

DOCUMENT RESUME

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Perspectives on Military Sales to Saudi Arabia (Unclassified Digest of a Classified Report). ID-77-19; B-165731. October 11, 1977.

Report to Sen. William Proxmire, Chairman, Joint Economic Committee: Priorities and Economy in Government Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: International Economic and Military Programs (600); International Economic and Military Programs: Foreign Military Sales (605).

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From fiscal year 1950 through September 30, 1976, military sales agreements with Saudi Arabia totaled over \$12.1 billion. Sales began increasing in fiscal year 1972, and from 1972 through September 1976 they amounted to about \$8.3 billion. Findings/Conclusions: The economic and political interests of the United States are directly related to Saudi Arabia's oil. The United States has assisted Saudi Arabia in defining its defense needs, which are to protect its borders and oil fields, and is helping the Saudis to develop their armed forces to meet these needs through the sale of construction equipment and expertise and through training and management. The lack of Saudi personnel has impeded the progress of some modernization programs. This increases the probability that U.S. personnel will be involved in Saudi Arabia longer than originally planned. Recommendations: In reviewing future Saudi Arabian requests for additional aircraft, the Congress should request the Secretary of Defense to provide information on Saudi Arabia's progress toward self-sufficiency in operating and maintaining its present aircraft. The Congress should be aware that it could control, at the time the basic agreement is proposed, the sale of munitions needed by fighter aircraft and tanks to Saudi Arabia. The Secretary of State should furnish the Congress information on agreements and implications related to future sales of munitions. To effectively assess the Saudis' overall defense needs and capabilities, the Secretary of Defense should have the U.S. military services include the national guard forces in future surveys of defense needs. The Secretary of Defense should notify the Congress of the estimated number of U.S. military personnel needed to carry out the proposed sale in the foreign country and the impact on the military preparedness of the United States of assigning such personnel. (Author/SC)

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This is an unclassified digest furnished in lieu of a report containing classified security information

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

PERSPECTIVES ON MILITARY
SALES TO SAUDI ARABIA
Departments of State and
Defense

D I G E S T

From fiscal year 1950 through September 30, 1976, military sales agreements with Saudi Arabia totaled over \$12.1 billion. Sales began increasing in fiscal year 1972, and from 1972 through September 1976 they amounted to about \$8.3 billion.

Saudi Arabia is important to the United States for economic, political, and geographic reasons. The economic and political interests are directly related to Saudi Arabia's oil. Over the years, the two countries have enjoyed a good relationship, and indications are that the Saudis want this to continue. Consequently, military sales must be viewed in context with total U.S. interests in Saudi Arabia. (See p. 4.)

In the early 1970s, at the time of the British withdrawal from the Persian Gulf, Saudi Arabia began to modernize its armed forces, which has led to increased U.S. military sales and military involvement in that country. This is expected to continue for the foreseeable future. (See pp. 8, 9, and 13.)

The United States has assisted Saudi Arabia in defining its defense needs, which, in the absence of an imminent threat, appear to be to protect its borders and oil fields; it is helping the Saudis to develop their armed forces to meet these needs through sales of construction expertise, equipment, training, and management. The Department of Defense in defining Saudi Arabia's defense needs, did not explicitly include the capabilities of all Saudi forces, particularly its national guard, for which \$1.8 billion of construction, equipment, and training contracts are planned. To the extent

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that these forces were not considered, Saudi Arabia's overall defense needs, as defined by the Department of Defense, could have been overstated. These forces should be considered in future Department of Defense evaluations. (See pp. 9, 10, 35, 37, and 40.)

About \$42 million in military sales equipment for the Saudi national guard modernization program was being procured by the United States from foreign sources. (See p. 37.)

Construction accounts for over 60 percent of the value of U.S. military sales orders to Saudi Arabia, and is managed by the U.S. Army Corps of Engineers. Indications are that the Corps role will expand and continue for several years. Such involvement can increase U.S. influence in Saudi Arabia and provide increased opportunities to U.S. contractors and businessmen. (See pp. 14 and 49.)

As of March 1977, 512 Department of Defense personnel and approximately 2,961 contractor personnel were involved in providing management, training, and services for Saudi Arabia under military sales agreements or commercial contracts. Increases are planned for the near future. (See p. 19.)

The lack of Saudi personnel has impeded the progress of some modernization programs, thereby increasing the probability that U.S. personnel will be involved in Saudi Arabia longer than originally planned. Though the number is presently small, demands for skilled U.S. military people to provide technical training to Saudi Arabia for operating sophisticated equipment purchased through the military sales program are increasing. Nonetheless, the continued U.S. presence in Saudi Arabia could be important to the attainment of U.S. security objectives. (See pp. 27 and 41-42.)

Physical controls to prevent the unauthorized use of military sales equipment and services in Saudi Arabia appear to be difficult, if

not impossible, to achieve. An alternative to physical control of equipment may be to limit the amount of munitions sold in support of an equipment item, thereby limiting the potential impact of an arms transfer. (See pp. 51 to 53.)

RECOMMENDATIONS

In reviewing future Saudi Arabian requests for additional aircraft, the Congress should request the Secretary of Defense to provide information on Saudi Arabia's progress toward self-sufficiency in operating and maintaining its present aircraft. (See p. 34.)

The Congress should be aware that it could control, at the time the basic agreement is proposed, the sale of munitions needed by fighter aircraft and tanks to Saudi Arabia. The Secretary of State should furnish the Congress information on agreements and implications related to the future sale of munitions such as air-to-air missiles, air-to-surface missiles, ammunition for tank guns, and so on. This information should be furnished to the Congress at the time a proposal for sale of the relevant hardware is submitted to the Congress, to include the estimated days of sustained combat that the ammunition would permit. (See p. 53.)

To effectively assess the Saudis' overall defense needs and capabilities; the Secretary of Defense should have the U.S. military services include the national guard forces in future surveys of defense needs. (See p. 40.)

The Secretary of Defense should notify the Congress of the estimated number of U.S. military personnel needed to carry out the proposed sale in the foreign country and the impact on the military preparedness of the United States of assigning such personnel. (See p. 42.)

Defense found the report to be objective and factual but does not believe the recommendation relating to Saudi Arabia's progress in operating and maintaining aircraft is viable. Also, it believes the capability of national guard forces have been adequately considered in recent surveys of defense needs.

The Department of State and the Arms Control and Disarmament Agency generally agreed with this report. The agencies' specific comments are addressed in the classified text.

GAO plans to issue an unclassified version of the report (ID-77-19A) which will be available for general distribution.