

South American Defense Procurement—Trends into 2001 **by Jeffrey Fields**

Latin American Analysts contacted by Intellibridge point to Chile as the only South American state to have any notable defense deals pending. With a trend toward smaller military budgets, and a warming in relations between traditional rivals Chile and Argentina, the situation is considerably different from Cold War years.

Lowell Fleischer, a senior associate in the Americas program at the Center for Strategic and International Studies and former deputy director of the Washington office of the Council of the Americas, points to the changing climate. “The only deal in the works now is Chile. Argentina’s reaction [to Chile’s attempt to acquire U.S. F-16s]...is a change. For years they tried to fight here against the Chile deal. Others will be nervous but in general South American military budgets have been cut and I don’t see many prospects for any increases soon. Brazil probably has the most money to spend.”

Argentine Foreign Minister Adalberto Rodriguez Giavarini says that Argentina will not try to counter Chile’s decision to purchase F-16C/D jets from the Lockheed Martin Corporation. “We don’t want to spend money we need for social welfare and better macroeconomic figures on such military gadgets...Balance has to do not only with guns, but with the transcendence of democratic institutions, the rule of law and an independent judiciary. We believe an arms race is really a bad thing.”

Argentina is implementing a “Modernization Plan to Improve the Quality of Spending.” The Buenos Aires newspaper *Página/12* excerpting the still private plan, writes that it “portend[s] a new internal power structure, with centralization of key decisions such as procurement.” Marcelo Acuna, the chief of the Defense Ministry’s adviser’s cabinet and coordinator of the plan, described the goal as “not to spend less but spend better.” The Defense Ministry says that a more centralized structure will permit better decision-making and avoid unnecessary purchases. The Ministry intends to follow a centralized model based on Great Britain, which in one year was able to cut spending by 20 percent. That would amount to \$350 million per year in Argentina.

Chilean Navy Commander in Chief, Admiral Jorge Arancibia, continues to express support for the Trident Project. Under the plan, the Chilean Navy will sign contracts in October of this year to begin the first stage of building four frigates, with an option for an additional two. Admiral Arancibia is quoted in the Santiago newspaper *El Mercurio* as saying “the importance of the Trident project is that the expenditure on defense is turned back into productive development for Chile.” The Chilean Navy is seeking \$34 million by the end of the year to begin the project.

Following the similar strategy as Argentina, Chilean President Ricardo Lagos has implemented new procurement procedures. The Commanders in Chief Council will now play a key role in defense procurement plans. The Council will review and analyze the future



of every procurement project under the government's supervision with the goal of making more efficient purchases that are coherent with defense policy

Brazil looks to redefine the type of Armed Forces it wants and how much it is willing to spend. Brazil faces no foreign enemies and consequently spends a modest 1.5 to 2 percent of its GDP on defense. Argentina spends 3 percent and most European nations spend 4 to 5 percent by comparison. The Brazilian Ministry of Defense though, spends the majority of its budget on salaries and maintaining its retirement system. Most First World nations invest the majority of their defense budgets on new equipment and training or personnel. Although comparatively speaking, Brazil spends less on defense, the quality of its expenditures is questionable. While Colombia has identified its enemies—guerrillas and drug trafficking—and adjusted its military strategy accordingly, facing no external enemies, Brazil has yet to downsize the way Argentina, with a military 33 percent smaller, has. The issue confronting Brazil is how to formulate a clear defense strategy and military budget when no clear enemy exists.

Clearly the major issue, other than routine upgrades, that influences procurement strategies in the region is the Colombian situation. Michael Barletta, a senior analyst in the Monitoring Proliferation Threats project at the Center for Nonproliferation Studies says, "There's not a lot going on [in South American procurement issues]. The key will be how other South American countries deal with Colombia and the spillover, and how they equip themselves to deal with that."

Colombia is the country in the region to watch. Though all of the helicopters that are part of the U.S. aid package have yet to be delivered, there is already talk of a sizeable increase in U.S. military aid after 2002. Argentina's docile reaction to Chile's procurement efforts portends more benign and efficient defense spending and military budget tightening in the Mercosur region, leaving Colombia the major focus of defense issues.

Best Source: [Army War College](#)

Other sources: [Center for International Policy](#), [Center for Strategic and International Studies](#)

