

**AN AUSA SPECIAL REPORT
JUNE 1990**

**SECURITY ASSISTANCE:
AN
INSTRUMENT
OF
U.S. FOREIGN POLICY**



**ASSOCIATION OF THE UNITED STATES ARMY
INSTITUTE OF LAND WARFARE**



CONTENTS

	<i>Page</i>
FOREWORD.....	i
GLOSSARY.....	ii
INTRODUCTION.....	1
FOUNDATIONS OF SECURITY ASSISTANCE.....	1
EVOLUTION OF THE FOREIGN MILITARY FINANCING PROGRAM.....	2
OTHER MAJOR SECURITY ASSISTANCE PROGRAMS.....	4
U.S. FOREIGN MILITARY SALES.....	5
DIRECT COMMERCIAL SALES.....	6
U.S. INTERESTS AND THE PURPOSES OF THE SECURITY ASSISTANCE PROGRAM.....	6
PRINCIPAL U.S. GOVERNMENT AGENCIES INVOLVED IN SECURITY ASSISTANCE.....	8
SECURITY ASSISTANCE OPERATIONS.....	11
BENEFITS AND COSTS OF THE SECURITY ASSISTANCE PROGRAM.....	13
MAJOR ISSUES RELATED TO SECURITY ASSISTANCE TODAY.....	13
CONCLUSION.....	15
SOURCES.....	15
APPENDIX ONE: MAJOR SECURITY ASSISTANCE LEGISLATION.....	16
APPENDIX TWO: FISCAL YEAR 1991 SECURITY ASSISTANCE BUDGET REQUEST.....	17

Reproduction of this Report, in whole or in part,
is authorized with appropriate acknowledgment of the source.

ASSOCIATION OF THE UNITED STATES ARMY
2425 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22201-3385

A Nonprofit, Educational Association

SECURITY ASSISTANCE: AN INSTRUMENT OF U.S. FOREIGN POLICY

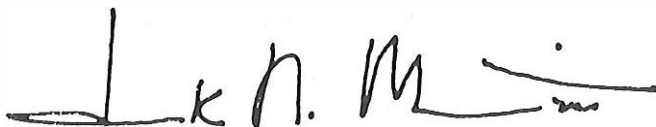
FOREWORD

The Department of Defense (DOD) has the responsibility to maintain trained, ready forces for the protection of American security interests worldwide. At the same time, DOD has a responsibility to assist other countries so that they can defend themselves.

In carrying out this military assistance mission, DOD operates in accordance with the foreign policy guidelines established by the State Department. Presidential policies and laws enacted by Congress are the bases of the guidelines. The nature of these institutions, designed by our founding fathers to provide checks and balances in the power exercised by the branches of the Federal Government, makes the DOD military assistance mission a challenging one to implement.

It is because of the many laws, policies, programs and actors that impact security assistance — with its military and economic components — that this special report has been prepared. The goal is to present a compact overview which will familiarize the reader with an important instrument of our foreign policy. Using this report as a baseline, it is hoped that the reader will gain a perspective from which to better understand contemporary issues in the security assistance arena.

This report could not have been completed without the help of the Defense Security Assistance Agency, the Office of the Assistant Deputy Chief of Staff for Logistics (Security Assistance) and the U.S. Army Security Assistance Command. Colonel James D. Blundell, USA, Retired, Assistant Director of the Institute of Land Warfare, is the author.

A handwritten signature in black ink, appearing to read "J. N. Merritt". The signature is fluid and cursive, with a long horizontal stroke at the end.

JACK N. MERRITT
General, USA Ret.
Executive Vice President

June 1990

GLOSSARY OF SECURITY ASSISTANCE-RELATED ACRONYMS

ACDA	Arms Control and Disarmament Agency
AECA	Arms Export Control Act
AIASA	Annual Integrated Assessment of Security Assistance
AID	Agency for International Development
ASD	Assistant Secretary of Defense
CIA	Central Intelligence Agency
CLSSA	Cooperative Logistics Supply Support Arrangement
CPD	Congressional Presentation Document
CRA	Continuing Resolution Authority
CSP	Concurrent Spare Parts
DAO	Defense Attache Office
DIC	Defense Industrial Cooperation
DOD	Department of Defense
DOS	Department of State
DSAA	Defense Security Assistance Agency
ESF	Economic Support Fund
FAA	Foreign Assistance Act
FMF	Foreign Military Financing
FMSCR	Foreign Military Sales Credits
FMS	Foreign Military Sales
IP	Informational Program
IMET	International Military Education and Training
ITAR	International Traffic in Arms Regulation
JCS	Joint Chiefs of Staff
LOA	Letter of Offer and Acceptance
MAAG	Military Assistance Advisory Group
MAP	Military Assistance Program
MDE	Major Defense Equipment
MFO	Multinational Force and Observers
MTT	Mobile Training Team
NSC	National Security Council
ODC	Office of Defense Cooperation
ODTC	Office of Defense Trade Controls
OMB	Office of Management and Budget
NSC	National Security Council
P&A	Price and Availability
P&R	Planning and Review
PKO	Peace Keeping Operations
SAMM	Security Assistance Management Manual
SAO	Security Assistance Organization
SDAF	Special Defense Acquisition Fund
SME	Significant Military Equipment
TPA	Total Package Approach
UNFICYP	United Nations Force in Cyprus

SECURITY ASSISTANCE: AN INSTRUMENT OF U.S. FOREIGN POLICY

Introduction

In carrying out its responsibility for national security, the Executive Branch of the Federal Government, under the leadership of the President, formulates national objectives in the form of a foreign policy, a national security strategy designed to meet the national defense objectives, and the necessary national security programs to implement those policies. The checks and balances of the legislative and judicial branches leave their imprints on the policies and programs of the executive branch.

One set of programs designed to implement the foreign and national defense policies of the United States is the instrument known as foreign assistance or foreign aid. Foreign aid is composed of economic and military programs.

U.S. development assistance to countries and aid to international organizations, such as the World Bank and United Nations, are handled under foreign economic aid programs. Government-funded programs aimed at providing military equipment and training to other countries and to international peacekeeping organizations are referred to as military aid or assistance. Military aid consists of the following programs:

Foreign Military Financing (FMF)
International Military Education and Training (IMET)
Peacekeeping Operations (PKO)

When the military aid programs above are coupled with the assistance program designed to foster economic development and growth, known as the Economic Support Fund (ESF), the total set of programs is referred to as security assistance.

For Fiscal Year 91 (FY91) the total foreign aid request is about \$20 billion. The strictly military aid portion is about \$5 billion, which is about the same level as FY89 and FY90. Figure I depicts levels of military aid throughout the post World War II period. (The figure was extracted from the Congressional Research Service (CRS) document titled, *An Overview of U.S. Military Assistance Programs*, by Richard F. Grimmer.)

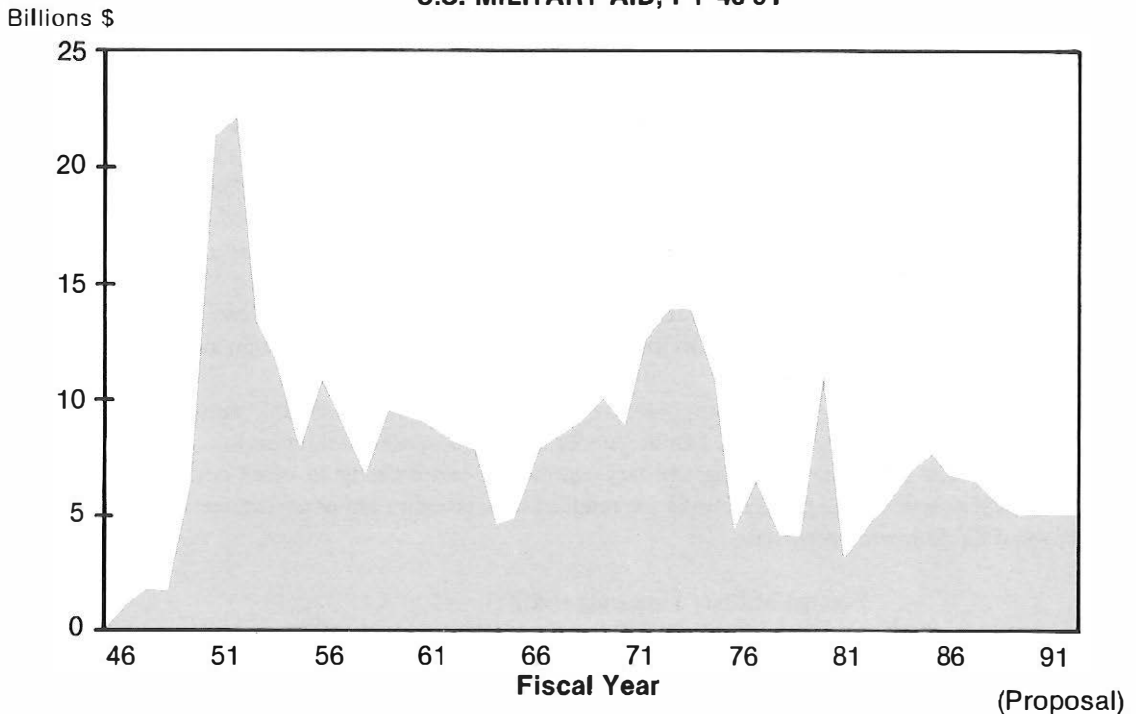
Foundations of Security Assistance

In addition to maintaining capable and ready armed forces, national security can be enhanced by providing selected countries the wherewithal to meet their own defense needs. It is principally on this basis that the United States has provided materiel and financial assistance to other countries throughout this century.

U.S. foreign assistance has been a major instrument of U.S. foreign policy for the last forty-five years. The United States emerged from World War II as the most powerful country in the world. However, to assure its own security, it was also necessary for the United States to assure the security of a Europe devastated by World War II and vulnerable to Soviet expansionism. Therefore, the designs of the Soviet Union had to be "contained."

U.S. Containment Policy first took the form of providing military and economic aid to Greece and Turkey starting in 1947 so they could provide for their own defense; U.S. military advisors were also involved. The U.S. policy of containment of Soviet influence eventually resulted in a series of collective defense arrangements (i.e., NATO, SEATO, ANZUS and RIO treaties, and bilateral agreements with Korea, Philippines, Japan and Taiwan). These multilateral and bilateral arrangements provided the basis for military and economic assistance programs. U.S. foreign assistance programs aimed at helping a country gain political and economic stability, and to strengthen its armed forces to deter or meet a military threat, became the major instrument of foreign policy of the Cold War era.

**FIGURE I.
U.S. MILITARY AID, FY 46-91**



U.S. containment policy and the foreign assistance programs meant to carry out that policy were first codified by the Congress upon passage of the Mutual Defense Assistance Act of 1949. This legislation provided authority for military aid to NATO and Turkey and Greece (who were not then NATO members); it also authorized military aid for Iran, Korea, Philippines and Taiwan. This same act provided the legal basis for the military assistance programs that make up the security assistance instrument of foreign policy today. (An updated chronology of major security assistance legislation extracted from the CRS overview document is at Appendix One.)

Evolution of the Foreign Military Financing Program

As established by the 1949 act, military assistance originally consisted of the grant Military Assistance Program (MAP) and the cash Foreign Military Sales (FMS) program. The Mutual Security Act of 1954 established the FMS Credit (FMSCR) program.

Military Assistance Program (MAP). This program provided financing on a grant basis to selected countries for the acquisition from the United States of military equipment, services and training. In the early years, equipment came from the surplus generated by the U.S. demobilization. The first Military Assistance Advisory Groups (MAAG) established in Greece and Turkey were the forerunners of today's Security Assistance Organizations (SAO) located in 57 countries.

The Foreign Assistance Act (FAA) of 1961 provided more defined guidelines for the use of MAP. MAP, combined with special grant funding for Vietnam, was the predominant program until FY71 when credit financing exceeded grant assistance for the first time. Because of increased emphasis on cash sales in the late 1970's, the number of grant recipients and the size of the grant program decreased steadily through FY81.

Foreign Military Sales Credit (FMSCR) Program. As countries became more politically and economically stable, it was believed they should eventually use more of their own resources to meet their defense needs. This shift in policy resulted in the increased use of the FMSCR program as the

principal means of providing military assistance. In FY 74 FMSCR exceeded MAP. This policy change was codified in the International Security Assistance and Arms Export Control Act of 1976. The Act emphasized the role of the recipient country in financing equipment purchases using loans guaranteed by the U.S. Government. FMSCR was used principally to purchase U.S. defense equipment, services and training on a government-to-government basis; in only exceptional cases, the program was used to finance purchases of defense articles from U.S. commercial firms.

In the first 10 years of the FMSCR program, countries were provided direct loans and loans guaranteed by the United States Government through the Federal Financing Bank. By 1985, loans were being provided to selected countries at a rate of interest below market, or "concessional" rate, as a means to help relieve their debt burden, in many cases caused by earlier high interest FMSCR financing.

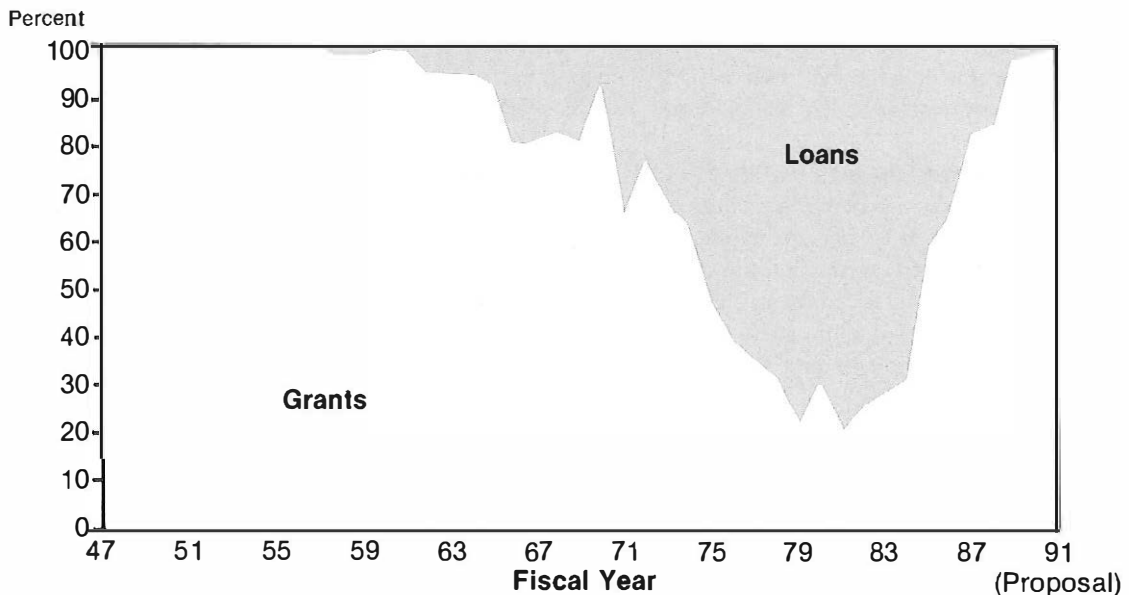
In the early 1980's, the FMSCR program underwent another shift when selected countries (initially Israel and Egypt, who had agreed to cooperate in the pursuit of Middle East peace) were also provided FMS loans that would not have to be repaid ("forgiven"). Other countries have since been granted the same privilege in total or in combination with loans at concessional rates. The program then became known as FMS Financing (FMSF).

Foreign Military Financing (FMF) Program. For FY91, the Administration has proposed that FMSF and MAP be subsumed under a single grant program to be called the Foreign Military Financing (FMF) Program. The fundamental purpose of the program remains that of providing countries the wherewithal for self defense while helping to relieve them of the burden of debt resulting from earlier high-interest FMS loans.

For FY91, the Administration's budget request for grant FMF (\$5.1 billion) is about the same as the combined FMSF and MAP programs of each of the previous two fiscal years.

The "grant" foreign military financing (FMF) program and training assistance program (discussed below) of today is the grant military assistance program (MAP) of the 50's and 60's, though under different guidelines. Figure II below, extracted from the CRS overview document, dramatically illustrates this return to grant military assistance.

**FIGURE II.
GRANT/LOAN COMPOSITION OF MILITARY ASSISTANCE
FY 1947-89**



Other Major Security Assistance Programs

International Military Education and Training (IMET) Program. It is often stated that the International Military Education and Training (IMET) program is the most successful security assistance program because of its special foreign appeal, ease of administration and favorable impact on countries after they have participated in the program. IMET was authorized in its current form by a 1976 amendment to the Foreign Assistance Act of 1961. The program is designed to educate foreign military personnel in the profession of arms and provide training in military skills and doctrine at U.S. military schools. The IMET Program provides skills to IMET participants so they can effectively manage, operate and maintain their own country's military resources.

Over the last several years, the IMET program has been financed by an annual appropriation of about \$50 million which is apportioned among more than 100 countries. The FY91 program of \$50.5 million projects apportionments of as little as \$20,000 to Singapore and \$2.5 million to Colombia. The grant funding is used to meet course tuition and English language training costs at U.S. military schools. Supplemental living and travel allowances are also made to selected countries.

Since 1977, more than 60,000 foreign military students have been trained under the IMET Program. During this period IMET has operated under more specific guidelines which focus on professional military education. In FY91, approximately 7,000 foreign military personnel will receive training under this program, principally in the United States.

The preservation of this program as a vehicle for influencing the professional development of the future leaders of other countries is a matter of constant scrutiny by the Departments of Defense and State and the Congress. The longer term goal of influencing future leaders is being achieved when one considers that more than 1,500 former IMET students are in high government positions in their own countries today. The temptation to expand the use of the program to meet short-term goals to overcome technical problems, rather than the longer term goal of professional military education, requires constant attention by defense managers.

An important component of the IMET program is the Informational Program which affords opportunities for foreign military students to visit American cultural events, meet members of local communities and travel to other parts of the United States, such as Washington, D.C. This aspect of the program receives relatively insignificant funding to carry out, yet provides a vehicle for students to understand U.S. democratic institutions.

Peace Keeping Operations (PKO). Another, yet less visible, program of security assistance is known as Peacekeeping Operations (PKO). Authorized by the 1961 Foreign Assistance Act, PKO was established as a grant program for U.S. support of international military forces. Such forces include the Multinational Force and Observers (MFO) in the Sinai (as provided for in the 1979 Egyptian-Israeli Peace Treaty) and the United Nations Force in Cyprus (UNFICYP). The FY91 budget request is \$32.8 million.

Economic Support Fund (ESF). Only the military assistance component of what has become known as security assistance has been accounted for. There is also a significant economic assistance component that is related to helping another country achieve the wherewithal to defend itself. Established in 1961, and renamed in 1978, the Economic Support Fund (ESF) is the fourth component of the present U.S. Government-financed Security Assistance Program.

ESF is targeted to those countries in which the United States has significant security interests. It helps alleviate the economic shortfall that results when a country must also use a significant part of its resources to meet national security needs. Funding, which is provided on both a grant and loan basis, assists a country in stabilizing its economic system so as to create conditions for further growth. The program is used to support technical assistance development projects, balance of payments and social needs of health, education and agriculture.

The program is under the policy direction of the Secretary of State and is administered by the State Department's Agency for International Development (AID). Because of its close association with U.S. security interests and programs for other countries, ESF budget proposals are submitted to

Congress as a part of Security Assistance. The FY91 budget request is about \$3.36 billion.

Up to this point the major U.S. Government-funded Security Assistance programs have been discussed (FMF, IMET, PKO and ESF). Appendix Two provides a by-country summary of these programs extracted from the FY91 Security Assistance program budget request (formally known as the Congressional Presentation Document or CPD).

Special Defense Acquisition Fund (SDAF). The Special Defense Acquisition Fund (SDAF) is an innovative program established in FY 82 that allows DOD to purchase equipment in anticipation of foreign requests.

This program allows the United States to respond to requests for accelerated delivery of equipment to meet a country's changing security requirements, as well as emergency and crisis situations. The value of this program is that it almost eliminates the need for the U.S. armed forces to provide major equipment from their own stocks.

FY89 deliveries of ammunition, vehicles, rifles, machine guns and mortars to El Salvador, Thailand and Sudan for sustainment of low intensity war operations are examples of how the SDAF program works. Without SDAF, these items would have been withdrawn from U.S. Army stocks to fulfill these security requirements, possibly impacting Army readiness.

The revenues generated in the sale of the SDAF equipment, such as that portrayed above, are used to procure new equipment based on a forecast of the possible security needs of foreign countries. Except for the initial funding that was needed to start the revolving account, annual congressional appropriations are not needed. However, Congressional authority is required to expend the receipts from previous sales to procure new equipment.

U.S. Foreign Military Sales

In addition to the programs of security assistance financed by the U.S. Government, there are cash Foreign Military Sales (FMS) where a foreign government uses its own financial resources to purchase military equipment and services from the United States. Because U.S. Government loan agreements and sales agreements are commingled in DOD accounting, only the yearly total annual sales figures are available. Since FY87 the U.S. Government-financed military aid programs (i.e., FMF, IMET and PKO) have been about \$5 billion, and assuming full use of available financing by recipient countries, it is instructive to see the total FMS sales for each year (Figure III, below) to get a feel for the magnitude of cash FMS.

FIGURE III.
TOTAL WORLDWIDE FMS AGREEMENTS (\$B)

	FY87	FY88	FY 89	FY 90 (est.)	FY91 (est.)
USG-Financed	5.0	5.0	5.0	5.0	5.0
Cash	2.08	7.48	5.82	6.0	3.0
Total	7.08	12.48	10.82	11.0	8.0

The large variation in total sales each year is principally due to large dollar value program agreements such as fighter aircraft, ship sales and large quantities of armored vehicles. This is reflected in the FY88 figures, for example, when sales agreements with Israel, Egypt, Kuwait and Saudi Arabia amounted to almost \$7 billion of the total.

Cash FMS programs are subjected to the same scrutiny as sales under the Foreign Military Financing (FMF) program. Sales are made only to countries and international organizations that have been specifically certified by the president as eligible to purchase defense articles and services from the United States. Each request for materiel or services is examined and given approval only after it

has been coordinated through an established interdepartmental review process (which is described later) to ensure the sale is in the national security interests of the United States.

Direct Commercial Sales

Direct commercial sales—which are financed both by country funds and FMF—are of such magnitude and scope that they significantly impact the U.S. economy and U.S. interests in the security of other countries. As a consequence, the U.S. Government plays a major role in setting policies regarding the materiel and services that can be exported to another country. All private industry requests for the export of military equipment, training, services, technology and information are reviewed and approved by the U.S. Government to assure they support U.S. national security goals.

Organizationally, the decision authority regarding direct commercial sales to another country resides in the Office of Defense Trade Controls (ODTC) at the Department of State. This office, in coordination with Department of Defense (DOD), Department of the Treasury, Department of Commerce and other U.S. Government departments, grants commercial export licenses which a U.S. commercial firm must obtain before any export can take place. The ODTC also publishes the International Traffic in Arms Regulation (ITAR) which outlines the regulatory requirements for the export of defense materiel, technology and services.

The total dollar value of commercial exports of military hardware and services can be aggregated from export documents. Figure IV below reflects the magnitude of direct commercial sales exports for the last several fiscal years.

**FIGURE IV.
TOTAL DIRECT COMMERCIAL EXPORTS
OF MILITARY HARDWARE AND SERVICES (\$B)**

FY 87	FY 88	FY 89	FY 90 (est.)	FY 91 (est.)
2.19	5.03	4.37	16.73	10.00

Commercial exports of military equipment and services contribute significantly to U.S. national security goals to assist allies and friendly countries in self-defense. In addition, exports offset the trade deficit and contribute to economies of scale in the production of equipment that is also procured by the U.S. armed forces.

U.S. Interests and the Purposes of the Security Assistance Program

As a foreign policy instrument meant to enhance the security of the United States, security assistance has retained its fundamental objective. However, the geographical regions of focus and the specific purposes have varied over the last 45 years.

Regional Interests. As pointed out earlier, immediate post-World War II U.S. security policy focused on containing the influence of the Soviet Union, especially on the European continent. Consequently, principally through the European Recovery Plan (Marshall Plan) established by Congress in 1948, Europe received more than \$15 billion in economic grants and loans. Up until the early 1960's, NATO countries received about two-thirds (\$18 billion) of all U.S. grant military assistance.

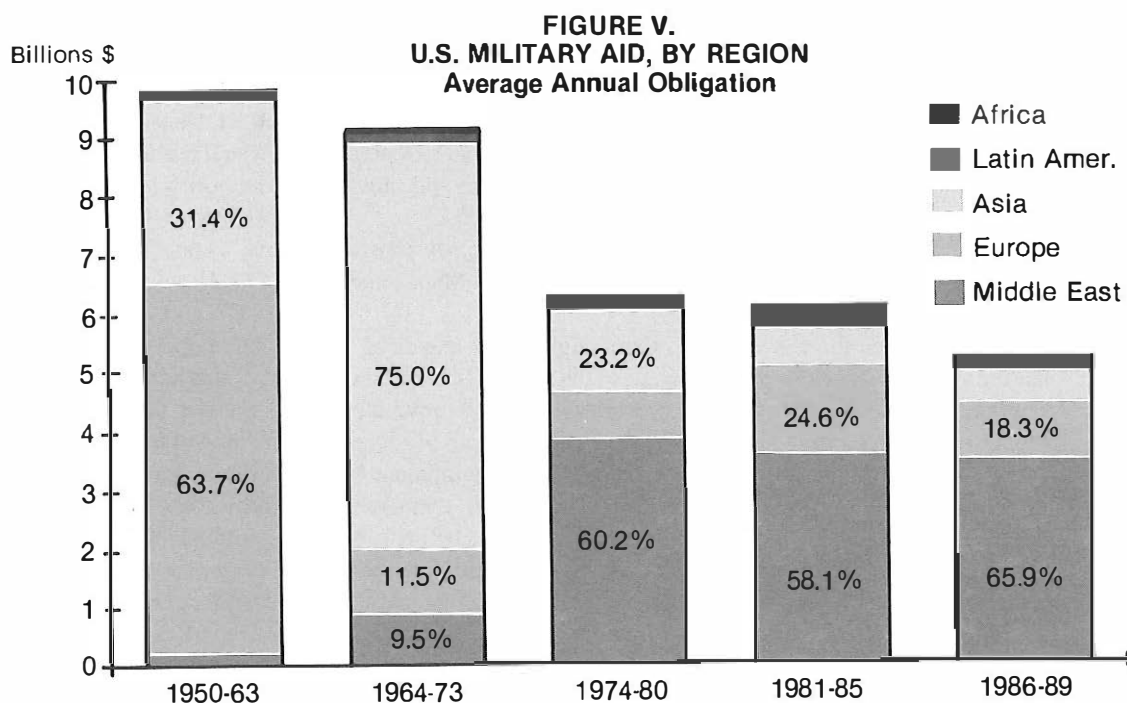
As Europe began to recover from World War II, U.S. assistance policies started to shift toward helping developing countries, especially in the Pacific and the Middle East. U.S. interests related to securing the southern flank of NATO, maintaining access to oil-producing regions and trading partners, and helping countries resist the influence of the Soviet Union drove the security assistance programs.

The start of the Korean War in 1950 was the turning point for directing aid to other than European allies. U.S. interests in a viable Japan, Korea, Taiwan and South Vietnam, as well as securing our access to bases, gave rise to significant levels of grant military aid throughout the 1950's and 1960's (though grant aid to Japan ceased in 1964). Aid to Vietnam was provided under a program separate from MAP from 1966 to 1975.

The Middle East regained prominence as a region of major security concerns in the early 1970's, and especially in 1973 with the Arab-Israeli War and oil embargo against the United States. Vital interests of the United States remain under great pressure in the Middle East today.

U.S. interests in a stable Europe—and with Eastern Europe now on a precarious course to democratically-elected governments—signal yet another shift in geographic focus for some form of security assistance programs for that region. The U.S., along with Western Europe, is about to return to Europe to complete the job of the original Marshall Plan.

The historic linkage of security assistance to vital U.S. geographic interests is made graphically clear in Figure V below, which was extracted from the CRS overview document by Richard F. Grimmett.



Purposes. What are the purposes of security assistance today? The Department of State and Department of Defense FY91 security assistance budget request (titled the Congressional Presentation Document or CPD) forecasts a continuing role "...for the achievement of such traditional American foreign policy objectives as regional stability, reduction of East-West tensions and the spread of democratic forms of government."

Somewhat more specifically, the FY91 program has five objectives in support of U.S. national interests. The budget submission states security assistance programs:

- Promote regional stability in such vital areas of the world as the Middle East;
- Aid U.S. friends and allies as they seek to defend against major threats to their security interests: external aggression, internal subversion, terrorism and the narcotics trafficking-terrorist connection;

- Maintain U.S. defense alliances and related cooperative arrangements in a time of rapidly changing security requirements;
- Defend democratic values and institutions; and
- Support friendly country economies as they experience the disruptions associated with the process of modernizing and liberalizing their economic policies.

These objectives are a continuation of the fundamental objectives that have guided security assistance throughout the post-World War II period. The resulting programs have varied in their emphasis on grant versus credit, geographical area, U.S. security interests and degree to which the incumbent administration used security assistance as an instrument of foreign policy.

To summarize, security assistance includes programs "...through which the United States, in pursuit of its national interests, aids other nations to defend and preserve their own national security." The U.S. government-funded programs include Foreign Military Financing (FMF), International Military Education and Training (IMET), Peacekeeping Operations (PKO) and the Economic Support Fund (ESF). The U.S. Government agencies charged with making security assistance operate is the subject of the next section.

Principal U.S. Government Agencies Involved in Security Assistance

Security assistance programs require close coordination among several agencies of the Executive Branch, to include the National Security Council, Office of Management and Budget, Department of State, Department of Defense, Department of Commerce and Department of the Treasury. The Congress enacts the necessary laws that authorize programs and provides the authority to expend Federal funds to implement the several programs discussed earlier. Figure VI below shows the relationship of these and other government actors in the security assistance arena. (This figure was extracted from the Defense Institute of Security Assistance Management text, *The Management of Security Assistance*.)

Congress. Since the early 1970's, the Congress has exercised its legislative and oversight responsibilities in the security assistance arena to the fullest. In exercising its constitutional authority, the Congress has reserved for itself the prerogative to disapprove a proposed transfer of military equipment to another country. Since 1974, Congress has required advance notification of impending arms transfers of \$50 million or more, or major defense equipment for \$14 million or more. To preclude confrontation between the executive and legislative branches, the former has instituted procedures to consult with selected congressional committees before submitting a formal notification.

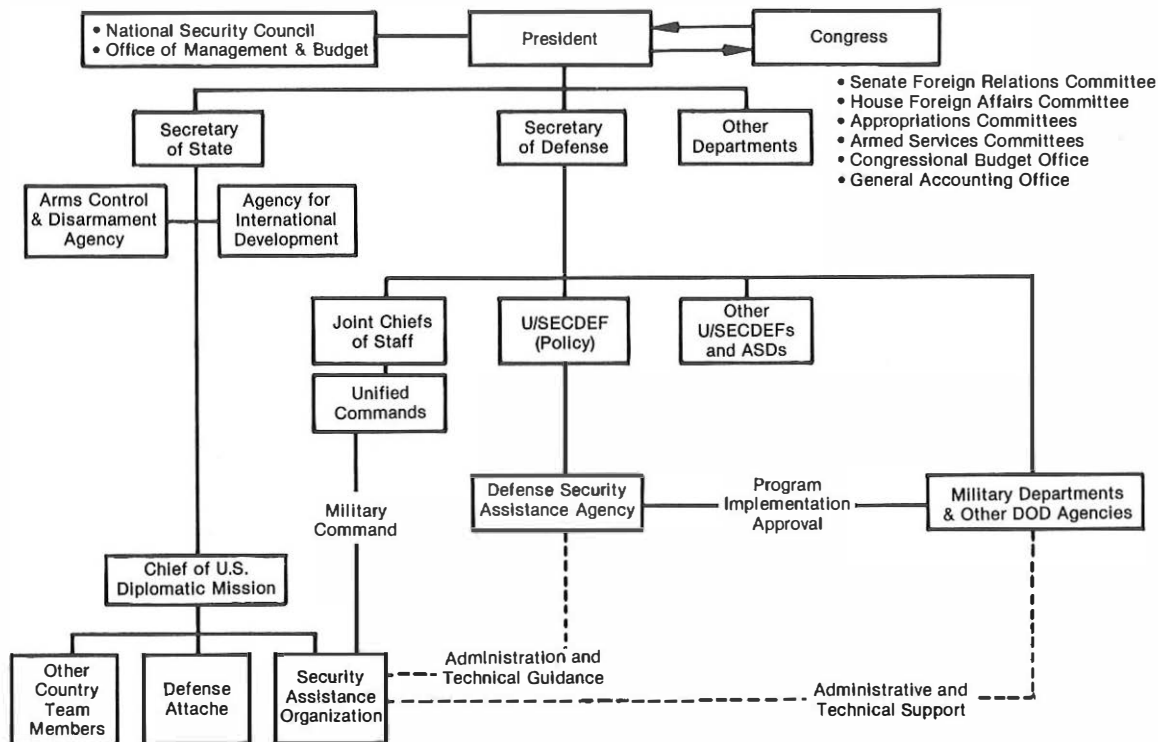
The Senate Foreign Relations Committee and the House Foreign Affairs Committee, as well as the Senate and House Appropriations Committees, review proposed security assistance legislation, budgets and programs. Senior officials of the State Department and Defense Department appear before these committees to present Administration proposals and to respond to reviews of program implementation.

President. Setting the national security policy objectives of the United States is the responsibility of the President, who is supported by the National Security Council (NSC). The members and advisers of the NSC include the President, the Secretaries of State and Defense, the Chairman of the Joint Chiefs of Staff (JCS) and the Director of Central Intelligence (i.e., Central Intelligence Agency (CIA)). The major national security policies emerging from the NSC and its staff establish the priorities for the development and implementation of security assistance programs.

The Office of Management and Budget (OMB) oversees the preparation of the President's budget and sets the "budget mark" or amount of the budget to be used for security assistance. The budget is submitted to the Congress who passes the necessary authorization and appropriation acts which allow the security assistance programs to be carried out.

State Department. The overall supervision and major policy and program decisions fall principally on the shoulders of the Secretary of State and his department. Decisions regarding the direction security assistance will take, its priorities and the decisions regarding whether there will be

**FIGURE VI.
UNITED STATES GOVERNMENT ORGANIZATION
FOR SECURITY ASSISTANCE**



a security assistance program or particular export for a country are under the authority of the Secretary of State.

Defense Department. The Secretary of Defense has responsibility for the management, operation and administration of the security assistance program. In this regard, DOD must procure the equipment and deliver it to the foreign country in such a manner that it can be effectively integrated into the country's armed forces, to include training, logistics and operations. Within the DOD, the JCS provide military advice regarding the coordination of security assistance with U.S. military readiness, plans and programs, and makes recommendations regarding the transfer of military capabilities to another country, to include the impact on U.S. programs.

The Under Secretary of Defense for Policy is responsible for the integration of DOD plans, policies and other objectives with the broader national security objectives. Other under secretaries and assistant secretaries participate in the policy and program process to the degree that security assistance impacts on their respective functional areas (i.e., international security affairs and policy; defense production and logistics; standardization with allied weapons systems; technology transfer; and financial management).

The DOD organizations responsible for program implementation are the Defense Security Assistance Agency (DSAA), the Military Departments (i.e., Army, Navy—to include coordination of Marine Corps and Coast Guard programs—and the Air Force).

DSAA. The DSAA is responsible for the administration, coordination, formulation, negotiation and execution of security assistance programs. DSAA is the DOD point of contact for U.S. business

firms involved in direct commercial sales to foreign countries. DSAA manages the FMS financial programs and allocates funds to the military departments that are used to offset costs to administer their respective programs. Finally, DSAA maintains security assistance program data, prepares (in cooperation with the State Department) the annual security assistance budget for submission to Congress (i.e., the Congressional Presentation Document or CPD), and establishes written policies and procedures for the implementation of the Security Assistance program by the military departments and other DOD agencies. The major reference publication distributed by DSAA is called the Security Assistance Management Manual or SAMM.

Military Departments. The Departments of the Army, Navy and Air Force implement the security assistance program as approved by the Secretaries of State and Defense. The departments acquire, through essentially the same acquisition programs used to obtain their own equipment, the materiel included in approved country programs. They are responsible for the development and implementation of equipment packages tailored to meet the particular needs of the foreign country.

Further, the military departments are charged with insuring that the delivered equipment can be operated, maintained and repaired by the country within stated parameters. In carrying out this responsibility, the services institute logistical procedures to keep the country supplied with necessary parts and maintenance equipment to keep the equipment items operational at the standards expected within the U.S. armed forces. Unless provided for otherwise in the agreement with the recipient country, the equipment delivered is of the same configuration and capability as that delivered to U.S. forces.

For the most part, security assistance program matters are an integrated part of a military department's day-to-day operations. The agencies that implement materiel, services and training programs for the military service also handle the foreign requirements. This means equipment destined for a foreign country is usually indistinguishable from that intended for the U.S. armed forces. Additionally, foreign students attend the same training courses U.S. personnel attend to prepare both to operate and maintain the equipment.

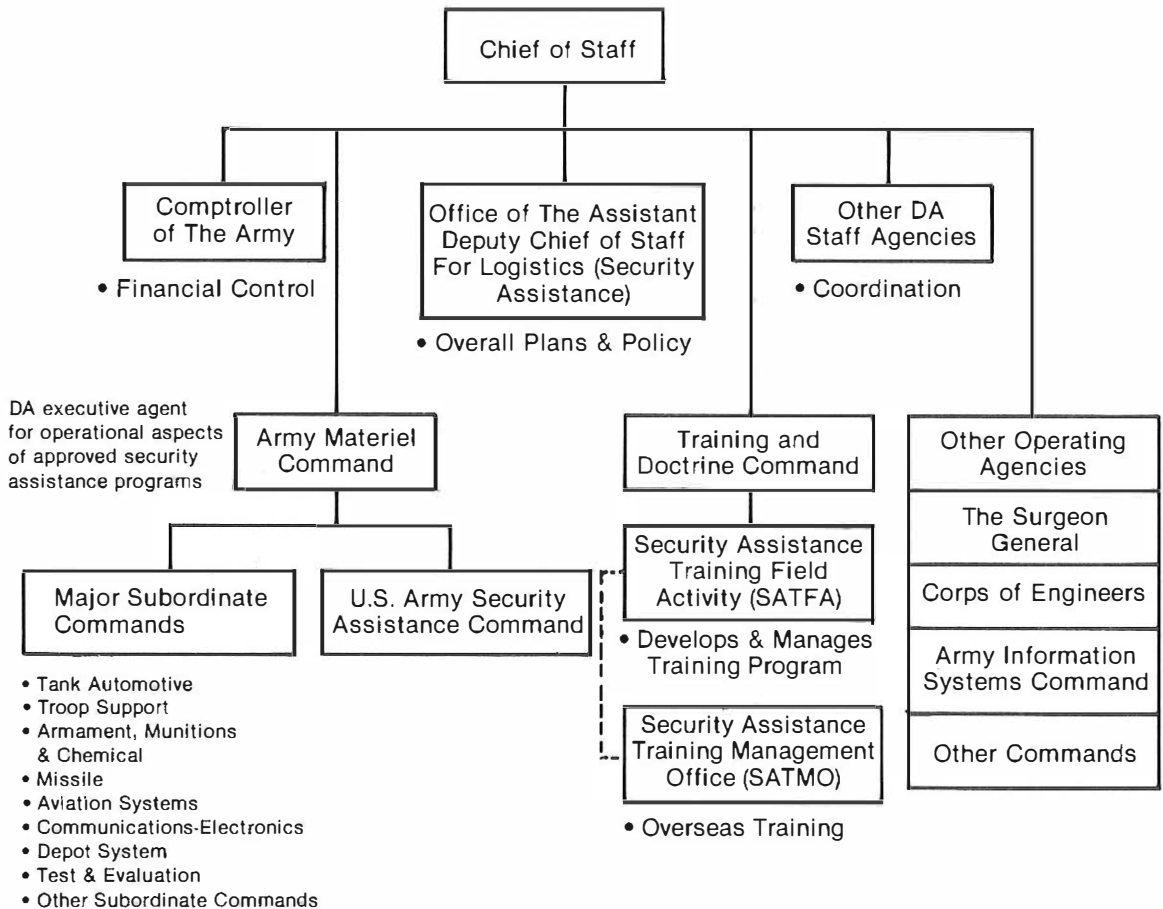
Matters of finance, logistics, medical, engineering, information management and policy are generally handled by the same organizations that handle the subject matter for the military service. Within each military department, unique organizations that work solely on security assistance matters are few. Within the Army, for example, the Army Materiel Command has one subordinate command (i.e., U.S. Army Security Assistance Command); the Training and Doctrine Command has two training agencies; and Headquarters, Department of the Army has an assistant deputy chief of staff (major general) responsible for security assistance and a subordinate directorate. In each case, these unique security assistance staff agencies are responsible for close coordination with the other staff elements of their respective headquarters, as well as between headquarters.

The costs incurred by a military department to perform day-to-day security assistance activities are offset by funds from DSAA. These administrative expenses incurred by DOD are added to the purchase price of U.S. military equipment, training or services.

By way of example, Figure VII provides an overview of the Army's organization for security assistance. It reflects the involvement of the major functional areas of the Army to insure that a foreign country receives the full benefits of Army policy, planning and programming expertise. (The figure was extracted from the text, *The Management of Security Assistance*, published by the Defense Institute of Security Assistance Management.)

Other DOD Agencies. A number of other defense agencies have involvement in the security assistance program. The Security Assistance Accounting Center (SAAC) handles billing, collecting and country fund accounting. Defense Logistics Agency (DLA) handles requisitions for DOD and foreign countries for consumable items. The Defense Language Institute, English Language Center (DLIELC) conducts English language training for U.S. and foreign military service personnel. The Defense Institute of Security Assistance Management (DISAM) conducts courses of study to prepare U.S. and foreign personnel for security assistance assignments, as well as research, information and consulting functions.

**FIGURE VII.
U.S. ARMY ORGANIZATION FOR SECURITY ASSISTANCE**



Overseas Organizations. The overseas organizations provide the all-important interface with the foreign country that can make or break a country security assistance program. The in-country U.S. diplomatic mission is composed of many functional components. Directly responsible to the ambassador, the security assistance organization (SAO) (which have different titles, such as Military Assistance Advisory Group (MAAG) or Office of Defense Cooperation (ODC)) performs the management activities to assure a viable security assistance program in close coordination with the mission, country and the U.S. unified command. The staff of the unified command plays an important role in making security assistance plans and proposals to JCS, and in coordinating regional, administrative, and specific technical aspects of security assistance.

Security Assistance Operations

Security Assistance is managed and operated by DOD on a no-profit and no-loss basis. Countries participating in the program pay for defense articles and services at prices which recoup

costs incurred by the United States. This includes a fee (three percent of item and service cost, in most instances) to cover the cost of administering the program.

When defense articles or services are required, the requesting country's representative in the defense establishment of the country (or stationed at the embassy in the U.S.) provides a Letter of Request (LOR) to the representative's U.S. counterpart, usually the Security Assistance Organization (SAO). The U.S. counterpart forwards an information copy of the request to the unified command, the Department of State (DOS) and DSAA. The original is furnished to the appropriate DOD military department (Army, Navy or Air Force) or defense agency (i.e., DLA) which will prepare the response.

Subject to approval by DOS and DSAA, the response may be in the form of Price and Availability (P&A) information. Due to a shorter preparation and staffing cycle, P&A data are normally used for preliminary planning purposes. Information may be provided in summary form at the country's request, but is usually provided in the form of a draft contract the country would eventually sign, called a Letter of Offer and Acceptance (LOA). The LOA is a formal offer which, when accepted, forms the basis for the U.S. to provide the materiel and services.

LOA's take three forms:

Defined Line. Certain articles and services are provided on Defined Line LOA's which offer items at an individually estimated price and availability. The Defined Line LOA requires that the item or service be requested in the LOR, that an LOA be developed and implemented, and that normal contracting be completed prior to the article or service delivery.

Blanket Order. Most repair parts and routine services can be offered under Blanket Order LOA's. These LOA's include a range of items or services within a specific dollar value and performance period. Once established, the Blanket Order LOA requires only the processing of an order and contracting for the item or service, thus reducing the time needed for administrative processing.

Cooperative Logistics Supply Support Arrangement (CLSSA). Under the CLSSA, the country buys into the U.S. logistics pipeline for support of specified equipment. This allows supply of repair parts without waiting for completion of the procurement cycle. CLSSAs are normally established for countries with well-developed logistics systems and with larger quantities of equipment to be supported.

Major defense systems, subsystems, support equipment, repair parts, and publications are provided under security assistance. Services, including training in U.S. military schools or through mobile training teams (MTT) sent to the country, engineering, contract administration, program management, technical support, and repair are also provided. Due to interest in encouraging standardization and interoperability among the U.S. and other countries, items which have been fielded with U.S. forces are normally transferred to the country. Under certain conditions, cooperative programs such as coproduction and coassembly of U.S. equipment under international agreements, technical assistance services, technical data, and leases of defense items are available.

Once the LOA is signed and all financial arrangements are completed, the military department handles the acquisition in the same manner as that used to obtain equipment for the U.S. armed forces. Necessary training is requested at U.S. military schools for the foreign students, to include English language training, if needed. Sometimes the training is conducted in the foreign country by an MTT.

In most cases, the equipment is obtained through the standard DOD contracting process wherein bids are invited from firms to manufacture the items. For major items of equipment, the period from country request to actual availability for delivery (the latter usually arranged by the country through a freight forwarder unless sensitive military equipment is involved, in which case the U.S. will arrange delivery) can be 3-4 years. In the event of a pressing need or military emergency, or for major political reasons in the best interests of the United States, equipment can be obtained from stockages under the Special Defense Acquisition Fund (SDAF). Equipment can also be obtained from U.S. military stocks and replacement equipment obtained through the normal acquisition process.

When equipment is delivered to a country, all components, to include test equipment, spare

parts, lubricants, munitions and training are included. Known as the Total Package Approach (TPA), the application of this concept assures that the country is provided all that is required to operate and support the major item of equipment for years.

Benefits and Costs of the Security Assistance Program

The FY 91 Congressional Presentation Document (CPD) states the following: “Underlying much of the security assistance program is the belief that aiding foreign countries to defend themselves (and to counter domestic threats from guerrillas and narcotics traffickers) will be more cost-effective than using U.S. military personnel and equipment to the same end.”

Greater reliance on other countries to absorb a greater share of the mutual defense burden is inevitable in an emerging period of smaller U.S. defense budgets. The security assistance program is *the* instrument of U.S. foreign policy that can facilitate the modernization of friendly countries’ armed forces in order to deter adventurism of neighbors and other adversary groups, and in reducing the need for direct involvement of U.S. military forces in combat operations.

The funded and unfunded security assistance programs also have significant economic benefits for the United States. In this regard, security assistance improves the international trade position of the U.S. since the emphasis is on “buy American.” There are savings that result from reduced unit costs of equipment that both the U.S. military and foreign countries purchase; longer production runs translate into jobs for Americans.

The FY91 CPD goes on to say, “... security assistance is an investment in the national security and well-being of the U.S. Without strong and self-reliant friends around the world, the United States itself would have to assume much more of the burden of defending freedom and free nations.” With this reminder, the cost to the United States for security assistance is small. In fact, the military aid portion of \$5.1 billion, compared to a defense budget of \$295 billion, represents an additional cost of less than 2 percent.

Major Issues Related to Security Assistance Today

Congressional Role in Security Assistance. The military aid portion of the security assistance program funding levels has been on the decline since FY85. The FY90 level of \$4.683 billion has been reduced about \$1 billion from the FY85 level of about \$5.7 billion. The economic portion—Economic Support Fund (ESF)—has been reduced from \$3.826 billion to \$3.191 billion in the same period. The reduction in appropriations by the Congress during this period reflects government-wide efforts to reduce the budget deficit. Nevertheless, as pointed out in the FY 91 CPD, “...the reductions, when combined with pervasive earmarking, continue to jeopardize our ability to maintain a much-needed American presence and influence in many countries and regions.”

The penchant for the Congress to “earmark” or direct in budget authorization and appropriation bills that specific levels of security assistance will be provided to a few specific countries has, for all purposes, transferred program execution policy to the Congress. The trend of increased earmarking started in the mid-1980’s, when about half of security assistance funds were earmarked. In FY90, earmarks took up 92 percent of military assistance (\$4.3 billion out of \$4.7 billion) and 82 percent of ESF (\$2.7 billion out of \$3.1 billion).

The consequence of earmarking is loss of flexibility for the Government to meet the security needs of countries. As a result, several countries that would normally receive security assistance funding receive no aid at all (i.e., Caribbean and African countries) and the programs of several others are substantially reduced (i.e., Honduras). The impact of earmarks is particularly significant in countries where the United States maintains military bases. Figure VIII below reflects the FY90 reductions to security assistance programs budget requests in three important base rights countries.

FIGURE VIII.
FY90 Security Assistance Shortfall for Base Rights Countries (\$M)

	Economic Support Fund		Foreign Military Financing		Total		Percent Reduction
	Request	Actual	Request	Actual	Request	Actual	
Philippines	160	124	200	140	360	264	26.6
Portugal	50	40	125	85	175	125	28.5
Turkey	60	14	550	500	610	514	15.7

Foreign Base Rights Negotiations and Security Assistance. When negotiating base rights agreements, commitments to multi-year aid levels to meet the host country’s defense needs cannot be made by U.S. negotiators. Only the Congress can make such commitments through the annual appropriations process. This means that diplomats can only pledge the “best efforts” of the U.S. Government to obtain the requisite appropriations from the Congress.

In spite of such a conditional U.S. commitment, host countries of ten express base negotiations outcomes in terms of a harder commitment of aid, usually to gain domestic political support for the U.S. presence. When the Congress imposes other constraints on funding levels or reduces the proposed level, the U.S. is seen as renegeing on its “commitment.” In recent years this has led to threats of base closings and to strains in relationships with the host country (i.e, Philippines, Greece, Portugal and Turkey).

Security assistance is provided to a country to meet its defense needs. Security assistance is not provided as “rent” for U.S. bases in the country. However, aid levels are usually a primary focus of base rights negotiations. Perhaps it is time to regard the two as being necessarily interdependent. Additionally, consultations between the Executive and Legislative branches regarding aid levels (linked to base rights) should be conducted more extensively to seek agreement. Worldwide U.S. commitments will require foreign bases in the future.

Commercial Export Licensing. Controlling the export of military equipment, technology and information to other contries is necessary to insure the U.S. armed forces maintain advantages in selected capabilities. To keep U.S. advantages in technology as well, some commercial requests for exports are denied by the State Department’s Office of Defense Trade Controls (ODTC). The consistency in denials, as well as approvals, is an area that needs close scrutiny, principally because of the magnitude of export license requests processed by ODTC that require interdepartmental review, particularly by DOD and the Department of Commerce.

Export license requests involve a process of exchanging paperwork between departments that, due to time lost in transit, reduces the actual time available to conduct a thorough review. Feedback on export license decisions and rationale is difficult to provide to other departments simply because of the overwhelming workload. The solution may be a commitment of resources to upgrade the management information system so that all actors, to include commercial firms and countries, can obtain information on policies and status of export requests. The outcome would be better protection of U.S. advantages in technology and weapons capabilities.

Conclusion

Security assistance involves a complexity of diplomatic, financial, political and security issues. As a consequence, the overview presented in this special report is necessarily over-simplified. There are a number of topics that are not addressed. These include, for example, transfer of technology, coproduction of U.S. origin equipment, the ability of countries to absorb and maintain equipment, disposal and support of equipment no longer in the inventory of U.S. armed forces, adequacy of support in direct commercial sales and, most importantly, the overall effectiveness of the security assistance program.

With regard to the latter topic, this report can serve a useful purpose by providing the reader with the basic information needed to examine security assistance and formulate more informed assessments regarding its effectiveness.

SOURCES

- Defense Institute of Security Assistance Management, *The Management of Security Assistance*. Dayton, Ohio: Defense Institute of Security Assistance Management, 1988.
- Department of Defense (Defense Security Assistance Agency), *United States Security Assistance*. Washington, D.C.: Defense Security Assistance Agency, 1989.
- General Accounting Office, *Military Coproduction: U.S. Management of Programs Worldwide*. Washington, D.C.: U.S. General Accounting Office, GAO/NSIAD-89-117, March 1989.
- Grimmett, Richard F., *An Overview of United States Military Assistance Programs*. Washington, D.C.: Congressional Research Service, Report No. 88-282F, March 29, 1988.
- Grimmett, Richard F., *Trends in Conventional Arms Transfers to the Third World by Major Supplier, 1980-1987*. Washington, D.C.: Congressional Research Service, Report No. 88-352F, May 9, 1988.
- Hildrath, Steven A. and Graves, Ernest, eds., *U.S. Security Assistance: The Political Process*. Lexington, Maine: Lexington Books, 1985.
- Regional Conflict Working Group of the Commission on Integrated Long-Term Strategy, *Commitment to Freedom: Security Assistance as A U.S. Policy Instrument in the Third World*. Washington, D.C.: Department of Defense, 1988.
- Task Force on Foreign Assistance, *Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs*. Washington, D.C.: United States House of Representatives, First Session, 101st Congress, February 1989.
- U.S. Department of State and U.S. Department of Defense (Defense Security Assistance Agency), *Congressional Presentation for Security Assistance Programs, FY87-FY91*. Washington, D.C.: Department of Defense, 1986-1990.

APPENDIX ONE
Major Security Assistance Legislation

Year	Legislation	Outcome
1947	Greek-Turkish Aid Bill (P.L. 80-75)	First major post-WWII commitment of military and economic aid.
1949	Mutual Defense Assistance Act of 1949 (MDAA) (P.L. 81-329)	Creates Military Assistance Program (MAP); creates authority for Foreign Military Sales (FMS) cash program.
1951	Mutual Security Act of 1951 (P.L. 82-165)	Establishes authority for military and economic assistance in one legislative vehicle; predecessor of Economic Support Fund (ESF).
1954	Mutual Security Act of 1954 (P.L. 83-665)	Establishes basis for Foreign Military Sales (FMS) credit program.
1961	Foreign Assistance Act of 1961 (P.L. 87-195)	Makes major consolidation of all prior Security Assistance Programs in new legislative vehicle.
1968	Foreign Military Sales Act (P.L. 90-629)	Establishes separate legislative authority for Foreign Military Cash and Credit Sales Program.
1976	International Security Assistance and Arms Export Control Act of 1976 (P.L. 94-329)	Replaces Foreign Military Sales Act; consolidates legislation relating to U.S. arms sales (cash or credit), government and commercial; establishes International Military Education and Training (IMET) as separate program from MAP.
1978	International Security Assistance Act of 1978 (P.L. 95-384)	Establishes Economic Support Fund (ESF) as title for program previously known as Security Support Assistance, Supporting Assistance and Defense Support; establishes Peace Keeping Operations (PKO).
1981	International Security and Development Cooperation Act of 1981 (P.L. 97-113)	Provides authority for a Special Defense Acquisition Fund (SDAF) to facilitate procurement of high-demand items in anticipation of foreign military sales to eligible nations.
1983	International Security and Development Assistance Authorizations Act of 1983 (P.L. 98-151)	Authorizes anti-terrorism assistance and sales authority.
1985	International Security and Development Cooperation Act of 1985 (P.L. 99-83)	Authorizes unit training exchanges and individual exchanges of professional military education.

APPENDIX TWO
FISCAL YEAR 1991 SECURITY ASSISTANCE BUDGET REQUEST (\$000)

	ESF	FMF	IMET	TOTAL
AFRICA:				
Africa Civic Action	0	4,000	0	4,000
Benin	0	0	100	100
Botswana	0	1,000	375	1,375
Burkina Faso	0	0	100	100
Burundi	0	0	175	175
Cameroon	0	0	275	275
Cape Verde	0	0	75	75
Central African Republic	0	250	200	450
Chad	6,000	2,000	300	8,300
Comoros	0	0	75	75
Congo		0	50	50
Djibouti	4,000	2,000	175	6,175
Equatorial Guinea	0	0	100	100
Gabon	0	0	100	100
Gambia	0	0	100	100
Ghana	0	0	175	175
Guinea	0	0	150	150
Guinea-Bissau	0	0	100	100
Ivory Coast (Cote d'Ivoire)	0	0	150	150
Kenya	7,000	8,000	1,175	16,175
Lesotho	0	0	75	75
Liberia	6,000	1,000	500	7,500
Madagascar	0	500	75	575
Malawi	0	2,000	250	2,250
Mali	0	0	175	175
Mauritania	0	0	125	125
Mauritius	0	0	25	25
Namibia	5,800	0	100	5,900
Niger	0	1,250	275	1,525
Nigeria	6,000	0	100	6,100
Rwanda	0	0	100	100
Sao Tome & Principe	0	0	125	125
Senegal	5,000	1,000	525	6,525
Seychelles	3,300	0	100	3,400
Sierra Leone	0	0	100	100
Somalia	0	0	900	900
South Africa Republic	13,000	0	0	13,000
Sudan	0	0	800	800
Swaziland	0	0	75	75
Tanzania	0	0	100	100
Togo	0	0	100	100
Uganda	0	0	175	175
Zaire	0	3,000	1,000	4,000
Zimbabwe	0	0	250	250
Regional Total	56,100	26,000	10,000	92,100

APPENDIX TWO
FISCAL YEAR 1991 SECURITY ASSISTANCE BUDGET REQUEST (\$000) — Continued

	ESF	FMF	IMET	TOTAL
AMERICAN REPUBLICS:				
Andean Narcotics Initiative	175,000	0	0	175,000
Antigua-Barbuda	0	0	100	100
Argentina	0	1,000	150	1,150
Bahamas	0	0	125	125
Barbados	0	0	100	100
Belize	0	500	115	615
Bolivia	30,800	40,000	900	71,700
Brazil	0	0	125	125
Chile	0	500	100	600
Colombia	0	58,000	2,500	60,500
Costa Rica	40,000	0	230	40,230
Dominica	0	0	100	100
Dominican Republic	12,000	1,000	900	13,900
Eastern Caribbean	10,000	4,500	0	14,500
Ecuador	9,000	2,000	800	11,800
El Salvador	180,000	90,000	1,400	271,400
Grenada	0	0	100	100
Guatemala	60,000	5,000	400	65,400
Guyana	2,000	0	50	2,050
Haiti	10,000	600	200	10,800
Honduras	80,000	40,000	1,100	121,100
Jamaica	17,000	1,000	400	18,400
Latin America Regional	23,000	0	0	23,000
Mexico	0	0	400	400
PACAMS	0	0	1,000	1,000
Panama	0	0	75	75
Paraguay	0	0	175	175
Peru	3,100	39,000	900	43,000
St. Kitts & Nevis	0	0	100	100
St. Lucia	0	0	100	100
St. Vincent & Grenadines	0	0	100	100
Suriname	0	0	25	25
Trinidad & Tobago	0	0	95	95
Uruguay	0	0	200	200
Venezuela	<u>0</u>	<u>0</u>	<u>125</u>	<u>125</u>
Regional Total	651,900	283,100	13,190	948,190
EAST ASIA & PACIFIC:				
Cambodian Resistance	7,000	0	0	7,000
Fiji	300	300	50	650
Indonesia	5,000	1,000	1,900	7,900
Korea	0	0	1,000	1,000
Malaysia	0	0	1,000	1,000
Papua New Guinea	0	0	75	75
Philippines	160,000	200,000	2,600	362,600
S. Pacific Tuna Treaty	10,000	0	0	10,000
Singapore	0	0	20	20
Solomon Islands	0	0	50	50
Thailand	5,000	15,000	2,400	22,400
Tonga	0	0	50	50
Vanuatu	<u>0</u>	<u>0</u>	<u>30</u>	<u>30</u>
Regional Total	187,300	216,300	9,175	412,775

APPENDIX TWO
FISCAL YEAR 1991 SECURITY ASSISTANCE BUDGET REQUEST (\$000) — Continued

	ESF	FMF	IMET	TOTAL
EUROPE & CANADA:				
Austria	0	0	15	15
Cyprus	3,000	0	0	3,000
Finland	0	0	15	15
Greece	0	345,000	550	345,550
Ireland	0	0	30	30
Malta	0	0	60	60
Portugal	45,000	125,000	2,650	172,650
Spain	0	0	1,500	1,500
Turkey	50,000	545,000	3,400	598,400
Yugoslavia	<u>0</u>	<u>0</u>	<u>100</u>	<u>100</u>
Regional Total	98,000	1,015,000	8,320	1,121,320
NEAR EAST & SOUTH ASIA:				
Afghan Humanitarian	35,000	0	0	35,000
Algeria	0	0	150	150
Bangladesh	0	0	300	300
Egypt	815,000	1,300,000	1,500	2,116,500
India	0	0	300	300
Israel	1,200,000	1,800,000	0	3,000,000
Jordan	35,000	50,000	2,180	87,180
Lebanon	1,000	0	400	1,400
Maldives	0	0	50	50
Middle East Regional	5,000	0	0	5,000
Morocco	12,000	40,000	1,050	53,050
Nepal	0	0	100	100
Oman	15,000	0	100	15,100
Pakistan	210,000	228,000	915	438,915
Sri Lanka	0	0	160	160
Tunisia	10,900	30,000	1,450	42,350
West Bank/Gaza	11,800	0	0	11,800
Yemen	<u>0</u>	<u>500</u>	<u>1,000</u>	<u>1,500</u>
Regional Total	2,350,700	3,448,500	9,655	5,808,855
NON-REGIONAL:				
Administrative Costs	0	28,000	0	28,000
DEOB/REOB Authority	14,000	0	0	14,000
General Costs	<u>0</u>	<u>0</u>	<u>160</u>	<u>160</u>
Non-Regional Total	14,000	28,000	160	42,160
PKO:				
MFO	0	0	0	23,800
UNFICYP	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,000</u>
PKO Total	0	0	32,800	32,800
TOTAL BUDGET AUTHORITY	3,358,000	5,016,900	32,800	8,458,200



**INSTITUTE OF LAND WARFARE
ASSOCIATION OF THE UNITED STATES ARMY
2425 WILSON BOULEVARD, ARLINGTON, VIRGINIA 22201-3385**