SECURITY ASSISTANCE:
ADAPTING TO THE POST-COLD WAR ERA

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Institute of Land Warfare
SECURITY ASSISTANCE:

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FOREWORD

The Department of Defense (DoD) has responsibility to maintain trained, ready forces to defend the United States and protect American interests worldwide. At the same time, DoD has responsibility to carry out security assistance programs to assist allies and friendly countries so they can meet their legitimate defense needs.

In executing the security assistance mission, DoD operates in accordance with the foreign and national security policy guidelines established by the President. The President’s national security strategy and arms transfer policies, and laws enacted by Congress, are the bases of the guidelines.

The goal of this report is to present a concise tutorial on an important and often misunderstood instrument of U.S. national security and foreign policy. With this report as a baseline, it is hoped that the reader will (1) gain a more informed perspective of security assistance; (2) be better prepared to examine security assistance programs promulgated by our government; and (3) be better able to evaluate contemporary issues of security assistance in a fuller context.

AUSA’s special report on security assistance was first published in 1990. This revision reflects a security assistance program that is no longer directed primarily at a monolithic threat. Instead, it is now aimed at helping many of the United States’ former Cold War enemies. Much of the Cold War infrastructure and processes remain in place; however, the primarily military component of U.S. foreign assistance (security assistance) is less prominent as other forms of assistance emerge to meet a wider array of national needs.

Colonel James D. Blundell, USA, Retired, Director of Programs, Institute of Land Warfare, is the author of the 1990 and revised 1996 reports. He was ably assisted in its preparation by Sandra J. Daugherty and Lori J. Johnston.

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INTRODUCTION

National security is the responsibility of the executive branch. Under the leadership of the President, foreign and national security policies are promulgated, the latter in the form of a formal national security strategy. National security objectives are articulated and the necessary programs developed to achieve them. The checks and balances of the legislative branch and American public opinion leave their imprints on the national security policies and programs of the executive branch.

Foreign assistance (or foreign aid) is one set of programs designed to implement the foreign and national defense policies of the United States. Foreign assistance is composed of economic, humanitarian and military programs to assist other countries and international organizations.

U.S. government-funded economic and humanitarian assistance to foreign countries and international organizations is handled under various development assistance programs. U.S. government-funded assistance aimed at providing military equipment and training to other countries and to international peacekeeping organizations is handled under security assistance programs. U.S.-financed security assistance consists of the following programs:

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

In addition to the assistance programs funded by the U.S. government and implemented by the Department of Defense (DoD), there are others involving the transfer of equipment, services and training to foreign governments and international organizations. These include the Foreign Military Sales (FMS), Excess Defense Articles (EDA) and Leased Defense Articles (LDA) programs, managed by DoD on a government-to-government basis, and direct commercial sales (DCS), conducted on a vendor-to-foreign government basis. FMS, EDA and LDA transactions are subject to an explicit federal approval process; DCS transactions require U.S. government export licensing and technology transfer authority. These programs, coupled with the three U.S.-financed programs listed above — and over which DoD has direct or oversight responsibility — present a more complete picture of security assistance.

Having said this, the term "security assistance" appears to be a relic of the Cold War era when the military component of aid to allies and friends was aimed primarily at deterring the Soviet Union and countering Soviet military assistance to surrogates throughout the world. Security assistance was overwhelmingly the operative term in budget submissions, and highlighted in the titles; the formal congressional presentation submissions for Fiscal Year (FY) 1994 and thereafter, however, make much less use of the term.

Fiscal Year 1997 Program

In the absence of a monolithic Soviet military threat, particularly through surrogate countries, U.S. assistance programs have become more differentiated, with aims other than legitimate self-defense through military assistance. Threats include the traditional military elements but also encompass economic weaknesses, environmental degradation, large-scale migrations, terrorism, drug trafficking and crime. For this reason, "security assistance" can be regarded today primarily as a DoD operative term used to differentiate DoD programs from several others which address the more nonmilitary threats and are the responsibility of other departments (though DoD usually has some operational involvement).

The funding request for FY 1997 for use in the conduct of international affairs is $19.2 billion, which represents one percent of the federal budget and 0.25 percent of the Gross Domestic Product (GDP). The foreign operations budget component is $12.8 billion and is designed to meet a wide range of economic, humanitarian and military programs which directly or indirectly impact U.S. national interests. This foreign aid amounts to less than 0.8 percent of the total federal budget and is about half the FY 1984 level.
There are 12 international programs, including the three (FMF, IMET and PKO) categorized as security assistance. Although the other nine programs are primarily the responsibility of other departments, DoD supports the execution of many of them, particularly those involving international narcotics, demining, nonproliferation and disarmament, antiterrorism, and programs focused on Central Europe and the newly-independent states of the former Soviet Union.

The security assistance portion of the foreign operations budget is summarized in Table 1. Details on these and other foreign operations programs are contained in the State Department's Congressional Presentation for Foreign Operations, Fiscal Year 1997.

**SECURITY ASSISTANCE**

In addition to maintaining capable and ready U.S. armed forces, U.S. 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 financial and materiel assistance to other countries throughout this century.

U.S. foreign assistance has been a major instrument of U.S. foreign policy for the past fifty 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, the 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 countries gain political and economic stability and strengthen their armed forces to deter or meet a military threat -- became the major instrument of U.S. foreign policy during the Cold War era.

U.S. containment policy and the concomitant foreign assistance programs meant to carry out that policy were first codified by Congress in the Mutual Defense Assistance Act of 1949. This legislation provided authority for military aid to NATO and to Turkey and Greece, who were not then NATO members; it also authorized military aid for Iran, Korea, the Philippines and Taiwan. This same act provided the legal basis for the grant military assistance and foreign military sales programs.

As programs have evolved and each successive administration has pursued its particular foreign policy, over time security assistance has lost much of its original coherent packaging. It has been at the forefront of U.S. international affairs and then pushed aside, only to emerge again as a significant instrument of U.S. security strategy. Presently, the foreign military financing (FMF) component helps far fewer countries than during the Cold War era.

<table>
<thead>
<tr>
<th>Program</th>
<th>($million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Military Financing (FMF)</td>
<td>3,268</td>
</tr>
<tr>
<td>International Military Education &amp; Training (IMET)</td>
<td>45</td>
</tr>
<tr>
<td>Peacekeeping Operations (PKO)</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,383</strong></td>
</tr>
</tbody>
</table>
Program Evolution

As established by the 1949 act, security 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 basis for the FMS Credit (FMSCR) program.

MAP 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 U.S. postwar demobilization. The first Military Assistance Advisory Groups (MAAGs) established in Greece and Turkey were the forerunners of today's Security Assistance Organizations (SAOs) located in over 50 countries.

The Foreign Assistance Act (FAA) of 1961 provided more defined guidelines for the use of MAP. MAP, combined with special grant funding for South Vietnam, was the predominant program until FY 1971, when credit financing exceeded grant assistance for the first time. Because of increased emphasis on cash sales in the late 1970s, the number of grant recipients and the size of the grant program decreased steadily through FY 1981.

As countries became more politically and economically stable, it was believed they should eventually use more of their own financial 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. This policy change was reflected 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 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 guaranty loans guaranteed by the United States government through the Federal Financing Bank. By 1985, direct loans were being provided to selected countries at a rate of interest below market, or at a "concessional" rate, as a means to help relieve their debt burden (in many cases caused by earlier high-interest FMSCR financing).

At the same time, the FMSCR program underwent still 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 be forgiven (i.e., that would not have to be repaid). Other countries were granted the same privilege in total or in combination with loans at concessional rates. The "credit" program then became known as the FMS Financing (FMSF) program. In 1989, Congress began referring to the program as Foreign Military Financing (FMF). The forgiven portion of the program was referred to as FMF grants and the loan portion as FMF credits.

In FY 1990, the Bush administration proposed that FMSF (by now almost totally a grant program) and the grant MAP program be subsumed under an overarching program to be called the Foreign Military Financing Program. The fundamental purpose of the program remained 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.

The Foreign Military Financing (FMF) and International Military Education and Training (IMET) programs of today are the inheritors of the former grant military assistance and financing programs of the Cold War, though under different guidelines.

Foreign Military Financing (FMF)

Foreign Military Financing seems to indicate some type of loan program similar to the former FMSCR program. However, FMF is predominantly a grant program, with a relatively small portion devoted to loan subsidies and loan guarantees. FMF provides financing to foreign countries to enable them to purchase U.S. defense goods, services and training to meet their legitimate defense needs. Congress must be informed in advance of any potential sale under FMF — as well as FMS and direct commercial sales — and can, by joint resolution, object to the sale.
Other objectives include improving foreign military capabilities to respond to natural and manmade disasters, promoting the professionalism of foreign military forces, and promoting interoperability with U.S. armed forces. Purchases of U.S.-origin equipment and services also enhance the U.S. defense industrial base and employment and increase production runs, which can result in lower unit costs for DoD purchases.

The FMF program is the primary foreign security instrument used to support the stabilization of the Middle East, principally through programs of grant assistance to Israel and Egypt. The FY 1997 FMF budget request is $3.268 billion. Israel is projected to continue to receive $1.8 billion and Egypt $1.3 billion. The balance of $168 million is apportioned to Europe ($100 million) and Jordan ($30 million), with relatively small amounts to Cambodia ($1 million), the East Africa region ($6 million) and the Caribbean region ($2 million); $6 million is devoted to demining. About $23 million is to be expended for non-FMS administrative costs for the Defense Security Assistance Agency (DSAA), unified commands, security assistance organizations (SAOs) and the military departments.

The scope of this program, long dominant as a counter to Soviet global threats and threats by surrogates against U.S. allies, has expanded modestly to support the reintegration of Central Europe and the former Soviet states into the Western realm. Programs are meant to facilitate the participation of former Soviet and Warsaw Pact countries in NATO’s Partnership for Peace (PFP) and peacekeeping operations. The program has also expanded into land mine awareness and clearing programs, particularly in Afghanistan, Angola, Cambodia, Eritrea, Ethiopia, Honduras, Mozambique, Namibia, Nicaragua and Rwanda.

Figure 1 reflects the relative distribution of FMF and the overall decrease since FY 1985. FMF availability to countries other than Israel and Egypt has decreased dramatically. In FY 1985, $2.36 billion in discretionary FMF was available to other countries; $29.1 million was available in FY 1995, $85.35 million in FY 1996, and $105 million is the request for FY 1997. Thirty-nine countries and one regional grouping received grant (i.e., FMS-forgiven and MAP) funding in FY 1989; four countries and three regional groupings will receive grant FMF in FY 1997.

**International Military Education and Training (IMET)**

It is often stated that the International Military Education and Training program is the most successful security assistance program because of its professional military appeal, ease of administration and favorable impact on participating nations. IMET was authorized in its current form by a 1976 amendment to the FAA of 1961. The program was 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 primary focus remains that of providing professional military skills to participants so they can effectively manage, operate and maintain their own countries’ military resources.
Though the IMET program has a primarily professional military orientation, particularly so during the Cold War, it is also used as a vehicle for exposing foreign students to democratic and human rights values and institutions. Both the professional skills learned at U.S. military schools and exposure to democratic institutions have been recognized for their value in developing the national military leaders and governmental leaders that are so essential to nation-building.

The scope of the IMET program has continued to expand beyond immediate professional military training to more explicitly foster student appreciation for civilian control of the military, internationally recognized human rights, resources management and the roles of democratic institutions such as the judicial system, the news media, labor unions and educational institutions. This Expanded-IMET component also includes programs provided to foreign civil officials who perform defense-related functions, as well as to selected civilians outside the foreign government establishment. The goal is to influence countries’ institutional change toward a professional, apolitical military under true civilian control.

The IMET program’s FY 1997 budget request is approaching the $50 million level it enjoyed at the close of the Cold War. A sudden drop in FY 1994 is slowly being recouped. The FY 1997 program request of $45 million projects apportionment to 128 countries.

The grant funding is used to meet course tuition and English language training costs at U.S. military schools, as well as for a number of educational teams sent overseas. Supplemental living and travel allowances are also made to selected countries. Figure 2 reflects the growing recognition of the need to adjust the IMET program upward to meet rising course costs and to expand the scope of country programs, as well as to permit a greater number of countries to participate and to send more students to the program.

Since 1985, more than 50,000 foreign students have been trained under the IMET program. Each year approximately 5,000 foreign military and selected civilian personnel from over 100 countries receive training under this program, principally in the United States. Formal instruction is available at more than 150 military schools and installations and involves more than 2,000 courses of instruction. Since 1950, over 500,000 foreign (principally military) students have been trained under IMET and its predecessor programs.

As a vehicle for influencing the professional development of the future military leaders of other countries, IMET is a matter of constant scrutiny by the Departments of Defense and State and by Congress. The longer-term goal of influencing future leaders is being achieved, as evidenced by the many former IMET students in high government positions in their own countries today. The temptation to expand the use
of the program to meet short-term goals of overcoming technical problems, rather than the longer-term goal of professional military education, requires constant attention.

An important component of the IMET program is the Informational Program (IP), which affords opportunities for foreign military students to visit American cultural events, meet members of local communities (who represent the institutions which form the foundation of a community in a democratic society), observe U.S. governmental institutions, and travel to other parts of the United States. This part of the program receives relatively insignificant funding, yet it provides a vehicle for students to experience and to understand the institutions which underlie the U.S. democratic process.

Peacekeeping Operations (PKO)

Another less well known program of security assistance is Peacekeeping Operations. Authorized by the FAA of 1961, PKO was established as a grant program for U.S. support of international military forces. Unlike U.S. contributions to United Nations peace operations, this assistance program is used where it will be in the particular interest of the United States to do so. Without this program, many countries who might otherwise want to participate in peace operations could not afford to contribute forces.

Some of the forces receiving assistance include the long-term Multinational Force and Observers (MFO) in the Sinai (as provided for in the 1979 Egyptian-Israeli Peace Treaty); the joint Baltic Peacekeeping Battalion; the West African States' peacekeeping force in Liberia; and Haiti post-United Nations forces. The FY 1997 budget request is $70 million.

Unlike the other security assistance programs, PKO funding has risen steadily. PKO has increased from an average level of about $30 million in the early 1990s to an average of about $70 million in the mid-1990s. This is indicative of increased U.S. attention to peace operations to address contingencies. Ultimately, PKO can encourage greater participation of foreign forces in international peace operations, thus allowing U.S. forces to be conserved and committed to more vital operations.

Foreign Military Sales (FMS)

Foreign Military Sales are conducted on a government-to-government basis and are either financed by the U.S. government through the FMF or PKO programs or conducted on a cash basis with the foreign government using its own financial resources to purchase military equipment, training and services from the United States. Sales are made only in response to requests from duly authorized officials of foreign countries and international organizations designated as eligible to purchase defense materiel, services and training from the Department of Defense.

Eligibility is determined by the President in accordance with provisions of the Armed Export Control Act (AECA) of 1976. The determination does not necessarily signify that the U.S. government will make a sale; each request is examined on its own merits. The country is charged for the costs incurred by the U.S. government to administer the sale through addition of an administrative surcharge to the total value of the sale. A government-to-government agreement — or Letter of Offer and Acceptance (LOA) — is signed by the United States and the FMS customer country.

Figure 3 (page 7) reflects the level of FMS over the last decade. U.S. government data on annual levels of FMS are based on the value of LOAs accepted by foreign customers. This data does not reflect the value of deliveries that have taken or will take place. U.S.-financed sales and cash sales usually take place over a number of years and are paid for in accordance with a schedule of payments as the materiel is manufactured and delivered. The data for FY 1996 are estimated and based primarily on potential sales forecasts, which can be highly unreliable.

There can be large variations in total sales from year to year, due principally to large dollar value program agreements for such items as fighter aircraft, ships and large quantities of armored vehicles. This is particularly reflected in the FY 1991-93 figures, when sales agreements in the Middle East soared in the aftermath of Operation Desert Storm. The FY 1993 figure of $33 billion is the highest level of annual sales in the history of FMS. It is anticipated that FMS will remain at just under $10 billion annually to the end of the decade.
Cash FMS programs are subjected to the same scrutiny as sales under the 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, training or services is examined and given approval only after it has been coordinated through an established inter-departmental review process (described later) to ensure the sale is in keeping with the national security interests and objectives of the United States.

Congress must be informed in advance of any potential sale of materiel or services, either FMS, FMF or commercial, which meet certain thresholds of dollar value and categories of materiel or services. Within 30 days of notification, Congress can adopt a joint resolution objecting to the sale; if the President certifies that an emergency exists and that the sale is in the national interest, this procedure does not apply.

In 1981, Congress authorized the Special Defense Acquisition Fund (SDAF) to allow DoD to procure equipment in anticipation of future FMS requests. The fund was capitalized through the collection of various FMS surcharges, eventually reaching a level of about $1 billion. Annual congressional authority is required to obligate funds. Acquisitions are no longer being made under SDAF because it is being phased out as a budget reduction effort and as a result of apparent reduction in foreign demand. It will take several years to complete outstanding contracts and sales of equipment procured by SDAF.

**Excess Defense Articles (EDA)**

Equipment that is excess to the needs of the U. S. armed forces can be sold or provided as a grant to a foreign country. A provision of the FAA of 1961 (Section 502A) stipulates, “Excess defense articles shall be provided whenever possible rather than providing such articles by the procurement of new items.” EDA that are sold to a country are done so under FMS procedures and are priced in keeping with their condition, usually ranging from 5 to 50 percent of original acquisition value. Generally, sales, as well as grants, of EDA equipment include the requirement for the recipient country to pay for the costs associated with packaging, crating and shipment.

Once a military department determines equipment is excess, an EDA coordinating committee composed of DSAA, DoS, OSD, JCS, Commerce and the military departments reviews eligible countries and makes a decision on the recipients. Congressional notification is required for all EDA sales transfers, and for selected grant transfers of significant military
equipment (SME) or other items having an original acquisition value of $7 million or more.

By law, certain categories of EDA sales and grants can be limited to an annual ceiling based on either the original acquisition value or the current value of the equipment. For example, in FY 1997 the ceiling is $350 million (based on the current value) for equipment to be provided on a grant basis to selected NATO and other allies. There are exceptions to the provisions. For example, EDA grants of nonlethal equipment are exempt, and with a presidential certification, selected EDA sales can be exempted from any ceiling. In addition, there are legislated guidelines regarding which countries can receive lethal versus nonlethal items. Finally, there are provisions of law which target the provision of EDA equipment to NATO allies, other major allies and PKO countries, and to support other countries' counternarcotics and natural resources wildlife management activities.

In FY 1995, the current value of EDA FMS cases accepted by eight foreign countries worldwide was $12.6 million; the original acquisition value was $35.3 million. Deliveries of grant EDA to 30 in FY 1995 countries had a current value of $138 million, with an original acquisition value of $504.7 million.

Leased Defense Articles (LDA)

Though defense articles are normally made available to foreign governments through FMS, there are exceptional situations where a lease agreement with eligible foreign countries or international organizations is appropriate due to compelling foreign and national security reasons. Leases are authorized when the items to be leased are not required for public use during the period of the lease.

Leases are usually for a period not to exceed five years. The lessee pays for all costs incurred by the U.S. government in leasing the items, to include a rental charge equivalent to the depreciation of the items. The recipient is also required to pay for costs of restoration or replacement less depreciation for the period of the lease should the leased items become lost, damaged or destroyed. If the item is not intended for replacement, only the actual value must be reimbursed.

Replacement charges and rental fees can be waived for items leased for the purposes of cooperative research, military exercises or communications-electronics interface.

In FY 1995, leases were implemented with 15 countries, the UN and NATO. Replacement value for the equipment was $366 million, and rental charges amounted to $17.5 million.

Direct Commercial Sales (DCS)

Direct commercial sales to foreign governments are usually financed by country funds; on an exceptional basis, FMF funds allotted to the country can be used. These sales are of a 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 and guidelines regarding the materiel, technology and services that can be exported to another country.

To assure they support U.S. national security goals, all private industry requests for the export of military equipment, training, services, technology and information are reviewed on an interdepartmental basis and export licenses issued by the U.S. government. As a further control, the President can require that a certain defense article or service be sold only through the FMS process. All proposed DCS exports which meet certain thresholds of dollar value and categories of equipment must be reported to Congress prior to issuance of an export license. These criteria also apply to FMS and sales financed under FMF.

Organizationally, the decision authority regarding a commercial sale to another country resides in the Office of Defense Trade Controls (ODTC) at the Department of State. This office, in coordination with Defense, Treasury, Commerce and other U.S. government departments, issues required export licenses to U.S. commercial firms before any export can take place. The ODTC also publishes the International Traffic in Arms Regulation (ITAR), which outlines the regulatory requirements and guidelines 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 licensing documents returned to ODTC by the U.S. Customs Service. Table 2 reflects the magnitude of DCS exports for the last several fiscal years. Sales deliveries were made to more than 100 countries in FY 1995.

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Commercial Sales (Deliveries) ($ billion)</th>
</tr>
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<tbody>
<tr>
<td>FY91</td>
<td>3.83</td>
</tr>
<tr>
<td>FY92</td>
<td>2.46</td>
</tr>
<tr>
<td>FY93</td>
<td>3.17</td>
</tr>
<tr>
<td>FY94</td>
<td>1.70</td>
</tr>
<tr>
<td>FY95</td>
<td>3.62</td>
</tr>
</tbody>
</table>

Commercial exports of military equipment and services contribute to U.S. national security goals of assisting allies and friendly countries in meeting their security needs. In addition, exports offset the trade deficit and contribute to economies of scale in the production of equipment that is also procured by U.S. armed forces. A recent example involves the purchase of F-15E aircraft by the U.S. Air Force (Defense News, 10-16 June 1996). The per-aircraft cost was kept down because of production economies of scale resulting from aircraft being manufactured for Saudi Arabia and Egypt.

To be competitive in the world marketplace, where foreign commercial firms often enjoy substantial government financial and political assistance, U.S. commercial firms are compelled to make use of so-called offset arrangements with foreign sales customers. Offsets are a means to reduce the cash costs to the foreign government. These arrangements can involve production by the country of items directly related to the defense article under contract, or purchase by the U.S. manufacturer of unrelated materiel or services from the foreign country. Such arrangements can be very complex. Congress must be notified of all offset agreements; current policy prohibits use of U.S. government funds to finance offsets and U.S. government involvement in offset arrangements.

Offsets remain a topic of negotiation in international trade talks, particularly with European countries, and a topic of interest to Congress and the administration with regard to appropriateness and impact on the U.S. industrial base. Offset arrangements in 1993 were valued at $4.8 billion on DCS of $13.9 billion; in 1994, offsets totaled $2 billion on DCS of $4 billion.

**FUNDAMENTALS OF SECURITY ASSISTANCE**

As a foreign policy instrument of the United States, security assistance has retained its fundamental objective of enhancing U.S. security interests. However, the geographical regions of focus and the more specific purposes have varied, particularly since the end of the Cold War.

**Interests and Purposes**

As pointed out earlier, the immediate post-World War II U.S. security policy focused on containing the influence of the Soviet Union, with the priority of effort directed to the European continent. Consequently, principally through the European Recovery Plan (better known as the Marshall Plan) established by Congress in 1948, Europe received more than $15 billion in economic grants and loans. Until the early 1960s, NATO countries received about two-thirds of all U.S. grant military assistance.

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 in securing access to bases in the Pacific Rim, gave rise to significant levels of grant military aid throughout the 1950s and 1960s (grant aid to Japan ceased in 1964). Aid to South Vietnam was provided from 1966 to 1975 under a program separate from MAP.

As Europe began to recover from World War II, U.S. security assistance policies started to shift toward then non-NATO countries and the Middle East. U.S. interests related to securing base rights along 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 in the 1970s and 1980s.
The Middle East gained greater prominence as a region of major security concerns in the early 1970s, and especially in 1973 with the Arab-Israeli War and the oil embargo against the United States. The core security assistance programs for Israel and Egypt reflect continuing U.S. interest in seeking a Middle East peace arrangement. Vital interests of the United States continue to be under great pressure in the Middle East today.

The Congressional Presentation for Security Assistance Programs, Fiscal Year 1989, jointly prepared by the State and Defense Departments, reflected U.S. national interests confronted with the contrary values of the Soviet Union and client states in all major geographic regions. The principal security assistance efforts were directed to the Middle East, to NATO’s southern flank countries where U.S. forces had military bases, and to resolving Central America’s low-intensity conflicts.

The objectives of security assistance for FY 1989 reflected the fundamentals that had guided security assistance throughout the Cold War period. The resulting programs varied in their emphasis on grant aid versus credit aid, geographical area, other U.S. security interests and the degree to which the incumbent administration used security assistance as an instrument of foreign policy. However, the overriding focus was deterrence of the Soviet Union on a global scale. Security (military) assistance was an overarching and unifying concept for the Cold War era, when a monolithic threat undermined U.S. vital interests and military assistance overshadowed other forms of aid.

What are the interests served by and purposes of security assistance today? The Cold War congressional presentation document focusing primarily on security is gone. In its place is a foreign operations congressional presentation document covering a wide range of assistance programs, to include those categorized in the Cold War as security assistance and heretofore presented as a separate, coherent security program.

The former Soviet superpower is now fragmented into states entertaining democratic regimes. Interests and objectives based on the national security strategy, and reemphasized in the FY 1997 presidential budget request and State Department congressional presentation on foreign operations, do not spell out an overarching security assistance objective. The focus is global engagement across several functional areas of international affairs. Threats to U.S. global interests come from many directions, including proliferation of weapons of mass destruction, large-scale migrations, terrorism, drug trafficking, crime and environmental degradation. Vital interests remain focused on Middle East peace, and international security assistance continues to concentrated there.

The United States continues to have vital interests in a stable, democratic and economically viable Europe. With the Cold War over and Central Europe evidently on course to democratically elected governments, there has been yet another shift in the geographic focus of security assistance programs for the European region. The United States, along with Western European allies, has returned to Central Europe to complete the job of the original Marshall Plan by assisting former Warsaw Pact countries and states of the former Soviet Union in the development of democratic institutions and processes.

Security assistance today still includes programs to help other countries develop the military capabilities to provide their own security. However, other than for vital interest regions, FMF — used primarily to provide U.S.-origin military equipment to foreign countries — is not available for lesser regions. U.S. government-funded security assistance is part of an overall program designed to address an array of military and nonmilitary threats. The security component is generally presented as secondary to the other assistance programs. The consequences of this arrangement are discussed at the conclusion of this report.

U.S. Government Actors

Security assistance programs require close coordination among several agencies of the executive branch, to include the National Security Council (NSC), Office of Management and Budget (OMB), and the Departments of State, Defense, Commerce and Treasury. Congress enacts the necessary laws that
authorize programs and provides the authority to expend federal funds to implement the programs discussed earlier. Figure 4 (page 12) shows the interrelationship of the many government actors involved in the security assistance arena. (This figure was extracted from the Defense Institute of Security Assistance Management text, *The Management of Security Assistance, 15th Edition.*)

**Congress.** Since the early 1970s, Congress has vigorously exercised to the fullest its legislative and oversight responsibilities in the security assistance arena. In exercising its constitutional authority, 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 worth $50 million or more, and of major defense equipment (MDE) worth $14 million or more. MDE is an item of significant military equipment (SME) on the U.S. Munitions List having a nonrecurring research and development cost of more than $50 million or a total production cost of more than $200 million. These items are indicated in the International Traffic in Arms Regulation (ITAR).

The Senate Foreign Relations and House International Relations Committees, as well as the Senate and House Appropriations Committees, review proposed security assistance legislation, budgets and programs. Senior officials of the State and Defense Departments appear before these committees to present administration proposals and to respond to reviews of program implementation. Procedures have been established between the executive and legislative branches to consult with selected congressional committees before submitting major proposals and formal notifications of potential foreign military sales.

**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. The major national security policies emerging from the NSC and the NSC staff establish the priorities for the development and implementation of security assistance programs.

OMB oversees the preparation of the President's budget and sets the "budget mark" (amount of the budget to be used) for security assistance and other programs. The President's budget is submitted to Congress to obtain the necessary authorization and appropriation acts which allow the security assistance programs to be carried out. The proposed federal budget reflects the President's proposals in the section entitled "Funds Appropriated to the President." The security assistance program is reflected in Account 150, "International Security Assistance."

**State Department.** The overall supervision and major policy and program decisions fall principally on the shoulders of the Secretary of State and the department staff. Decisions and policy guidance regarding the direction security assistance will take, its priorities and the decisions regarding whether there will be a security assistance program or particular export to a country are under the authority of the Secretary of State. The annual program is reflected in the State Department's *Congressional Presentation for Foreign Operations.*

**Defense Department.** The Secretary of Defense has responsibility for the supervision, 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 DoD, the JCS provides military advice regarding the coordination of security assistance with U.S. military readiness, plans and programs, and makes recommendations (to include the impact on U.S. programs) regarding the transfer of military capabilities to another country. The regional unified commands (European, Pacific, Atlantic, Central and Southern) make recommendations to the Secretary of Defense and the JCS and participate in promoting effective programs within their respective regions.

The Under Secretary of Defense for Policy (USD) is responsible for the integration of DoD plans, policies and other objectives with the broader
Figure 4
United States Government Organization for Security Assistance

President ← Congress

- National Security Council
- Office of Management & Budget

Secretary of State

Security Assistance Program Review Working Group (SAPRWG)

Agency for International Development

Arms Control & Disarmament Agency

Secretary of Defense

Joint Chiefs of Staff

USD (Policy)

USD (Acquisition & Technology)

Unified Commands

ASD (ISA)

Other ASDs

Military Command

Defense Security Assistance Agency

Program Implementation Approval

Military Departments & Other DoD Agencies

Other Departments

Administrative and Technical Guidance

Administrative and Technical Support

Other Country Team Members

Security Assistance Organization

Diplomatic Mission

Other Country Team Members

Defense Attaché

Army

Air Force

Navy

Marine Corps

Space Command

Joint Forces Command

Strategic Command

Transport Command

Special Operations Command

Coast Guard

Space Command

Strategic Command

Transport Command

Special Operations Command

Coast Guard

Other Departments

Senate Foreign Relations Committee

House International Relations Committee

Appropriations Committees

Armed Services Committees

Congressional Budget Office

General Accounting Office

Team Members Attaché Organization

Technical Support

Administrative and Technical Guidance
national security objectives. The Assistant Secretaries of Defense (ASDs) participate in the policy and program process to the degree that security assistance impacts on their respective functional areas (i.e., security policy; defense production and logistics; rationalization, standardization and interoperability with allies; 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 Air Force).

**Other Departments.** The Arms Control and Disarmament Agency (ACDA), the Agency for International Development (AID), and the Treasury and Commerce Departments each have a significant role in security assistance in their respective functional areas of responsibility.

**DoD Management Structure**

**Defense Security Assistance Agency (DSAA).** DSAA was established in 1971 to place increased emphasis on the management and control of the DoD portion of the security assistance program. In 1983, the Under Secretary of Defense for Policy (USDP) was given direct responsibility for supervision and oversight. Though identified as a defense agency, DSAA is not an autonomous organization; it is a staff element of USDP.

The formal mission statement charges DSAA to "develop and manage the security assistance program so as to gain maximum benefit for the foreign policy and national security of the United States." In carrying out that mission, DSAA is responsible for the administration, coordination, formulation, negotiation and execution of security assistance programs. In order that DSAA may carry out its mission, all authorities conferred on the Secretary of Defense by the FAA of 1961 and the AECA of 1976 and all authorities under those acts delegated by the President to the Secretary of Defense have been redelegated to the Director, DSAA.

DSAA is the DoD point of contact for U.S. business firms involved in direct commercial sales to foreign countries. It manages the U.S.-financed FMF and IMET programs and the cash FMS program and allocates to the military departments funds to offset costs of administering their respective programs. DSAA maintains security assistance program data, prepares the annual security assistance portion of the foreign operations congressional presentation document, 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.

The military departments are charged with ensuring that the delivered equipment can be operated, maintained and sustained by the country within stated parameters. In carrying out this responsibility, the services institute logistical procedures to keep the country supplied with the necessary parts and maintenance equipment; the goal is to keep the equipment items operational at the standards generally expected within the U.S. armed forces. Unless otherwise provided for 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. Generally, the agencies that implement materiel, services and training programs for the military services 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 essentially the same training courses as U.S. personnel to prepare to manage, operate and maintain the equipment systems.

Matters of finance, logistics, medicine, engineering, information management and policy are generally handled by the same organizations that handle the subject matter for the military services. For example, the Army's organization for security assistance involves the major functional commands (i.e., training and logistics) to ensure that a foreign country receives the full benefits of Army policy, planning and programming expertise.

Within each military department, only a few unique organizations work solely on security assistance matters. Within the Army, for example, Army Materiel Command (AMC) has one subordinate command — U.S. Army Security Assistance Command (USASAC); Training and Doctrine Command (TRADOC) has two training agencies — the Security Assistance Training Field Activity (SATFA) and Security Assistance Training Management Organization (SATMO); and at Department of the Army, security assistance responsibility lies with the Deputy Under Secretary of the Army for International Affairs and the subordinate Directorate for International Development and Security Assistance. 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 and services.

Other DoD Agencies. A number of other defense agencies have involvement in the DoD security assistance program. The Defense Finance and Accounting Service (DFAS) Denver Center Deputate for Security Assistance 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 foreign military and civilian personnel. The Defense Institute of Security Assistance Management (DISAM) conducts courses of study to prepare U.S. and foreign personnel for security assistance assignments, and also performs research, information and consulting functions.

Overseas Organizations. The in-country U.S. diplomatic mission is composed of many functional components. Directly responsible to the ambassador, the security assistance organization (SAO) performs the management activities to assure a viable security assistance program in close coordination with the diplomatic mission, country and U.S. unified command. This all-important interface with the foreign country can make or break a country security assistance program.

SAOs go by different titles, such as Military Assistance Advisory Group (MAAG) or Office of Defense Cooperation (ODC). There are more than 800 personnel (including 400 U.S. military personnel) assigned to SAOs in over 50 separate countries. In about 30 additional countries, augmentation personnel assigned to the U.S. Defense Attaché Office (DAO) perform security assistance functions; in other countries where there is a security assistance program, the U.S. Mission or Office of the U.S. Defense Attaché manages the program without personnel augmentation.

The staff of the unified command plays an important integrative role in the development of security assistance plans and proposals for the Secretary of Defense and the JCS, and in coordinating regional, administrative and specific technical aspects of security assistance. The unified commander in chief (CINC) supervises the SAOs, to include support for policy and program implementation, and recommendations on SAO manning, organization and administration.

Program Management

Security assistance is managed and operated by DoD on a no-profit/no-loss basis. Countries participating in the program pay the full cost of defense articles and services plus the costs incurred by the United States to administer the program. These costs are collected as a three percent surcharge on all LOAs, as are the costs associated with packaging, crating, handling and transportation.
When defense articles or services are required by a country, the duly authorized representative in the defense establishment (or stationed at the embassy in the United States) provides a Letter of Request (LOR) to the U.S. embassy, SAO or DoD. The U.S. agency 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 (e.g., DLA) to prepare the coordinated response.

Subject to approval by DoS and DoD, 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 primarily used for preliminary planning purposes. Information can also be provided in summary form at the country's request. Preferably, information is provided in the form of a draft contract, or Letter of Offer and Acceptance (LOA), which the country would eventually sign.

The LOA is a formal offer which, when accepted by the foreign country or international organization, forms the basis for the United States to provide the materiel, training, support and services. Specific provisions are included in the LOA regarding use of the equipment solely for legitimate defense needs and restrictions on third country transfer.

LOAs take three forms:

Defined Order. Certain defense articles and services are provided on Defined Order LOAs which offer items at an individually estimated price and availability. The Defined Order 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 LOAs. These LOAs 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, follow-on spare parts and publications provided under security assistance. Services, including training (to include English language training, if needed) in U.S. military schools or by mobile training teams (MTTs) 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 United States and other countries, only items which have also 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 an LOA is signed and all financial arrangements are completed, the responsible military department handles the acquisition in the same manner as that used to obtain equipment for the U.S. armed forces.

In most cases, the equipment is obtained through the standard DoD procurement 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 United States will arrange delivery) can be three to four 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 U.S. military stocks; replacement of U.S. stocks can be obtained through the normal acquisition process or from a third country's procurement. The Excess Defense Articles (EDA) program is another source of equipment for a foreign country with a pressing need.
When equipment is delivered to a country, all components, to include test equipment, initial spare parts, lubricants, munitions, and technical assistance and training, are included. Known as the Total Package Approach (TPA), this practice assures that the country is provided all that is required to operate and sustain the equipment.

EVALUATING SECURITY ASSISTANCE

The military component of security assistance is no longer the dominant, overarching program it was during the Cold War. Other than in the Middle East and to a lesser degree in Europe, it has lost much of its applicability as the foreign policy instrument of choice because the security environment has changed so dramatically. As pointed out earlier, even the term “security assistance” appears to have fallen into disuse in the presentation of foreign assistance programs. Instead, programs oriented on other forms of assistance are in vogue.

In a 30 April 1996 statement before the House Appropriations Committee’s Subcommittee on Foreign Operations, Export Financing and Related Programs, the Under Secretary of Defense for Policy (USDP) pointed out that “in today’s world, non-military instruments of action and influence are more important than ever.”

Still, security assistance, particularly the IMET program, plays a major role in U.S. foreign relations. IMET is an inexpensive program that reaches more than a hundred countries and has touched the lives of thousands of foreign students, including many who went on to be national leaders. As a less onerous form of military assistance, it has gained prominence as an effective tool to influence the professionalization of many countries’ military institutions. This program meets short-term professional military training needs and simultaneously meets the longer-term goals of influencing the nature of foreign military institutions, particularly as former students progress and move into positions of senior leadership.

The major component of military assistance, FMF, does not have the reach and impact of IMET, other than for a handful of countries. The scope of the program — and most of the funding — is limited to the most vital security interests of the United States. Lesser security interests are addressed minimally, if at all. Recent crises in several developing regions which required U.S. military intervention and assistance may reflect this lack of security assistance.

Reality Check: Benefits and Costs

The 1990 version of this report on security assistance pointed out that the FY 1991 Congressional Presentation Document (CPD) stated 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 narcotic traffickers) will be more cost-effective than using U.S. military personnel and equipment to the same end.” This statement can still be regarded as an underlying truism of U.S. security policy, linking security assistance to the conservation of U.S. military resources; it is particularly true in this period of multiple regional crises and the downsizing of the U.S. military establishment.

Increasing reliance on other countries to absorb a greater share of the defense burden is inevitable in a period of smaller U.S. defense budgets. The security assistance program is the instrument of U.S. foreign and security policy which can facilitate the modernization of friendly countries’ armed forces in order to deter incursions of unfriendly neighbors and other adversary groups and reduce the need for direct involvement of U.S. military forces in regional conflicts.

U.S.- and foreign-funded security assistance and direct commercial sales have significant economic benefits for the United States. In this regard, security assistance improves our international trade position since the emphasis is on “buy American.” There are savings that result from reduced unit costs of equipment purchased by both the U.S. military and foreign countries, and longer production runs translate into more jobs for Americans. During this period of reduced U.S. defense budgets, less equipment is being purchased by the U.S. armed forces. Therefore, the
sale to allies of equipment such as the M1A1/2 Abrams tank helps to preserve the industrial capability of the United States, which would be important should the United States have to mobilize to meet a major threat to U.S. interests.

The FY 1997 version of the Congressional Presentation for Foreign Operations states: “Prudent investment of U.S. resources is essential to assist . . . in preventing or containing armed conflict. . . . To this end, the United States can achieve better results at lower costs to human life and national treasure by leveraging its power and resources . . . so (allies and friends) can share the common defense burden.”

Like the FY 1991 CPD, the FY 1997 budget proposal emphasizes, though in broader terms, the conservation of U.S. resources, particularly loss of human life. The cost to the United States for security assistance is quite small. The military component of security assistance proposed for FY 1997 at $3.3 billion, when compared to the FY 1997 defense budget proposal of $241 billion, represents an additional cost to the U.S. government of 1.5 percent.

The American public’s perception of costs of many additional billions of dollars to the United States is one of the most misunderstood aspects of U.S. foreign affairs. In fact, as a percentage of GDP (.01), in 1995 the United States ranked last among 21 major industrial countries with regard to total expenditures on foreign assistance. (See The Washington Post, June 18, 1996, pg. A10.)

At the same hearing cited above, the USDP said that “foreign assistance has never been popular.” Its continuing unpopularity with Congress and the American people remains a significant obstacle to realistic U.S. engagement on a global basis to underpin the security institutions of lesser-developed countries.

**Other Countries’ Security Needs**

As pointed out in earlier in this report, almost all FMF funding goes to Israel and Egypt to sustain U.S. vital interests in securing peace in the Middle East. As total U.S. government funding has steadily declined over the last decade, aid to the Middle East has been maintained at the same high level while FMF aid to other countries has been essentially eliminated. Though IMET has been reduced, it still reaches many countries — to include former Warsaw Pact and Soviet states. Assistance in other aid areas, to include humanitarian assistance, counterdrug operations and law enforcement, remains available to several countries.

The present administration has recognized the need to provide limited FMF and IMET to former Warsaw Pact and former Soviet countries as they deal with developing political, military and economic institutions that are needed to sustain ongoing democratization processes. Assistance is being provided to support development of professional civil-military institutions through individual training, military-to-military contacts, and unit training and reequipping to sustain limited participation in exercises and peacekeeping operations.

Though the current national security strategy of global engagement embraces Middle East and Central European needs by making security assistance funds available, it does very little to address the security needs of many developing countries. Recent crises in Rwanda, Botswana, Burundi, Sudan, Somalia, Liberia and elsewhere are indicative of a need to maintain extensive engagement that encourages development across a wide range of functional areas; but it is also true with respect to their national security which is inherent in the development of a professional civil-military establishment and resources for self-defense. Steady declines in security assistance funding have led to disengagement — as opposed to our strategy of engagement — with these countries whose national security is otherwise in the interests of the United States to sustain.

U.S. global strategic interests are reflected in the continuing demand on U.S. forces to carry out a wide range of peace and humanitarian assistance operations. However, U.S. military readiness to respond to more vital major regional crises, as prescribed by the national security strategy, is undermined by the increasing frequency and scope of these lesser, yet demanding, operations. In concept, longer-term investment in self-defense for our weaker friends would appear to reduce this demand on U.S. forces and enhance U.S. readiness to secure more vital interests.
In a 1988 report, the Commission on Integrated Long-Term Strategy pointed out the importance of consistently funding the small programs of fragile third world countries so as to reap longer-term benefits. Additional, and consistent, funding is one answer to longer-term U.S. security interests in the capabilities of lesser countries to defend against — and ultimately deter — military threats. In the longer term, the increase in FMF and IMET would be repaid in fewer requirements for U.S. deployments and, arguably, could in effect cover the costs of additional security assistance funding.

This issue is linked to the American public perception of foreign aid and the need to develop an orchestrated and clear message on the utility of security assistance in securing U.S. foreign interests.

Adapting the Foreign Sales Process

During the Cold War, the transfer of weapon systems and related information to other countries was particularly troublesome in light of the global reach of the Soviet Union. Technology had to be protected. Weapon systems with sensitive technology — such as the hand held Stinger air defense system — had to be controlled rigorously to minimize the chances of their falling into the hands of rogue regimes, terrorist organizations and the Soviet Union for exploitation and proliferation.

The result has been an accumulation of successive administrations’ policies and the guidelines from multiple departments to control the transfer of weapon systems, technology and information to foreign countries. At the same time, congressional oversight and involvement in the details of administration and management of security assistance is extensive. The result is a security assistance process — for both government and commercial programs — that is cumbersome and time-consuming, and involves many intertwined, complex rules and guidelines. In other words, there are too many hurdles to jump.

Today, controlling the export of military equipment, technology and information to other countries is still necessary to ensure that U.S. armed forces maintain advantages in critical capabilities. Security assistance operatives are adapting procedures and policies to the present era of reduced defense budgets, a downsized U.S. defense industry, and increased foreign competition in the world defense industry market.

Commercial export license requests processed by ODTC that require interdepartmental review, particularly by DoD and the Department of Commerce, are submitted under revised guidelines to shorten the review process. Policies regarding the use of U.S. military equipment at international trade shows have been relaxed, thus increasing the opportunities for U.S. industry to compete, particularly with European firms which enjoy closer and more facilitative support from their respective national governments.

Current U.S. arms transfer policy recognizes the need for U.S. participation in the international defense trade arena. The current policy is meant to serve several goals, to include the need to “enhance the ability of the U.S. defense industrial base to meet U.S. defense requirements and maintain long-term military technological superiority at lower costs.” Adding bite to the stated goal is a congressionally approved fund — the Defense Export Loan Guarantee program — to guarantee loans for military exports to selected countries. The program is currently being established by DoD.

It is evident that the process of adapting to the post-Cold War era is underway. However, there are other areas that will need to be addressed. These include a closer alliance between DoD and industry; the role of foreign offsets; reducing FMS add-on costs; shortening lead times for delivery of equipment to foreign buyers; facilitating the lease of equipment to foreign customers; and further updating and streamlining the FMS and export licensing processes.

Government institutions are grappling with the process of redefining their roles for the next millennium. The U.S. armed forces are attempting to grasp the impact of accelerating information technologies and adapt their doctrine, training and equipping accordingly. Both government and industry, as institutional teammates, need to direct their energies on ways to conduct the business of security assistance in the 21st century.
A good starting point is the 1988 report *Commitment to Freedom: Security Assistance as a U.S. Policy Instrument in the Third World*, prepared for the Commission on Long-Term Strategy. The 12 recommendations addressed multiyear appropriations; security assistance funding and pricing; leasing equipment and equipment trade-in allowances; roles of SAOs and CINCs; military exercises to aid allies; IMET eligibility and police training; tailoring support; and procurement of foreign equipment. These and many other issues should be examined to ensure the adaptation of security assistance to the realities and technological, social, economic and security requirements of the next century.

CONCLUSION: PUTTING SECURITY IN SECURITY ASSISTANCE

Security assistance touches on a complexity of diplomatic, social, financial, political and security issues. As a consequence, the overview presented here is necessarily simplified. There are a number of topics that are only touched on or not addressed in this paper, including transfer of emergent technology; coproduction arrangements; the ability of countries to absorb and maintain equipment; support of equipment no longer in the inventory of U.S. armed forces; logistical support of direct commercial sales; commercial offset arrangements; and, most importantly, the overall effectiveness of the security assistance program.

This tutorial 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. It is important to focus on the operative term, “security.” A nation’s economic, political, social and environmental security can be fostered only if national security can be assured. Security assistance should have a long-term goal of assisting more countries in the development of institutions and infrastructure to provide for their own national defense. With a capability to provide national security, an environment exists for further development to meet national needs in other functional areas.

Presently, it appears that security assistance is secondary to other less politically adverse programs which promote democratic institutions, humanitarian assistance, economic development, refugee relief, antiterrorism, and narcotics control. Security assistance is not a coherent program. It should be addressed as such and in terms of national security for friends and allies, particularly the many countries currently denied U.S. financial assistance needed to enhance their own security. Aiding countries to provide for their own self-defense should be regarded as a higher priority component of American efforts to assist its friends. This does not appear to be the situation at present.

Conventional weapon transfers should be made primarily to enhance security. In this regard, the Presidential Advisory Board on Arms Proliferation Policy released an assessment in June 1996. The report called for strong executive branch leadership in implementing export controls which will foster international arms transfer restraint, particularly with regard to advanced conventional weapons. Further, the report emphasized the need for new policies addressing advanced technologies which are commercial in origin and have weapons development application; monitoring end-use would be part of the policy. Importantly, the report emphasized the need to separate arms transfer policy from concerns of maintaining the U.S. defense industrial base.

The challenge for the United States is to provide other countries with capabilities adequate to enhance their own security while exercising a level of arms transfer restraint to reduce the chances of destabilizing a region and creating a regional arms race. This will be a continuing and increasing challenge to the United States and its allies and friends as technology proliferates and becomes more accessible to regimes that are less likely to exercise restraint in its end-use.

In the previous section, three requirements for a more effective security assistance program were identified:

- to inform the public of the real costs and benefits of security assistance (as well as other foreign assistance programs);
- to provide for other countries currently denied financial support to pursue their security needs;
and to conduct a comprehensive self study and to reinvigorate the process of adapting to the present and future environment.

In addressing these points, the primary purpose should be in helping countries to provide their own security and in doing so as a longer-term effort so that other national institutions can emerge and benefit the indigenous population. Assistance provided in this manner is far less expensive than the costs incurred through direct participation of U.S. armed forces in a military operation which might have been precluded if a country had possessed the wherewithal to provide for its own national security.
<table>
<thead>
<tr>
<th>Abbreviation</th>
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<td>ACDA</td>
<td>Arms Control and Disarmament Agency</td>
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<td>AECA</td>
<td>Arms Export Control Act</td>
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<td>AIASA</td>
<td>Annual Integrated Assessment of Security Assistance</td>
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<td>AID</td>
<td>Agency for International Development</td>
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<td>AMC</td>
<td>Army Materiel Command</td>
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<td>ANZUS</td>
<td>Australia, New Zealand and United States</td>
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<td>Assistant Secretary of Defense (International Security Affairs)</td>
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<td>CINC</td>
<td>Commander in Chief</td>
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<td>CLSSA</td>
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<td>Defense Logistics Agency</td>
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<td>DLIELC</td>
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<td>DoD</td>
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<td>DoS</td>
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<td>DSAA</td>
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<td>EDA</td>
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<td>ESF</td>
<td>Economic Support Fund</td>
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<td>FAA</td>
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<td>FMF</td>
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<td>FMS</td>
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<td>FMSCR</td>
<td>Foreign Military Sales Credit</td>
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<td>FMSF</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>IP</td>
<td>Informational Program</td>
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<tr>
<td>IMET</td>
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<td>ITAR</td>
<td>International Traffic in Arms Regulations</td>
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<td>Joint Chiefs of Staff</td>
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<td>Letter of Offer and Acceptance</td>
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<td>LOR</td>
<td>Letter of Request</td>
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<td>MAAG</td>
<td>Military Assistance Advisory Group</td>
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<td>MAP</td>
<td>Military Assistance Program</td>
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<td>MDE</td>
<td>Major Defense Equipment</td>
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<td>MFO</td>
<td>Multinational Force and Observers</td>
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<td>MTT</td>
<td>Mobile Training Team</td>
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<td>Nonproliferation Disarmament Fund</td>
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<td>National Security Council</td>
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<td>Office of Defense Cooperation</td>
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<td>Office of Defense Trade Controls</td>
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<td>PKO</td>
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<td>Security Assistance Management Manual (DoD 5105.38-M)</td>
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<td>Special Defense Acquisition Fund</td>
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<td>SME</td>
<td>Significant Military Equipment</td>
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<td>TPA</td>
<td>Total Package Approach</td>
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<td>United Nations</td>
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<td>Training and Doctrine Command</td>
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<td>U.S. Army Security Assistance Command</td>
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<td>USDP</td>
<td>Under Secretary of Defense for Policy</td>
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<td>Weapons of Mass Destruction</td>
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<tr>
<td>Year</td>
<td>Legislation</td>
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| 1947 | Greek-Turkish Aid Bill (P.L. 80-75)  
First major post-World War II commitment of military and economic aid. |
| 1949 | Mutual Defense Assistance Act (P.L. 81-329)  
Creates Military Assistance Program (MAP) and authority for cash sales. |
| 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). |
Establishes basis for Foreign Military Sales Credit (FMSCR) 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. 94-329)  
Establishes separate legislative authority for credit sales program. |
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. |
Establishes Economic Support Fund (ESF) and repeals predecessor program known as Security Supporting Assistance; establishes Peace Keeping Operations (PKO) fund. |
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. |
Authorizes antiterrorism assistance and sales authority. |
Authorizes unit training exchanges and individual exchanges of professional military education. Provides for FMSCR loan forgiveness to Israel and Egypt. |
| 1987 | Foreign Assistance and Related Programs Appropriations Act of 1987 (P.L. 99-591)  
Permits all FY 1987 FMSCR repayable loans to be used issued at concessional rates of interest. |
Extends forgiveness of FMSCR loans to Turkey and Pakistan. |
Redesignates FMSCR as Foreign Military Financing (FMF) program and extends grants to Morocco and Tunisia.

Integrates MAP grant funding into FMF program.

Establishes Expanded-IMET program.

Restricts use of DoD funds to support air and trade shows and requires Secretary of Defense determination that support is in U.S. national security interests.

Requires congressional notification of FMS and commercial sales which include an offset agreement, to include information on particulars.

1996 **Department of Defense Appropriations Act, Fiscal Year 1996 (P.L. 104-61)**
Authorizes the Secretary of Defense to issue up to $15 billion in defense export loan guarantees.

**Security Assistance Authorities (P.L. 104-164)**
Updates several security assistance authorities and modifies various foreign military financing and excess defense articles provisions.
BIBLIOGRAPHY


