

## TRANSCRIPT

# "CORRUPTION, JOBS, AND THE ARMS TRADE: INDEFENSIBLE BOOK LAUNCH AND PANEL DISCUSSION"

*A conversation with Sarah Chayes, William Hartung, and Mark Thompson*

*Moderator: Bridget Conley*

*Recorded April 5, 2017*

## **ANNOUNCER:**

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## **BRIDGET CONLEY:**

I often find myself now trying to look for the long view, right, to get some perspective, searching for arcs towards justice or at least a little perspective. And in that attempt, the World Peace Foundation is actually a very good place-- to look for help. The organization was founded in 1910 by a Boston-based publisher named Edwin Ginn. He was among international peace advocates, real pragmatist peace advocates at the turn of the century along, like, Andrew-- Andrew Carnegie, Bertha von Suttner, who believed that world peace within certain definitions-- was achievable.

Such was Ginn's optimism that our board-- our board of trustees every year has to vote on whether or not peace has been achieved. (LAUGH) If-- (MURMURS) yeah, so far, we retain the funding for our program. But if they decide that peace has been achieved, our funds go to the Charlesbank Home for working girls and students in Boston. So I think they'll keep waiting for a bit longer.

But some of the ideas that these peace advocates put forward did eventually, fitfully come to pass. And it wasn't through rose-tinted glasses, but it was scarred by the

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brutality of the World Wars. And out of that, as everyone here knows, international leaders managed to build structures dedicated to the work of preventing and mitigating conflict, especially between world powers.

And I think the key post World War II statistic of zero, that is conflicts between world powers testifies to the wisdom-- that they, and creativity-- that sparked their effort-- more than 100 years ago. But one of the problems that was on their agenda-- was disarmament. And that is one that we have not made as much progress on.

To bring that concern, and theirs was a general disarmament up to date, within a framework and language that fit our contemporary moment, we, World Peace Foundation identified an area where we aimed to make an impact. The intersection, the particular intersection of the international glob-- arms trade and corruption. And just to put it briefly, our interest is in how the global arms business wields political influence disproportionate to its size. The industry of producing armaments including major conventional weapons systems and small arms and light weapons. And the business of selling and buying them has a number of unique features that enable it to assert a profoundly maligned influence on democracy, transparency, and rule of law in both manufacturing and purchasing countries.

These features include the trade's commercial structures and the effects of national security exceptionalism. (PHONE CHIMES) Now, in this effort, we enlisted some of the world's leading experts of-- the global arms trade and corruption. It included Lora Lumpe from Open Society Foundation, Sam Perlo-Freeman, who was with S.I.P.R.I., who's now with us, and Bill Hartung of those in the room.

Together, we identified a series of myths-- in the hopes that we, if we identified and debunked them, that we could have a more frank, public conversation about the appropriate place of the trade. These were then crafted, right, into a single authorial voice-- in this volume, *Indefensible*. And I will very-- very quickly-- just flip through them.

So the first myth is that higher defense spending equals increased security. Second, that military spending is driven by sound analysis of national security. Third, that we can control where weapons go after they are purchased and how they are used. Fourth, that national arms industries are technologically innovative job creators. Fifth, that corruption is only a problem in developing countries and marginal to the industry as a whole. Sixth, that corruption-- sorry, that national security requires blanket secrecy. And seven, that the world is more dangerous than ever, and it is simply the wrong time to tackle the trade.

A final myth: There is nothing that can be done. These are, as we have presented them, all myths, none of which are true. And the book that is part of the reason why we're here today-- built on the research then of the-- the group that we brought together-- systematically debunks these myths.

We are really honored to join you here at Washington at Open Society Foundation to bring this core research together with some of-- our leading experts on corruption and particularly the defense sector and militarization. But before introducing our

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panel, I wanted to specifically thank three colleagues who made today's event possible.

First-- Sam Perlo-Freeman, who as I mentioned was previously with S.I.P.R.I.-- and is now with us, running our program on the global arms trade at World Peace Foundation, Lora Lumpe at Open Society Foundation, part of the initial-- research collective. And Jeff Abramson on the Forum on the Arms Trade. So big thank you to them. Our program then starts with Sarah Chayes, and I'll introduce each speaker-- let them speak, and then I think at the end we'll take-- questions-- from the room.

Sarah Chayes, as I'm sure many of you know, is a senior fellow in Carnegie's Democracy and Rule of Law program. She is the author of *Thieves of State: Why Corruption Threatens Global Security*. Her work explores how severe corruption can prompt crises such as terrorism, revolutions, their violent aftermaths, and environmental degradation. She has worked as a journalist with NPR from 1996 to 2002, during which time she covered the conflict in Afghanistan.

In 2002, she changed course-- and led a startup manufacturing cooperative in Kandahar. She was eventually tapped for the job of special advisor to two commanders of international forces in Afghanistan and subsequently served as special assistant to the top military officer, Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen. Sarah?

## SARAH CHAYES:

Thank you. Just very briefly, from, you'll understand that-- my-- particular intersection with these myths is with numbers five and six. And first of all, I'd like to appreciate the way you guys have set this up. Because so often when, you know, any of us are advocating-- with policy makers-- we get a lotta arguments. And sometimes it's hard to remember the cap-- you know, to like martial the counterarguments.

And what's so helpful about this is having the counterarguments at our fingertips-- for those types of interactions. But I'd just like to spend one or two minutes talking about corruption and how that intersects with this. I think there's a tendency when considering corruption in the global arms trade-- or in defense systems to think of it that way. Corruption within transactions or defense systems. So the issue is, you know, inflated budgets-- waste of money-- bribes that are provided in return for contracts. And I'd like to open out the consideration a little bit more and say that in so many-- purchasing countries, corruption really repres-- it-- it-- it should be better understood as the operating system of sophisticated networks that are successful.

Meaning, these are networks that-- that-- weave together public sector officials who bend elements of state function to serve network objectives, private sector-- actors who are basically benefiting from these rewritten (SNEEZE) rules or-- or selectively enforced rules and out and out criminals. And often-- insurgents. I mean, there's almost always an informal instrument of force that's woven into this network.

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The public reaction to this type of rigging of a political economy is often to turn to extremes. And this is what sort of led me to this understanding that corruption is in fact undermining global security. You add weapons sales, even if there are no, you know, padded envelopes or, you know, a quid pro quo bribery in the arms sale.

You add arms sales into that type of a system, what you're doing is enabling reinforcing-- this type of a system that not only violates people's rights but drive them in indignation and often despair into the arms of the very threats to security that your arms sales are supposedly trying to curb. So you may be helping a government kill one or two I.S.I.S. members or Taliban, but in the meantime, you're creating ten or 15 others because of the practices of those governments.

The other thing that's really important to understand, you know, as I say, sort of going beyond even the limits that we understand in terms of Leahy Law, you know-- actual violations of physical human rights or-- specific acts of corruption, meaning bribery or-- contract fraud, is the psychological reinforcement that's provided to governments like this by arms sales from places like the United States, Great Britain, France, et cetera.

Those create-- what do I want to say? An ambiance of invincibility of-- no recourse, on behalf of governments like this that again further drive people into the arms of either-- asymmetric insurgents, revolutions that often spin out of control, and so on. And then you get down to the details of corruption where (COUGHS) the power of these integrated networks.

Again, you have-- you have-- defense ministries and defense contract-- and-- and so-- so purchasing companies-- purchasing country defense ministries and-- selling country defense contractors that are basically woven into the kleptocratic network themselves. And so they're benefiting from-- rules written expressly for them, loopholes and-- selected enforcement. Secrecy being the myth number six is a cover for all of this. Thank you very much.

## **BRIDGET CONLEY:**

Thank you. Our next speaker is Mark Thompson-- to my right. He has been writing about U.S. national security in D.C. since 1979. And since March 2017 has been a defense analyst at the nonprofit project on government oversight. As a journalist, he covered defense issues for *Time Magazine*, the late great Knight Ridder-- newspapers, the *Fort Worth Star Telegram*, where he and the paper were awarded the 1985 Pulitzer Prize for Public Service, for a series of articles that he wrote on an uncorrected design flaw aboard the Fort Worth-built Bell helicopters that killed nearly 250 American servicemen. Mark?

## **MARK THOMPSON:**

Thanks. I just think it's so great that-- we're meeting here on the eve of the 100th

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anniversary of the U.S. entering World War I. That's tomorrow. It's kind of incredible, and it ties in with-- me coming to Washington nearly 40 years ago. And we were still in that post-Vietnam funk at the time. But bang, we had Grenada and Panama and the first Persian Gulf War. Things were goin' great.

And then 9/11 happened. Now we've had Afghanistan (NOISE) and Iraq ever since. And when I've been over there, I always find the most interesting work was being done in the P.R.T.s, the Provincial Reconstruction Teams, which, you know, while being enabled by the military was not military at its heart. It was trying to develop, trying to make things better. And it's so funny. We find ourselves now dealing with this push for more military spending and less spending on the diplomatic front.

And even the experts in this field, i.e., those who wear the uniforms-- don't like this. I mean, "Robust resourcing from the State Department's mission is one of the best investments for reducing the need for military forces to be employed." That was Jim Mattis when he had four stars on his shoulder. And then now, of course, he's secretary of defense.

Both (THROAT CLEARING) Bob Gates and Hillary kin-- Clinton almost teamed up to say, "Folks, this is backwards. This over-militarization of our foreign policy." And as Bob Gates said, "Economic development is a lot cheaper than sending soldiers." In the last couple of weeks, we've had 120 general officers and admirals write to the Congress, 'cause apparently they don't feel like they have an ear at the White House saying, "Okay, you want to boost-- defense spending by \$54 billion over the sequester ceiling-- and simultaneously cut State-- A.I.D., those sort of things. This makes no sense."

And I think that's what, you know, we're trying to get at here in terms of, what is the way that the United States can have the best role in making a, not a peaceful world, at least a better world. You know, give it a little WD-40 and not do everything at-- at-- at the point of a gun, which has been our M.O. pretty much since 9/11.

And when I-- when I think back, when I came to Washington in 1979, thank you for pointing that out. (LAUGHTER) I was working for the Fort Worth paper. And in Fort Worth, the F-16 was built. And these were great times for the arms industry, because General Dynamics at the time the builder of the F-16, now it's Lockheed, but you know, who's keeping track of those flow charts? G.D. and the U.S. government had come up with these E.P.G.s, these-- European Participating Governments who would also be buying the F-16.

It was a way to get them to buy in so that when the program began-- you had five countries, you know, that had their feet in the water, not just one. Made it a much more difficult-- program to derail, temper, trim back in any way, because you had parliaments and Congresses all over the world basically pushing for it, and indeed the F-16's been a very successful fighter. Having flown it, I can attest to its 9-G-- neck-bending capabilities.

Interestingly, those four-- European countries were Belgium, the Netherlands, Norway, and Denmark. Mighty powers all. Now, of course, you have the F-35. The F-

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35 has done the F-16 one better. They've got eight or nine of these founding partners. Interestingly, the one that was in the F-16 but that is not in the F-35 was Belgium, which last time I checked was home to N.A.T.O., which is somewhat peculiar. But maybe they know something we don't know.

But when I reflect back on both of these chapters, you talk about bribes and they're n-- they're rarely padded envelopes. There's just so much money involved. For the F-16 and its effort to do well, I remember talking with John Tower, the Chairman of the Armed Services Committee, who was from Texas at the time, and Jim Wright, representative of Fort Worth who was the House Majority Leader at that time.

Well, tho-- those guys, you know, were sort of representing the place where the plane was built. And that was the only reason I was at the *Star Telegram*, 'cause so many of our readers worked at Air Force Plant #4 building that plane and wanted to know. We'd go up to 242 Rayburn for all those damn hearings. "How many F-16s are you buying next year? Is it gonna be 180? Is it gonna be 240?" These numbers sound incredible now, but those were the numbers they were talking about.

Anyway. The F-35's a little different now. It's more pernicious. It's more insidious. Last year, I can remember chatting with Bernie Sanders about the F-35. He wants the F-35, because it's gonna be based in Burlington. It's not gonna be built in Vermont, but it's gonna be based there. His attitude is, "Well, if we don't get it, someone else is gonna get it. So we might as well get it."

And so long as that is your attitude-- and that attitude, by and large is far more dependent on money than it is on military might, it's going to be an awful difficult problem to wring ourselves from. And that has been the challenge that I have seen in all my years in Washington. When you go to a S.A.S.C. or a H.A.S.C. or an approps hearing on the Hill, and some people still do that despite the transcripts that now exist everywhere. At least half the questions from members have nothing to do with national security, and they have everything to do with electoral security. "What's happening to my base? What's happening to my production line?"

And when you read these tens of thousands of words and realize, "Gee whiz, they're not really talking about the big issues that we should be talking about. They're dealing with pure pork barrel spending." It helps put this whole debate in perspective. And it's a refrain you've heard a million times, but it's true. This to a large degree is a jobs program.

We need a military. We need a good military. Gordon Adams who ran the O.M.B. shop for Clinton on defense-- for the first term estimates that of every \$3 we spend on defense, \$1 is pork. That if we ring the pork out of the equation-- we could do it for two thirds as much money. Now, in a democracy perhaps that's not possible, you know.

That-- that sorta pork, whatever you want to call it, earmarks, whatever, is sort of the grease that lubes the engine that keeps running our military. You don't have to look at that as good or bad so much as, "Well, maybe it's just a requisite. Maybe that inefficiency has to be built into the system." If you take that as your starting point,

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you can always say, "Well, how can we do it better? How can we get rid of some of this grease? How do we get rid of some of this oil? And how can we get a more efficient machine?"

And that certainly is a possibility, but I don't know how much of a possibility it is, so long as Congress, which is really the problem here. It's not the president or the White House. It's Congress keeps the money going. You know, they can't, impose a sequester and they come up with all sorts of ways to evade and elude it to keep their production lines going. And until we grapple and deal with that issue-- that's going to be our conundrum. That's going to be the problem, and that I think is the challenge for anybody interested in grappling with this issue. Thanks.

## **BRIDGET CONLEY:**

Thank you-- thank you. Our third and final speaker, so you should start thinking of your questions, or while you listen to our third and final speaker-- is--

## **BILL HARTUNG:**

Or before.

## **BRIDGET CONLEY:**

No-- no-- no, definitely-- definitely wait till after. Is Bill Hartung-- who as I said was part of our group that worked on this book and is just a lovely colleague. So I'm very pleased to see him again. He is the author of *Prophets of War: Lockheed Martin and the Making of the Military Industrial Complex*, co-editor with Miriam Pemberton of *Lessons From Iraq: Avoiding the Next War*. His previous books include *And Weapons For All: A Critique of U.S. Arms Sales Policy From the Nixon Through The Clinton Administrations*.

From 2007 to 2011, he served as director of the Arms & Security Initiative at the New America Foundation, previously, as director of the Arms Trade Resource Center at the Ward Policy Institute. His articles and expert analysis of security issues have appeared in just about every major news outlet. And again, we are grateful he added is-- his expertise to our collection as well. Bill?

## **BILL HARTUNG:**

Thanks. Well, I'm honored to be on this august panel. (BEEP) I want to thank Bridget again. Really without the World Peace Foundation, this book couldn't have happened. And a shout-out to the Forum on The Arms Trade, which is bringing together an international network of experts on this issue, which is certainly what we

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need given the size and scope of what we're-- dealing with.

I have something in common with Mark, which is that I also started working on these issues in 1979. I was at a think-tank called The Council on Economic Priorities at the Conversion Information Center, which was not about religion but about-- (LAUGHTER) reducing dependence on-- Pentagon spending. The feeling was--

## MALE VOICE:

That is religion. (LAUGHTER)

## BILL HARTUNG:

It was not about conventional religion. But anyway-- we had this theory that Pentagon spending was gonna be coming down, and communities would be grappling with that and so forth. And then, of course Ronald Reagan was elected, and even before that, we started to see the seeds of the next-- buildup.

So I guess what I'm saying is I'm stumbling (?), 'cause I'm still working on these issues. I was reading *Inside Defense* yesterday. Well, somebody sent it to me. And they had an article that was pertinent. *Tracking Presidential Priorities, Defense Companies Tout Job Creation*. And Marillyn Hewson, the CEO of Lockheed Martin at their media day had said, "Well, you know, there's 1.7 million jobs in aerospace and defense. And, you know, President Trump should look at this in developing these new policies." Now that sounds like a lot, but it's about 1% of a labor force of 158 million. So it's not gonna carry our economy. And really, it's more of a political issue deploying economic arguments in-- pursuit of political ends. The-- the kind of thing that Mark was talking about. And an interesting sidenote-- Loren Thompson who's--

## MARK THOMPSON:

No relation.

## BILL HARTUNG:

--got industry money up, you know, past his ears-- said, well, you know, "Yeah, there used to be a reticence to talk about these issues. But now that's changed under the new administration," you know, for-- for companies to actually tout the jobs issue, which of course is absurd, as I'll point out.

So-- there's been some cases of this touting, even though it apparently didn't happen before. For example, w-- when the budget caps were coming in, the Aerospace Industries Association started a campaign-- on the web, on the Hill, in the media that we'd lose a million jobs if the caps were put into place. A million jobs nationwide.



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They handle the maps for the Hill and so forth. And as Mark mentioned, the caps were evaded in various ways. But we still spent less-- over the last few years by probably a couple hundred billion dollars than the Pentagon's, you know, dream budget.

So, you know, they wanted it to go like this. And it went more sorta like this. And that's my visual for the day. (LAUGHTER) And-- so anyway, so spending went down. Employment went up. So their million dollar, you know, their million jobs that were gonna disappear didn't disappear. And some members, although granted, their mostly Tea Party members said, "You can't trust these people. Don't come to my office anymore." It's, they're a distinct minority, but I thought that was an interesting wrinkle.

We've got the F-35 which Lockheed Martin claims creates 125,000 jobs in 46 states. Game over. You know, how're you gonna stop that? So I-- I delved into their numbers, and 11 of their states that were in their 46 (THROAT CLEARING) had virtually no jobs to speak of. Nebraska had-- according to Lockheed Martin, one direct job and three indirect jobs.

I don't even know what do we do with that? Like, you know, wield a pencil or what? And then, in terms of the states, three of the states-- Texas, California and Georgia had more than 80% of the jobs, again according to Lockheed Martin. So-- pork is an issue, but it's-- it's very regional, local. It's very much directed towards members with decision-making power. Armed Services, Defense Appropriations.

And of course, if you've got a plant in your district, you'll often go to bat. There's 39 members in the house of the F-35-- Caucus. And every time they add somebody, the press release tells you which piece of the plane is built in their-- district. So it-- it's an economic coalition, not a security coalition.

But the thing that's interesting is, they don't always win. You know, these-- these arguments were deployed in defense of the F-22-- which was terminated. (THROAT CLEARING) Now, President Obama threatened to veto the defense bill. Secretary Gates was against it. So to the extent that there's the military industrial congressional complex, part of the complex was workin' against the other two. And so we were able to, because of that division-- win that fight.

Also the-- they wanted to build a second engine for the F-35. And G.E. was very keen on doing this. That was defeated, partly because of the leadership of newly elected Tea Party members in the House. So-- it's a powerful issue. I think it distorts defense. But it's not-- 100% always the winning issues. You know, the kinds of things that are done. For example-- when Buck McKeon was head of the House Armed Services, he had, you know, stealth technology in his district. He had drones built in his district. He was sorta like a walking, one-man military industrial complex.

And as soon as he left office-- and it was even whispered that Mac Thornberry was gonna take over, he got massive amounts of new-- contributions beyond the ample amounts he was already receiving. And he has-- you know, in his district in-- in the state, F-35, F-16, it-- it's a huge hub for-- military spending.

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Now, the thing about it is-- yeah, sure, if you offer me a billion dollars to build the F-35 versus nothing, I'll take the billion dollars. But-- Pentagon spending's actually the least effective way to create jobs. Study by University of Massachusetts found, you know, a tax cut would create 25% more jobs. Infrastructure, alternative energy, housing about 1-1/2 times as many jobs. And of course to do that, you need to shift-- patterns of public investment, which seems like a bit of a stretch in our current political environment, but I think should still be an issue on the agenda for the longer term. (THROAT CLEARING)

And there's also conservative studies that have pointed out, Cato Institute and the Mercatus Center-- that the job multiplier effects that are used in these Pentagon studies and industry studies are wildly out of whack. I mean, the notion is, okay, there's the money building the plane. There's the money buying the components and materials. And there's the money when the people in those first two sectors, you know, spend their money at the coffee shop across from the plant or more likely-- the bar. No offense intended.

But-- (THROAT CLEARING) anyway-- in the Lockheed Martin study, it's like, "Okay, we're saying there's two additional jobs for every job in production." And a study of other similar-- studies of government spending found that perhaps you get, you know, half an additional job or one additional job for every direct production job.

So basically they've been exaggerating the indirect effects of Pentagon spending. Now-- wrapping up, because we're-- we're gonna mostly talk. It's also bad for larger economic growth. Paul Dunne, who did the chapter here on Economics of Defense-- reviewed 175 studies and papers about relationship between defense and economic growth. Three quarters of them determined that it was either a negative effect on growth to spend more on the Pentagon or defense in other parts of the world-- or neutral. So this idea that it's a boost to the economy (THROAT CLEARING) doesn't hold up to basic economic research.

And-- Joe Stiglitz, the Nobel laureate, did a book with Linda Bilmes on the cost of the Iraq and Afghan war. It's called the \$3 trillion war, which they've since-- revised to \$5 trillion. And they said this. "The global financial crisis was due at least in part to the war. War spending provided less of an economic boost than other forms of spending would have."

"Paying foreign contractors working in Iraq was neither an effective short-term stimulus, nor a basis for long-term growth. As a result of two costly wars funded by debt, our fiscal house was in dismal shape even before the financial crisis. And those fiscal wars compounded the downturn."

And now under the Trump administration, of course he would like to have a large Pentagon buildup, corresponding cuts in domestic programs, huge tax cuts. If that's enacted, which is a big if, given the performance of the last few months-- it would be sorta like Reaganomics on steroids. So again, we'd be putting our economy in a vulnerable position, should there be another-- downturn. So I guess in closing, there's more I could say. But one sector that does get significant jobs from the Pentagon--

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spending is high-paid lobbyists.

There's about 800 to 1,000 lobbyists for the defense industry roaming around the Hill. So in a good year, almost two for every member of Congress. And you'll talk to members who aren't even, like, directly involved in defense, and their staffers will tell you they spend an immense amount of time just fending off or having meetings with-- defense lobbyists. So that's another element that maybe we can get into in the discussion. But-- (VOICE) thanks again for pulling this together and for hosting us, everybody.

## **BRIDGET CONLEY:**

Thank you-- to all three of you. We'll have time to take a number of questions-- from the audience. I also just want to point out, I don't always travel with-- 20 books. And I'm hoping that we can leave some with you. We'll sell them at a discounted price for \$10 after the program, if anybody would like some, but we don't have any credit card capacity.

I'll take the-- the-- the chair's privilege of asking the first question. So we've described corruption here in a number of different ways. Sort of the-- you know, funds in an envelope or digital transfers. Just immediate payoffs. Which we haven't discussed in any depth, although there is certainly quite a bit of that, particularly-- with overseas sales. And my colleague Sam-- is trying to systematically track those.

But we've also talked about it in terms of how Sarah Chayes described a successful network. And I think a patronage network is sort of one way to think about that. But I think you've also tried to push that into-- more dynamic-- sort of understanding of what that looks like today. Mark, you talked about pork, which is-- is another form. And that was kind of where you were heading with yours as well.

And I think for those of us interested in the relationship between this particular form of spending, which can elude some safety checks. There's enormous amounts of funds but also with national security kind of evade some of the-- the more public-- checks. How do we know where the line is between pork, which might be simply a part of the democratic system and a network whose sole goal is really to (VOICE) channel funds, exactly. It's cash flow-- cash flow, and often to keep influence continuing to peddle and-- and to pay off along the way. So how would we recognize-- the sort of shades of gray between that kind of system and a democratic system that, you know, gives and slides a little at times?

## **SARAH CHAYES:**

I'd love to just take-- a whack at that (LAUGH) to start with. Because I actually think this is an issue that confronts the United States way beyond-- the specifics of the arms trade. We are confusing the idea of corruption with the very increasingly narrow legal definition of corruption that our courts are establishing.

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So the most to me distressing recent example of this narrowing was last summer's Supreme Court-- decision-- overturning the corruption conviction of former Virginia governor, Bob McDonald. So quid pro quo, this was a quid pro quo situation where, you know, he had done some stuff, arranged some meetings and things like that for a businessman who was trying to get some clinical trial set up for a product he made-- in return for \$180-something worth of various benefits.

Even though that was established, the Supreme Court still eight to zero threw out this-- conviction, because the acts that he had performed were not considered quote, "official acts." So what you're getting is a legalism, is the people involved in what I would very much consider to be corruption are hiding behind-- narrower and narrower legalisms. And you get these-- these comments, like, "Well, you know, it may be immoral, but it's not illegal. Therefore, it's not corrupt."

So I think this is an incredibly important issue. We have to s-- as a people, as a nation start pushing back out the (THROAT CLEARING) boundaries of what is acceptable behavior, particularly when you've got economic and political elites, if you will, or players in this network that are rewriting or selectively enforcing the rules to benefit their-- basically amassing of their-- their-- personal revenue.

The arms-- trade is an absolutely classic revenue stream that is captured by these networks. So there-- (THROAT CLEARING) there are again, a couple, as I've been-- as I've been analyzing these networks in a number of different countries-- the-- the-- the number one revenue streams that are ca-- that are captured are arms and defense, energy-- banking-- luxury real estate.

Now, again, I don't want to spell this out too much or get partisan, but it's pretty distressing to look at what we have running, you know, the U.S. government, not only in this administration but accentuated in this administration. And so, you know, to some extent-- you, there is gonna be a gray area where there's-- you know, part of the sort of political give and take. But I do think that the ten-- the recent tendency to narrow the definition of corruption to-- to-- to consist in acts that nobody would ever do. I mean, we live in Washington, right?

This is a transactional, this is a gift economy, right? We do not, you know, write, I don't, you know-- sign a contract with Laura that I'm gonna give her \$185,000 if she votes the following ways on the following, you know, six bills. That's not how it works in this town. And so if that becomes what your definition of corruption is, then there's no such thing as corruption anymore.

I think the non-transparency of the sector also adds to the likelihood that we're gonna be straying into black, not gray but clearly-- corrupt actions more and more easily. So the idea that the defense industry is hiding behind national security as a reason for not having its contracts be-- you know, transparent, legible, available to the public. I've been trying to put together, I've been doing an analysis of the corruption networks in-- in-- Honduras. And, you know, with a lotta help from various friends in this room-- trying to put together what the U.S. actually sells or provides to Honduras is an almost impossible task. That's just an open invitation to

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corruption.

## **BRIDGET CONLEY:**

Yeah. Mark, do you have a response to that? Or is just the-- a plane that works?

## **MARK THOMPSON:**

I like to-- generally avoid clichés like the plague, but I'll quote (LAUGHTER) Mike Kinsley here-- "What's-- interesting in Washington isn't what's illegal, it's what is legal."

## **SARAH CHAYES:**

Right.

## **MARK THOMPSON:**

And of course, you know ipso facto that we don't have a problem here, because we've passed the Foreign Corrupt Practices Act. So Congress can say, "Hey, solved that problem and move on." But indeed--

## **SARAH CHAYES:**

Solve that problem to the detriment of our businesses who have an unfair pa-- playing field because all of their rivals can pay bribes and ours can't. Right?

## **MARK THOMPSON:**

Well, we just have to dress in different apparel. And that is the whole thing. I mean, if you review overseas arms sales, there's an awful lot of middle men and intermediaries-- doing a lot of the peddling. I can well recall when-- after he did such a great job as Secretary of State, Alexander Haig became a salesman in the Philippines for Sikorsky Helicopters. And-- what a great job he did.

And well, if United Tech paid him a ton of money, that was legal. And if he used some of it to pay some people in the Philippines in various middle person roles, that was legal too. But how do you tease out where the payments end and the bribes begin? That is the gray area. And it is one that I don't think-- it's like trying to cure cancer. There are so many variations of this. There are so many ways to futz it up and hide it and, that it's very challenging, not only, never mind eradicate, but simply to reduce.

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**BRIDGET CONLEY:**

Yeah. Bill are you?

**BILL HARTUNG:**

Yeah, well, occasionally they get it right, like the F-16, despite it coming from a similar system. It's kind of interesting, because you'll-- there's two things that are often said. One is, "We have the most powerful military in the world with the best equipment." And the other is, "The defense industry is a sewer of corruption that produces junk."

So obviously there's some middle ground there. I think what it is-- is that stuff eventually gets produced that has capabilities that have huge costs and not often aimed at the appropriate-- threats or challenges, because you get things locked into the system because of the pork barrel system.

So even just shifting within the Pentagon budget, much less reducing it-- becomes a significant undertaking. You know, so for example, we're building-- we have a trillion dollar nuclear weapons buildup in the offing over the next three decades. Those weapons have nothing to do with terrorism. We have far more weapons than we need to deter-- Kim Jung-Un if he's deterable by nuclear weapons. It's, in many ways, it's a combination of-- jobs and profit program and a holdover from the Cold War, certain kind of nuclear theology I would call it.

So the system can eventually generate weapons that work, but it's-- it's often over decades. It's often with huge cost overruns. It's often with costly retrofits. And sometimes you have a capable weapon that doesn't have (UNINTEL) mission by the time it's-- it's built.

**BRIDGET CONLEY:**

Great. Do we have any questions from the audience?

**FEMALE VOICE:**

And would you please speak in the microphone, because this is being recorded?

**BRIDGET CONLEY:**

Okay, yeah, there's one at least back.

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**MALE VOICE:**

And I think we've got media too if you might want to.

**BRIDGET CONLEY:**

Okay, yeah, and if there's media as well, or any of you are welcome to ask questions.

**PHIL:**

Should I introduce myself right away?

**BRIDGET CONLEY:**

Please.

**PHIL:**

Hi, I'm Phil-- with Americans for Democracy & Human Rights in Bahrain. So the panel might see the question that's coming. A lotta people in the room will have heard that-- Rex Tillerson-- recently dropped the human rights conditions on the sale of 19 F-16s to Bahrain that were-- placed on them, that were placed on that sale by Obama. So I'm wondering-- well, I'd like to hear any comments or remarks the panel has on that sale in general, and maybe more specifically-- if you see any-- any of the corruption of the sort that Sarah had described in that deal. Yeah.

**BILL HARTUNG:**

I can do a little bit. Well, it's interesting, because the Obama administration made record arms sales offers both globally and to the Middle East. So when Trump was bragging about this kinda thing, I thought, "Well, what more is there to do?" But there was more to do-- lifting this-- ban on the F-16s to Bahrain.

Possibly lifting a suspension on precision-guided missiles to Saudi Arabia-- munitions which have been used in a brutal bombing campaign that has killed 1,000 civilians and is part of a larger war that's leading the country of Yemen to the brink of-- famine. So-- he, the Trump people actually do seem to be lifting (NOISE) restrictions even further than the very industry friendly approach of the Obama administration. And in the case of Bahrain, of course-- it sends a terrible signal to be lifting restraints on a regime that is-- you know, first of all, suppressed its democracy movement to begin with. Is jailing opposition leaders, has engaged in torture, is kind of a model of what a human rights record should not be. And it's more likely to foster further

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animas against the United States in the region-- than it is to in any way deal with terrorism or anything else.

So-- I think it's a significant step in the wrong direction. I'm hoping that-- some forces in Congress can rally and push back on this. And we're obviously-- fighting in a different environment in this new administration than we were-- under Obama, but-- but these things have never been easy.

## FEMALE VOICE:

Can I pile in behind that? Just to say-- remember the fairy tale the *Princess and the Pea*? Bahrain is the pea. And it's a pea, I mean, I want to just, you can understand how I feel about the human rights aspects of this. But let's just take the straight-up hard security aspects of this. Bahrain is the pea sitting between Iran and Saudi Arabia. It is an absolute pow-- powder keg. Who thought about Tunisia as a strategic country in 2010? Like, raise your hand (CHUCKLES) if you pegged Tunisia as the country that was gonna blow up the world back in 2010.

I think Bahrain is quite potentially the country that's gonna blow up the world in the next ten to 20 years. And-- when people with legitimate grievances are deprived of redress. And when their government is being provided. You know, what's an F-16 in that-- in that environment? It's a prestige. It's an item of prestige. It's a message. It's not a security implement. It's a message to the population. That population deprived of redress and recourse is going to turn to extremes.

So we've been talking about Iran, you know, must be up to no good in Bahrain with the Shiites in Bahrain. When I was in the Pentagon in 2011 when stuff went up-- there was absolutely zero evidence of Iranian involvement in the protests in Bahrain. I do not give that many more years-- of-- of remaining true if this type of practice is followed and the kleptocratic network in Bahrain is reinforced through the sales of weapons into it.

So then the-- the indignant pop-- population of Bahrain, which is crowded incidentally, sorry-- sorry, then I'll stop. Is crowded incidentally into one thir-- this island is smaller than Rhode Island, right? With a population, do I have this right? With a population approximately s-- five times the size of Rhode Island? Or it's the same population with-- area one-fifth the size of Rhode Island.

00:47:10;15 And that population is squeezed into one third of the-- of the island. That population is going to go into some kind of an asymmetric reaction to this within a certain-- number of years. And there are no F-16s that are gonna prevent the security conflagration that is gonna result.

## BRIDGET CONLEY:

Great. Thank you. I think we had a question in the far back. Yeah.



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## **BILL GOODFELLOW:**

Bill Goodfellow, Center for International Policy. I guess for Sarah, for everybody up here, look at the corruption in Afghanistan, which you've so brilliantly chronicled. It's-- it's just unbelievable. And-- and-- and in Iraq, right next door.

A lot of the-- the transactions are being done by U.S. security contractors. Massive amount of money being spent. How do U.S. security contractors avoid being complicit in this-- in this sort of corruption? Is it possible to work in that sort of an environment without being part of the problem?

## **BRIDGET CONLEY:**

Sarah, do you want to take it and then give-- give--

## **SARAH CHAYES:**

Yeah, I'll-- I'll try to, yeah, and then I'll-- I'll try-- I'll try to keep it brief. Sorry about that. But the first, there are two brief answers to that. Number one, it's their problem. It's their problem. So if you look at security contractors at Paul Mill (PH) at State, let alone D.O.D., that none of them think that corruption in the host country government is their problem.

So that's absolutely gotta change. And that means in training and-- they've got to have guidance that it's their problem. Second, they actually need to analyze the environment into which they are inserting this type of security support-- and-- and material. So one of the things I've been trying to do is map out, what does an integrated corruption, you know, kleptocratic network in a given country look like? Not even down to the network diagram of who's who and is who? But just, like, the three sectors. What are the elements of state function that have been actively distorted? What are the ones that have been hollowed out? What are the revenue stre-- you know-- there isn't, I haven't found a government willing to engage in the analysis, let alone then trying to figure out what the mit-- how to mitigate the risks.

They-- they-- what I'm getting is, "That's too sensitive. That kind of analysis is too sensitive." I'm like, "Are you kidding me? But injecting millions of dollars worth of material or-- or mentoring into this kind of en-- environment blind is not sensitive?"

## **BRIDGET CONLEY:**

Yeah, Bill?

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## **BILL HARTUNG:**

Well, I think it's gotten a little less attention because of the amounts of money. I mean, when Bush was-- at the peak of the Bush war in Iraq-- there were something like 160,000 troops and a similar-- similar number of employees and private contractors. Now, a lot of them were locals doing things like the laundry and, you know, logistics tasks.

But-- there were also of course people carrying guns-- like Blackwater, and there were companies like Halliburton (NOISE) making-- billions-- much of which was not accounted for. So now it's, you know, the-- the wars are smaller. There's smaller footprints. There's a lot of-- training and such that goes on. I think it's-- it's been a little harder to crack. I mean, certainly the special inspector general for Afghan reconstruction is g-- very good job on that. But I think it's-- it's a little less in the public eye, because the amounts of money are less and because-- Afghanistan is not getting the kind of attention it deserves as a security issue, much less a corruption issue.

## **BRIDGET CONLEY:**

Great. Can I just ask one follow-up? Sarah, for you, how much can you say that it's a corrupt system? And then how do contractors or anyone else engage with it? And how much is it really understanding how a system that is different from ours functions?

## **SARAH CHAYES:**

No. Thanks for asking the question. I've often heard, you know, it-- questions of, "Well, this is-- a patronage system and that's, you know, culturally how it works." What was really interesting is over the years, I kept getting those types of pushback from Westerners. I never had a single Afghan come to me saying, you know, in ten years on the ground-- saying, "Sarah, you're, you know, this focus on corruption, this is just Western mores that you're trying to impose on us. You're, you know, you don't understand how our system works."

That's not, I got the opposite. "Why are you people bringing-- a mafia to rule over us? Why do you keep, you know-- arming?" For example, I asked a farmer, a grape farmer outside Kandahar once, "Tell me what corruption means to you." And he said, "Corruption is when all of the development resources go to the district governor, and he has his armed thugs around him making impossible for us to get to him to lodge our grievances. That's corruption."

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**BRIDGET CONLEY:**

So it's a distortion of the system that functioned. I believe we had two other questions. Let's start--

**BILL HARTUNG:**

Oh, there's one here also.

**BRIDGET CONLEY:**

One here and here. Why don't we take two, then, 'cause I see a bunch more popping up? So we'll do two at a time.

**ALEX:**

Sure. I'm-- Alex (UNINTEL). I wanted to ask-- about the status of Leahy vetting-- in the State Department or other regimes of human rights vetting that take place with these arms sales. And Saudi Arabia's a good example. It was mentioned I think \$25 billion in weapons had gone to Saudi Arabia since that horrible war in Yemen was started.

And-- and I mean, there's daily headlines of them bombing children's schools and hospitals. So how is Leahy vetting taking place? I actually asked Mark Toner if Leahy vetting was taking place two weeks ago, and he told me he wouldn't speak to it. I asked John Kirby about Leahy vetting in Honduras I think a year ago, and he told me, "There were no credible allegations of human rights violations by Honduran State Security Forces." It was like a joke. So I mean, what, you-- you know, what-- what is going on in the State Department with this kind of vetting?

**SARAH CHAYES:**

(WHISPER) Yeah. What's going on?

**BRIDGET CONLEY:**

So maybe we'll move. Actually, Sarah, if, 'cause the Honduras question I think is more-- is more for you. And then maybe to this question next.

**SARAH CHAYES:**

I can just quickly. My experience, and-- and so the Honduras is a great example in

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Afghanistan too, where I surfaced, you know, specific-- issues. It's so fascinating. The-- D.O.D. tends to just put its back up about Leahy, saying "Leahy makes it impossible to do anything." And yet, my experience on the ground is where you have absolutely-- verified and substantiated, sorry, evidence of human rights violations, it doesn't seem-- the other really big one was the Frontier Guard in Pakistan.

That was a really big one, where they were just shootin' people 'cause they didn't have enough room in their jails to put their, you know, when they were sweeping-- sweeping people up. And everybody knew about this. And so, you know-- and I-- and I would love someone else to chime in on this. I have not read the exact wording of the law, whether it is "human rights violations" or if it's "gross viola--" (MURMUR) it's gross. So that may be part of the problem. If it's gross, then people can always say, "Well, these are opportunistic killings. They don't add up to gross violations."

I th-- I personally also think that the reinforcing-- effect of this type of military both sales and support is also really problematic. So the idea that it even has to rise to the level of a gross violation is an excessive bar. Did you want to? Yeah, go ahead. Lor-- Lora, yeah.

## LORA LUMPE:

Sure. I-- I just want to say, it-- the-- the Leahy Law technically doesn't apply. Sorry, Lora Lumpe, Open Society Foundation. It doesn't apply to Saudi sales, because it-- it refers to U.S. financed, U.S. assistance. So the first thing that triggers it has to be that U.S. taxpayer money is going to-- to-- to another country.

Second thing that triggers it is-- the State Department has to be in possession of credible information that a gross human rights violation has occurred. That doesn't have to be a pattern, has to be just one incident of-- a particular, sorry, and-- and the-- the unit-- needs to be identified at the kind of battalion or brigade level. That's usually the-- the limiting factor is specificity about who-- committed the-- gross violation. But if human rights groups, journalists or others-- have presented the State Department with-- with a dossier or evidence, then the human rights bureau within State makes that case to the other parts of the system, both within State Department and D.O.D. and perhaps the intelligence community as well.

You won't be surprised to hear that it's not exactly a fair fight. They win sometimes, where they're able to hold up transactions to particular units when they have a s-- when they have a strong, evidence base-- that they can-- that they can bring to bear. So it's great that you're asking questions.

It's-- it's-- this, as-- as weak as this law is, this is the only law we have on the books that actually constrains how the U.S. provides what's about \$20 billion worth a year now in military assistance, let alone the arms sales that are, some of which are financed by that military aid, but the sales to Saudi are not. So that's the, probably the main limiting factor there. Which is different than the cases-- that Sarah was raising. Honduras clearly is getting U.S. military aid. And Pakistan, I believe there

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was--

## **SARAH CHAYES:**

There is a na-- there is an-- whoops. There is a national security waiver. Is there-- there's not--

## **LORA LUMPE:**

There-- there-- no-- for the-- for the D.O.D., so-- so there are two pots of money at play. One is State Department funding. Second is D.O.D. funding. As we see the shift of budgetary resources that Mark was talking about from State Department to D.O.D., more and more of that foreign aid is now coming out of the-- the-- the D.O.D. budget.

And-- so the law that governs that does have a national security waiver that has never actually been used. The State Department money does not. There's no national security waiver for that, which again makes this more impactful. As weak as it is, makes it more impactful than anything else we have.

## **BRIDGET CONLEY:**

Thank you, Lora.

## **BOBBY:**

Bobby Pestronk, (PH) citizen wishing to be better informed about the issue. Bridget, would you take the chair's prerogative and pick one or two of the myths that haven't been spoken to yet and ask-- one or another panel member or each panel member to speak about that myth and why it's a myth?

## **BRIDGET CONLEY:**

Yeah. I think-- thank you. I think that that's-- great question. We've actually hit several. I'm gonna take one-- that I-- I thought we might hit closer towards the end, but I think-- I think it's worth doing now. The question of timing. That happened, there's been a big shift post 9/11 oft-- obviously, but there is a comparable one in the Cold War that, "This isn't the right time to reconsider these questions."

That it's extremely dangerous. That we need to build stronger-- sort of shifting, not only from large defense systems but also into-- security and intelligence methods. That this isn't the time to have this question. And so I wondered if-- if you guys can then ta-- why-- why would this be the time? Why is this the right moment? It seems

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like a particularly (NOISE) weak moment politically within the U.S. Is there something fortuitous that we can grab in this moment? Mark, you?

### **MARK THOMPSON:**

Well. We're in a pretty peaceful world right now. Doesn't seem that way. Because if you watched NBC the other night (NOISE) the lead story showed Seattle and Los Angeles and San Francisco being hit by North Korean nuclear weapons. That is sorta the most dangerous kind of fake news.

But in terms of why the moment is ripe, we're sort of missing the point here. We have been in Afghanistan and Iraq now for 16 years. We have spent, by the time we're done with our last veteran and taking care of him or her at least 5 if not \$6 trillion. The countries effectively are no better off now than they were when we arrived. Well, god dammit, if it's gonna be that bad, spend a trillion and get out. The notion that the United States military or otherwise can solve these problems is in itself a macro-myth because it's what keeps this engine going.

It is the spark plug that keeps firing. Sometimes we need to acknowledge the limits of our power. After 9/11 of course, Afghanistan was going to be struck. And I can remember being in the Pentagon for months on end, thinking that we would be out in six months. And somehow it segued into what has now been a 16-year, if not occupation, at least a long pole in the tent in terms of providing security.

Iraq, of course, was a disaster in a completely different way when we left and I.S.I.S. came in. I mean, both of these should give us something that oftentimes is lacking in national security circles. A little bit of humility. I think that would go a long way not only to tempering our beliefs in what we could do, but would also be calibrated with how much of an investment we should make in trying to deal with these issues.

### **BRIDGET CONLEY:**

Yeah. And Bill, another-- another person with a long perspective?

### **BILL HARTUNG:**

Oh, yeah, oh sure. I was gonna say, I didn't want to interrupt you if you wanted to say something.

### **BRIDGET CONLEY:**

No-- no, I don't.

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## BILL HARTUNG:

Well-- there's never a bad time. I mean, these issues are ongoing. And at the moment, I think similar to what Mark said, it's a question of stopping the bleeding. We've been doing things that don't work, and why double down on them? In terms of the cases of things like Yemen and Bahrain-- you know, they've been arguing that there's this (NOISE) Iranian threat that justifies these things.

That threat has been much exaggerated. But even if it were true, how does targeting factories, marketplaces, funerals, how on earth would that help combat Iran? It would only drive people towards Iran. So I think things like cutting off arms to the Saudis-- and this sale to Bahrain, for example-- would be the kind of thing that could be done that would have a positive effect, that's a relatively discrete policy.

Now of course, in terms of the political environment in Washington, we're at a significant disadvantage to pursue that kinda thing. But I will say that part of this last election was people being dissatisfied with the political establishment, as they defined it. And so I think there is room-- to have discussions of doing things differently.

I mean, there's a lotta background noise. There's a lot of I think delusional thinking about what change should look like, both-- in-- the oval office and beyond. But I-- I do think that this is not a time to-- to back down on these issues. Also, they're not gonna be settled tomorrow. But if we don't put out a vision (COUGH) of what should be happening, they may never be settled.

## BRIDGET CONLEY:

Thank you. Yeah, we have-- I think you had your hand up for a while, and then we'll get in the (COUGHS) front row.

## COLBY:

Hi, Colby-- oh sorry, Colby Goodman from the Security Assistance Monitor-- program at the Center for International Policy. I-- I have two questions. One-- is sort of-- maybe a slightly different angle to the pork question. So I t-- I wonder in terms of looking at corruption if-- one angle is to sort of-- look at the-- the purpose of the arms sales.

So if, in terms of like does it actually make sense for the country? So there's, you know, in the past decades, there's been a lotta concerns about fighter jets to Chile. Like, did that actually make sense for the country to buy that weapon? And there's-- there's other pieces as well. So I wonder if that's-- that's an element that's worth exploring?

And the second one is-- is a more technical question. The State Department with the-- international traffic in arms regulation has a specific provision-- on the sort of

bribery-- to-- to-- to-- to force countries to report on-- (THROAT CLEARING) on their engagement with marketing agents in the country-- as a way to try to stop bribery. And I wonder if you think this type of approach-- works, or if there are other types of things that can be (COUGH) done to sort of help address bribery? Which of course is still a big problem. (SNEEZE)

(OFF-MIC CONVERSATION)

## BRIDGET CONLEY:

On the deals, the (NOISE) purpose of the deal-- so I, this isn't my area. My research area is genocide and mass atrocities. Which is not necessarily (NOISE) upbeat. But different. And in learning about this and the purpose of deals has been one of the most jaw-dropping-- parts of being part of this-- this team. And I wonder, Sam, my colleague Sam if-- might talk about-- we learned about submarines that don't submerge-- landmine-- finders that is actually a golf ball finder machine. And, you know, deals that are done for access to the funds. That's the point of the deal. Like, so there's no national security. But I wonder, Sam, if you might want to say something about?

## SAM PERLO-FREEMAN:

Mic s-- somewhere? Yeah-- I'm-- the-- the lack of a na-- of a national security justification that-- of-- of it being a weapon that's just completely unsuitable for the country is-- is certainly a red flag. Like the huge South Africa arms deal, when they bought advanced combat aircraft far beyond anything they needed. And m-- most of which-- a lot have never flown, because they-- they can't afford to maintain and train the pilots. Submarines which serve no conceivable security purpose. You know, they have no enemies, no threat that would justify it.

And that was a very corrupt deal. I-- I-- I think-- I think virtually all submarine exports involve corruption. I-- I-- I-- it seems, there aren't that many submarine exports. It's-- and Germany do most of them. And usually it's countries where, "Why would they want a submarine?" It's not even a prestige thing like an aircraft carrier. Because it's-- it's the opposite-- of something that's there to be seen. (THROAT CLEARING)

Ch-- Chile that you mention is an interesting case, because they have this fabulous-- funding system for arms procurement, the secret copper law-- which was introduced in the '50s, then reinforced by Pinochet and increased-- whereby 10% of the revenues of the state copper company from copper exports automatically go to arms purchases regardless of whatever might or might not be needed, split one third between each of the three armed services, to be spent at the discretion of those armed services chiefs of staff. And without any parliamentary oversight.

So that is-- that is a perfect recipe for corruption. And indeed-- when Pinochet after



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being president was-- head of the armed forces, he certainly used those funds for-- for his own personal gain. They-- they started reforming it a little. Is-- funds that are-- are beyond the immediate spending priorities go into-- sort of trust fund for you-- future use.

And they finally published the text of the law, which until December last year was a secret. No, that no one with, it had been widely leaked so it wasn't really a secret. But officially, no one was allowed to know exactly what the law said. So-- but those mechanisms-- which-- which in the Chile case mean that this money is to be spent on arms whether it's needed or not, for any national security purpose.

But that's certainly-- a very strong recipe for-- for corruption. And the-- the-- the-- the middle men, the-- the agents here, I-- I mean, all-- all corrupt arms deals involve the use of agents. And-- as-- you-- you-- you were discussing, the-- the longer the chain of agents you have, the more that you have in the chain, the harder it is to prove a causal link between money that's paid out by the company-- and money that's received by the ultimate beneficiaries and that having-- any relation to the arms deal.

So it is-- it is virtually impossible to secure a conviction for corruption-- in-- in-- in major arms sales. It does occasionally happen-- but-- but-- but it's extremely rare. And so tackling this system of middle men, both use of such-- intermediaries by the sellers and-- involvement of such intermediaries by the buyers, allowing that in the process, tackling that would be-- would-- would be a very important way of trying to tackle arms trade corruption.

## **BRIDGET CONLEY:**

And I think in-- in the-- the first myth, in chapter one, where we try, I mean, Sam has examples like that that just go on and on and on, of sales that actually, it's access to-- to funds, the privatization of public funds. But in chapter one, we do address that in-- in additional depth. Let's grab, I know there was at least one hand turned. I think there was one other-- in the front as well. Oh is this one over here.

## **DANIELLE BRIAN:**

Thank you-- thank you. Danielle Brian, Project on Government Oversight. And I want to push back a little bit on my beloved friend, Bill Hartung, when you said-- maybe--

## **BILL HARTUNG:**

Oh good. (LAUGH)

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## DANIELLE BRIAN:

When you said, "Maybe now isn't the right time politically in Washington." Because as, I would-- I would venture to say that maybe one other myth might be that Democrats are better on these issues than Republicans. And I heard from, I-- I think Mark and you referencing that surprisingly some good people on this happen to be the Tea Party people or, you know, the-- the Freedom Caucus.

Remember that the only Republican who voted against the Iraq War was Walter Jones, despite many Democrats voting in favor of going into war. So I just wanted a little bit of a conversation on sort of the-- the theory that, "If we only had more Democrats in Congress, this wouldn't be happening."

And-- and when I-- I think we may have actually more allies right now. Mick Mulvaney who's the director of O.M.B. was one of the people in the House Republicans who was really interested in cutting back on defense spending. So I-- I would love a little bit of a conversation about that.

## BILL HARTUNG:

Well, since you called me out by name-- which is great. It's-- it's terrible to agree all the time. But I, we may not disagree as much as it appears. You know, I wasn't thinking so much of the partisan environment but more the White House itself, which I don't know how you would characterize Donald Trump (THROAT CLEARING) in-- in traditional terms.

And certainly, I think-- the issues of fiscal responsibility-- the whole Libertarian stream which is anti-intervention. There's sp-- there's a coalition to be had, which has existed actually on things like keeping the caps on the Pentagon budget, auditing the Pentagon, cutting waste, where there's-- groups across the spectrum all the way over to Grover Norquist-- to Bernie Sanders to Ted Cruz, who on issues like audit are on the same page.

So I think in that sense, sure. You know, and-- and I think certainly going after corruption on specific issues, m-- maybe there is an opportunity here. And of course, whether or not one believes Trump, he said he was gonna drain the swamp. He seems like he's moved it to Mar-A-Lago, but nonetheless-- it's-- it's out there. And so we should hold that claim to account. And as (UNINTEL) has pointed out, the flip side of this is of course, this is-- the Trump administration's become sort of a watering hole for ex-defense executives.

So you've got a Secretary of Defense from General Dynamics. You've got a deputy from Boeing. You've got folks from-- C.A.C.I., from PanelTier (PH). And you've got, you know, the National Security Council and Homeland Security. You've got this collection of top-level decision makers who are from the defense industry. And this is from an administration that's barely appointed anybody. So it's quite a large proportion of the, you know, three people that they've appointed. Actually it's larger

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than three, so it's more than 100%. (CHUCKLE) So-- but I think on transparency, exposure, pushing against corruption may be one of our stronger plays in this context. Which is why I'm happy that you're in charge of that and publishing. (LAUGHTER)

## **MARK THOMPSON:**

I of course, cannot disagree with Danielle, now that she's my boss. But I would-- I would say that, you know, the notion of defense hawks versus deficit hawks is going nowhere. I mean, look at the sequester caps. You know, this was a chance for the deficit hawks to prevail. And nothing like that has happened.

Yes, it did restrain the growth of the Pentagon's dream budget, but the Pentagon has never achieved its dream budget. They've always been fighting gravity trying to pull it back to fiscal reality. And the issue always is, "Well, how many ten thousands feet of altitude will they end up with?" The fact of the matter is that the-- the Pentagon is a self-licking ice cream cone. This will continue until Congress gets its hands on the purse strings and exercises them. And until the voters get ticked off enough, it's just going to continue on. And I don't see it changing.

## **SARAH CHAYES:**

I'd just like to add one thing that's of a less technical nature-- which has to do with, "What is the mission that has been assigned to the Pentagon?" And the problem is they're pr-- they're literalists in there, so you tell them, you know, "We want a unified Korea." We want, you know, I mean, they-- their-- and I think that's sort of worth looking at.

What are the parameter-- what are the problems we're asking the Pentagon to fix? Can we, you know, put some-- effort against that too, saying, you know what? Reuniting Korea, that actually doesn't (SLAP NOISES) belong to the Pentagon, it probably belongs, you know, to the other guys who are getting cut even more. So if we offload some of these assignments onto some of our other agencies, then that becomes a pretext to-- grow their budgets-- and gives people even within, inside the building more of an argument for cutting theirs.

## **BRIDGET CONLEY:**

Are there, is there another question? Thought I saw another hand. Yes. That's your hand. (LAUGHTER)

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**ROBERT WATSON:**

So as far as--

**MALE VOICE:**

Who are you?

**ROBERT WATSON:**

I'm Robert Watson. I'm an intern with the Secretary Assistance Monitoring. Thank you. It's kind of a broad question, but in solidifying the United States' influence around the world, we can often kind of conflate-- security assistance or arms sales with that. So the United States' market is the Middle East, China and Russia sell weapons to Asia and things like that. So is there a way to disconnect the idea that we must sell weapons to these people to maintain our influence (NOISE) in these places? Or have an argument for kind of bettering our influence there economically?

**BILL HARTUNG:**

Well, I think some of the idea of influence is illusory. I don't thi-- you know, every time they make a sale to Saudi Arabia, they say "It fosters stability in the region." It's just like on autopilot. And what they're doing in Yemen is not fostering stability in the region. Nor I think would the Obama administration chosen to have gotten in the middle of that.

But, among other things, they promised to quote, "reassure them that they weren't tilting towards Iran-- by making the nuclear deal." (NOISE) They weren't making some sort of broader move away from the Saudis. (NOISE) So sometimes the groups that alleging, or the countries that are alleging being influenced can lead the U.S. into directions that are not in anybody's security interests. So-- I think that's part of it.

So and I think it's-- it's-- it's often overstated. And-- and certainly, there's gotta be other ways to influence people. There's other commercial ties. There's diplomacy. There's, you know, solving problems (NOISE) that are of mutual interest, which in theory should be the role of governments. Things like climate change, which China, India, all the major players are gonna have to weigh in-- in some (NOISE) fashion. But it's, the problem is, it's well-- it's well greased, it's well oiled, the argument is so frequently made, that I think it takes some hard pushback to-- try to break that connection.

And I know I have-- well, friend is a strong word, but I have a former-- colleague-- Joel Johnson who used to be-- chief lobbyist for the Aerospace Industries Association. And-- he used to say, "Well, you know, when you buy weapons from the United States, you're buying a relationship with us. And we're gonna come to your defense,

you know, when you need it."

You know, that might be true if you're Saudi Arabia, but it's probably not true if you're, you know, Djibouti or some other country or country in Latin America that's not in the middle of some strategic battle of the moment. So I think it's, both sides kinda trade on this argument about stability and influence. But I-- I think it's-- it's a lot more complicated than this idea that it's always a positive to sell arms, and you're always gonna get positive results in terms of your relationship with the country in question, even if it's over fairly narrow issues.

## **MARK THOMPSON:**

Nature abhors a vacuum. If we don't sell, somebody else will sell. That's always been the issue. If we don't sell, China will sell. Russia will sell. It isn't that we are trying to expand our influence so much as we're trying to keep them out. That's on the political front. On the economic front, there is some marginal improvement in our production when we can spread buys over more nations.

They are buying more copies of our ships, of our aircraft. And so that to some degree, number one, generates jobs at homes. Number two, allows us to do more because we got a bigger pool of money in which to invest in R&D. So both on the political influence front and on the economic front, I think it's wrong to perceive a lot of these sales as relationship building, so much as they are transactional, to keep our economy. To some degree, I mean, the F-16 production is moving from Fort Worth to South Carolina-- to build F-16s for overseas, not for us.

And in the same way-- the economics of defense production are so immense. (COUGH) You know, \$100 billion a year. That's a lotta money to spread around, and you are not going to get members of Congress to say, "The heck with that. Let 'em buy, you know, a Mirage or-- you know, a Chinese or Russian jet." It's just not going to happen. I think that's more human nature than anything else.

## **SARAH CHAYES:**

I think it's a great question. And I think there are two sort of psychological-- elements to take into consideration. One is influence with whom? So we tend to conflate the government of the country with the country. We've just lived through, you know, a decade in which populations and their governments have diverged.

And so the degree to which we are seen as being in bed with the government has actually reduced our influence with the people who matter, which has been the populations of the countries. So I can't stand it when I hear, you know, "the Saudis (COUGHS) do this," or "the Egyptians do that." Because like, which Egyptians are you talking about here?

And the tendency of course, when it's a decision-- U.S. decision maker saying that is they-- they-- they mean their counterparts. But that's not the Egyptians. That's the

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Egyptian government. And so-- so I think the-- the assessment of who do you want to influence is an important one.

And then the second thing is, do we use the influence that we-- s-- allegedly achieve in this fashion? And I cannot tell you the number of-- of-- of sort of situations in which-- I am told, "We've got no leverage." Like, we are-- we-- we have the country of Afghanistan on, you know, an I.V. And I'm told "We've got no leverage over the Afghan government." Well, if we don't have leverage over (LAUGH) the Afghan government in that situation, what-- what ha-- what influence is it that we're ac-- that we actually have in the bank by selling people a coupla airplanes?

I recommend to everyone a monograph written in 1972 called *Bureaucracy Does Its Thing*, by a guy called Komer, K-O-M-E-R. And you can find it online. It's a Rand thing. Chapter three of that thing is about how weaker clients actually have more leverage over their stronger patrons. And you switch out some of our client, you know, government names for G.V.N., Government of Vietnam. I mean, it is word for word what's happening today.

## **BRIDGET CONLEY:**

Can I ask one question to the panel as well? There's been some grumbling about an audit of D.O.D. And I'm curious what if-- if you think that would be helpful? Is it-- is it even realistic as-- as a request?

## **MARK THOMPSON:**

No, it would not be helpful. Yes, you've gotta be for it. It's like Mom and apple pie. But the-- the slop, the inefficiency that's in the Pentagon budget won't go away even if it's auditable. Because that implies everywhere else in government that is auditable is running fine, and it's not. So it is-- it's an-- a worthy goal to aspire to. I think the last several defense secretaries have pledged to do it. They are getting closer. But-- I don't think it's going to change much when they do it.

## **BRIDGET CONLEY:**

Bill?

## **BILL HARTUNG:**

Well, I think it has some value in targeting areas of waste, but the bigger waste I think is spending money on the wrong things, corporate politics. You could keep track of where the money is, but that doesn't mean you have to spend it on things that-- necessarily promote your defense in the best way. So-- I think it's a tool.

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I think certainly the fact that they can't keep track of it is not a good sign (CHUCKLE) and we can guarantee they're spending it well in any sense of the term. But I-- I think, yeah, the bigger issues of corruption and misspending, the audit alone would not-- would not tackle.

## **BRIDGET CONLEY:**

Yeah, Lora?

## **LORA LUMPE:**

Lora Lumpe, Open Society Foundations. As we wind down here-- Bridget, I wondered if you could maybe bring it back to the project and talk about the-- the sorta rationale and the strategy-- for working these myths. Maybe focusing primarily on the United States since we're here in Washington, but-- but globally if you like. And-- I urge you to tell people about the website underlying this project, because I think everyone might not end up with a copy of the book. But there is a lot of-- depth, as Sarah said, of-- you know, meat and-- good talking points which are useful I think-- to-- to several people here.

## **BRIDGET CONLEY:**

Yeah, so-- as I noted before, the-- the chapters are all based on deep research. So we worked with people who really know their areas. Defense economist Paul Dunne, with Sam on transactions, will Bill, with Lora. But it's written-- then by one person.

So there's a single voice all the way through. And the goal for that was that it would appeal in theory, and-- and I think in practice to a broader public. This is not an edited, academic volume. It's a way that we thought we could try to-- at least take a first step in contribute to having a discussion that is more frank and more honest-- about what is the role? What is the right size? What are the right things?

Rather than deflecting these myths and having a conversation about a jobs program that is not a jobs program-- necessarily. It's-- it's-- defense spending program dressed up as a jobs program. So that was part of what we wanted to do was to change the way that the conversation is had. And you heard Sam mention a couple things about red flags. It's also then to start helping people become aware, "How do I identify what actually is-- a misdirection in argument, a misdirection or a potential flag for corruption?" So it's also a way of training-- public to try to think differently about how we talk about these problems. Not to have a single answer.

The book is also available through an interactive website at [Indefensible.org](http://Indefensible.org). And-- one of our colleagues is Andrew Feinstein, who wrote the book-- *Shadow World*. And also a documentary on the same topic, which he'll be touring in the U.S. in the fall. And so Paul, the author and also teaming up with various of our chapter researchers--

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will also be doing a series of documentary screenings and-- and book events.

So you can see us again. And I hope you do take the chance. As I said, we have these 20 I believe-- here for \$10. But if not, please look us up at [Indefensible.org](http://Indefensible.org). Or [WorldPeaceFoundation.org](http://WorldPeaceFoundation.org), and you can see the rest of our work. We'd again really like to thank Lora and Open Society Foundations, and our fantastic panelists. So Sarah, Mark, Bill, thank you. And to you. Thank you so much. (APPLAUSE)

\* \* \*END OF TRANSCRIPT\* \* \*