	7 024		63	71	79	145	28		204	94 727	
Indochina	709 575											709 575	
Indonesia	63 059	125		2 508	4 594	4 926	5 396	16 162	17 417	17 073	12 110	143 370	
Iran	653 939	33 540	62 400	34 688	22 052			2 022	912			834 452	
Iraq	46 239	167	191	97								46 694	
Italy	2 289 385	840										2 290 225	
Ivory Coast	60											60	
Jamaica	558		540									1 098	
Japan	834 592	18 167	1 671	433								854 863	
Jordan	31 919	3 690	4 274	12 503	383	186	195	28 658	40 288	32 717	35 852	190 655	
Khmer Republic	86 821						8 201	174 651	175 371	133 995	373 963	953 002	
Korea	2 041 403	111 681	162 028	169 509	253 887	137 832	136 637	293 808	155 379	132 407	77 510	3 672 081	
Laos	187 506	39 872	51 492	51 820								330 690	
Lebanon	8 840	80	73	48	95	77	76	4 467	203	173	133	14 265	
Liberia	2 992	1 096	621	774	666	547	500	566	385	220	99	8 456	
Libya	7 955	2 011	2 170	1 813	1 002	390	137					15 438	
Luxembourg	8 235											8 235	
Malaysia		81	188	171	184	166	170	220	138		181	1 672	
Mali	1 583	444	648	71			45	2	44			2 841	
Mexico	1 013	185	250	83	108	87	89	80	109	18	31	2 053	
Morocco	20 526	4 863	4 054	3 210	1 658	1 992	793	765	847	124	628	39 457	
Nepal	387	231	340	854	12	12	5	12	24	38	25	1 940	
Netherlands	1 216 047	936										1 216 983	
Nicaragua	6 336	1 092	1 310	1 115	1 139	830	915	817	764	885	871	16 074	
Niger	57											57	
Nigeria	314	270	327	203	17	27	49	201	101			1 509	
Norway	807 136	34 310	33 791	18 584								893 821	
Pakistan	658 246	11 852	1 581		109	103	188	161	95	283	226	672 814	
Panama	1 370	245	553	478	222	289	823	958	514	482	411	6 345	
Paraguay	3 158	963	1 465	960	1 046	1 166	703	1 175	767	272	830	12 505	
Peru	62 931	8 804	8 591	4 562	1 066	544	554	905	905	720	864	90 868	
Philippines	305 301	21 923	22 462	26 226	20 977	17 423	15 614	15 492	14 440	16 102	13 836	489 796	
Portugal	313 457	1 083	1 602	968	540	910	988	984	1 014	942	802	323 290	
Saudi Arabia	30 400	1 263	687	788	766	620	522	633	428	171	184	36 412	
Senegal	2 246	180	346	6	6	6	17					2 828	
Spain	524 363	7 926	19 282	18 946	2 823	2 172	23 123	23 630	11 027	9 663	2 376	645 329	
Sri Lanka					43	79	43	2 989				3 094	
Sudan	117	312	134	131								694	
Syria	15	19	18	5								57	
Thailand	509 871	25 653	30 247	21 011						41 546	29 622	657 953	
Tunisia	15 418	303	603	5 064	2 398	3 296	2 906	5 083	1 810	1 801	1 222	39 904	
Turkey	2 301 669	95 741	113 627	131 444	93 116	98 837	89 276	99 208	61 011	58 488	63 331	3 205 748	
United Kingdom	1 034 478											1 034 478	
Upper Volta	62		8									77	
Uruguay	31 536	2 607	2 072	1 415	1 312	1 379	1 396	999	770	814	761	45 061	
Venezuela	3 501	1 208	944	930	1 012	816	757	892	726	865	921	12 572	
Vietnam	1 137 525	237 861	98 381									1 473 767	
Yemen	1												
Yugoslavia	693 856											693 856	
Zaire	7 078	5 942	2 870	3 393	2 060	2 415	1 693	371	332	283	373	26 810	
General, Regional & Other Costs	2 786 889	82 325	88 931	143 232	51 209	54 552	26 075	25 019	21 672	94 259	122 938	3 497 101	

NOTE: Totals may not add due to rounding.
 / All country data for the fiscal years prior to FY 1973 include Supply Operations costs. For FY 1973 and FY 1974, these costs are included in General, Regional and Other Costs.

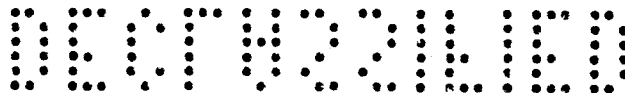


CHART D

EXCESS DEFENSE ARTICLES PROGRAM - ACQUISITION COST
 - VALUES IN THOUSAND DOLLARS

	FY 1950- FY 1964	FY 1965	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1950- FY 1974
Worldwide	2 514 968	221 609	201 364	346 242	496 479	646 963	534 831	476 920	584 325	419 707	96 766	6 539 174
Argentina	1 230	2 052	228	489	233	-	2	2	140	-	-	4 376
Austria	8 155	-	-	-	-	-	-	-	-	-	-	8 155
Belgium	21 326	-	-	-	-	-	-	-	-	-	-	21 326
Bolivia	2 301	571	264	318	309	207	344	740	2 620	909	908	9 491
Brazil	73 953	2 251	5 065	1 506	313	-	-	-	-	-	-	83 087
Burma	6 642	5 198	65	252	87	-	-	-	-	-	-	12 244
Cameroon	4	-	-	-	-	-	-	-	-	-	-	4
Chile	22 968	603	262	195	114	-	-	-	-	-	-	24 002
China (Taiwan)	403 956	7 695	11 118	6 089	40 486	65 710	203 569	62 193	80 066	65 889	-	946 781
Colombia	11 869	703	2 093	380	397	509	1 162	873	-	-	-	17 986
Costa Rica	112	-	2	-	-	-	-	-	-	-	-	114
Cuba	5 516	-	-	-	-	-	-	-	-	-	-	5 516
Denmark	20 935	-	-	-	-	-	-	-	-	-	-	20 935
Dominican Republic	2 404	1 337	362	55	52	223	223	121	220	286	-	3 889
Ecuador	6 743	1 733	509	244	135	223	764	6	-	-	-	10 357
El Salvador	537	66	130	10	55	7	35	96	-	-	54	990
Ethiopia	15 220	1 511	1 735	2 238	656	782	1 385	1 378	1 506	2 666	684	29 760
France	289 943	-	-	-	-	-	-	-	-	-	-	289 843
Germany	718	-	-	-	-	-	-	-	-	-	-	718
Greece	120 059	22 794	27 044	25 576	29 437	68 254	49 537	55 619	37 807	15 043	-	451 170
Guatemala	2 336	331	198	132	72	232	174	775	632	403	1 483	6 768
Guinea	-	50	-	-	-	-	-	-	-	-	-	50
Haiti	195	-	-	-	-	-	-	-	-	-	-	195
Honduras	699	83	397	65	165	80	26	348	-	-	60	1 923
India	21 459	521	28	-	-	-	-	-	-	-	-	22 008
Indochina	21 582	-	-	-	-	-	-	-	-	-	-	21 582
Indonesia	6 195	-	-	-	170	507	2 657	2 529	11 050	1 725	2 053	26 886
Iran	56 115	522	2 497	1 894	9	592	-	-	-	-	-	61 629
Iraq	3 342	-	-	-	-	-	-	-	-	-	-	3 342
Italy	214 637	-	-	-	-	-	-	-	-	-	-	214 637
Jamaica	4	-	-	-	-	-	-	-	-	-	-	4
Japan	174 978	-	-	-	-	-	-	-	-	-	-	174 978
Jordan	2 587	5 481	3 095	1 550	-	-	-	1 330	6 101	19 295	5 198	44 637
Korea a/	12 879	-	-	-	-	-	408	26 196	15 937	21 657	7 333	84 410
Laos b/	246 745	11 610	38 538	8 311	51 375	123 968	34 822	137 690	227 817	29 681	19 620	930 177
Lebanon	31 265	10 853	8 748	1 859	4 262	6 872	8 045	9 748	4 793	14 303	490	101 238
Liberia	300	-	-	-	-	-	-	-	-	-	-	300
Liberia	132	19	9	36	1	1	1	1	1	1	1	362
Libya	1 139	417	283	139	214	-	49	130	4	-	-	2 192
Luxembourg	178	-	-	-	-	-	-	-	-	-	-	178
Mali	2	5	193	-	-	-	-	-	-	-	-	200
Mexico	50	-	-	-	-	-	-	-	-	-	-	50
Morocco	2 528	1 882	6 801	205	63	453	-	-	-	-	-	11 932
Nepal	-	-	-	1	-	-	-	-	-	-	-	1
Netherlands	44 002	-	-	-	-	-	-	-	-	-	-	44 002
Nicaragua	474	183	28	1	10	2	342	758	51	2 007	936	4 792
Norway	43 619	207	222	3	-	-	-	-	-	-	-	44 051
Pakistan	24 821	2 000	5	-	-	-	-	-	-	-	-	26 826
Panama	12	6	6	3	7	8	191	622	152	186	467	1 660
Paraguay	920	18	507	34	336	20	149	2 885	1 889	1 569	1 294	9 621
Peru	18 664	523	359	584	141	-	-	-	-	-	-	20 271
Philippines	56 608	765	720	3 672	1 624	1 880	3 686	2 327	2 834	15 560	2 443	92 118
Portugal	19 742	-	2 505	21	1	1 323	194	97	45	15	-	23 943
Saudi Arabia	1 761	-	-	-	-	-	-	4	-	-	-	1 765
Senegal	17	7	9	-	-	-	-	-	-	-	-	33
Spain	37 849	73	4 344	97	2 372	-	18 446	2 258	15 130	2 338	-	82 907
Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	2
Thailand c/	58 232	4 859	4 863	4 485	5 093	10 087	17 116	20 895	11 375	20 635	4 543	162 173
Tunisia	577	-	225	3 361	453	627	940	367	246	58	-	6 654
Turkey	107 613	51 100	36 171	40 907	79 165	80 361	88 448	107 736	105 739	128 206	37 253	862 693
United Kingdom	72 950	-	-	-	-	-	-	-	-	-	-	72 950
Uruguay	6 783	243	117	185	169	740	2 136	1 588	3 955	2 232	2 459	20 586
Venezuela	324	-	-	-	-	-	-	-	-	-	-	324
Vietnam d/	119 350	84 533	40 762	15 112	278 462	283 199	99 817	37 572	47 617	74 826	8 488	1 089 748
Yugoslavia	27 527	-	-	-	-	-	-	-	-	-	-	27 527
Zaire	3 840	4	837	31	27	286	162	25	-	-	-	5 212
General, Regional & Other Costs	58 235	-	-	226 299	5	4	4	1	6 599	217	-	288 364

NOTE: Totals may not add due to rounding.
 a/ For Korea, Excess Defense Articles include MASF from FY 1966 through FY 1974 and in addition, for FY 1971 and FY 1972, data include transfers under Section 3, P.L. 91-652.
 b/ For Laos, FY 1968 through FY 1974 data represent MASF only.
 c/ For Thailand, FY 1968 through FY 1972 data represent MASF only.
 d/ For Vietnam, FY 1966 data include both MAP and MASF. FY 1967 through FY 1974 data represent MASF only.

CHART E



MILITARY ASSISTANCE SERVICE FUNDED (MASF)

 VALUE IN THOUSANDS OF DOLLARS

	FY 1955- FY 1964	FY 1965	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1955- FY 1974
Worldwide	-	-	616 675	823 134	1 242 058	1 725 233	1 879 796	2 320 155	2 846 671	3 809 683	1 013 428	16 277 833
Korea	-	-	36 830	99 373	110 042	294 282	181 346	145 865	135 075	165 948	-	1 168 761
Laos	-	-	8 748	30 165	80 703	92 476	136 646	195 069	279 937	369 156	75 916	1 258 798
Philippines	-	-	1 708	2 944	1 700	2 286	960	-	-	-	-	9 598
Thailand	-	-	18 118	43 215	84 720	86 421	91 823	79 279	99 743	-	-	503 319
Vietnam	-	-	551 279	647 437	964 653	1 250 768	1 469 021	1 899 962	2 331 916	3 274 579	937 512	13 327 357