

The Changing Role of ODCs in Defense Cooperation in Armaments: The View From Brussels

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[Editor's note. This feature article opens with a discussion of Belgian history and politics, an understanding of which is essential to an appreciation of the challenges faced by the U.S. Office of Defense Cooperation in Belgium-Luxembourg (ODC BELLUX). The evolving role of the ODC in the area of Defense Cooperation in Armaments is the focal point of the article and reflects important developments which are occurring throughout Western Europe and elsewhere. The article concludes with a summary discussion of the history and politics of Luxembourg, as well as its current defense considerations. We are indebted to the authors for their extensive effort here to bring the message of Defense Cooperation in Armaments to the attention of the general security assistance community.]

HISTORY OF BELGIUM

While the history of Belgium can be viewed as a microcosm of the history of Western Europe, Belgium has existed essentially in its present form only since 1830, when an uprising led to independence from The Netherlands. The country's name goes back to a Celtic tribe, the Belgae, whom Julius Caesar described in his *Commentaries* as the most courageous tribe of all Gaul. The Belgae were overwhelmed, however, by Caesar's legions around 50 B.C. and for some 300 years the area was a Roman province. The proto-Dutch language, spoken by the Frankish invaders who swept through the Roman Empire in the fourth century A.D., took hold in the province, and, it is said by many, to be at the root of the linguistic division of modern Belgium.[1]

Throughout the Middle Ages, Belgian history was characterized by quasi-independent trading and manufacturing towns that arose from the Viking ravages of Northern Europe. Connected by an excellent series of canals, these city-states--Ghent, Brugge, Antwerp, Liege and others--play a central role to this day in Belgian cultural and commercial life. After centuries of wars of dynastic succession, Belgium--as part of the area known as the Lowlands which comprised what is now modern Belgium, Luxembourg, and The Netherlands--came into the possession of Charles V and the Holy Roman Empire in the early 1500s. The Protestant Revolution polarized the Lowlands into two hostile regions; the resultant geographic and political split established the United Provinces of The Netherlands in the north and the remaining Catholic territories in the south which are equivalent to the modern boundaries of Belgium. Belgian history for the next 300 years reflected closely the history of Western Europe, as it was first ruled for nearly two centuries by the Spanish, then passed to the Austrian Hapsburg Empire via the Treaty of Utrecht in 1713, and was later annexed to France by Napoleon in 1794. After Napoleon's defeat at Waterloo, Belgium, on June 18, 1815, Belgium was awarded to The Netherlands which

ruled for 15 years until the inhabitants rebelled against Dutch administrative and economic reforms and established the independent state of Belgium in October 1830. A German prince from the principality of Saxe-Coburg was found to take the newly established throne and the state was successfully launched with Leopold I as the first king of Belgium on July 21, 1931.

It was during the brief rule of William of Orange of The Netherlands that the linguistic division of Belgium was severely aggravated due to his attempts to "reform" the educational system by replacing French with Dutch in the primary education levels. Attempts to extend these reforms to the secondary schools, which had traditionally been the forum for training the nobility and middle-class French speakers who had dominated the regional governments for years, were perceived by the French-speaking inhabitants as a thinly veiled attempt at subverting their Catholic religion by introducing Dutch Protestantism as well as supplanting their positions of dominance in political and business circles. When the original constitution was drawn up in 1831, French, which had been the language of the government since the days of Spanish rule, was made the official language with little regard for equal treatment for the Dutch-speaking population. Due to their having the majority of the population and the increased importance of the Flemish seaports of Brugge, Gent and Antwerp, the Dutch-speaking majority obtained a series of laws making Flanders officially bilingual in 1873, recognizing Dutch as an official language in 1898, and, finally, establishing separate French and Dutch administrations in the Flanders and Wallonian regions in 1921.



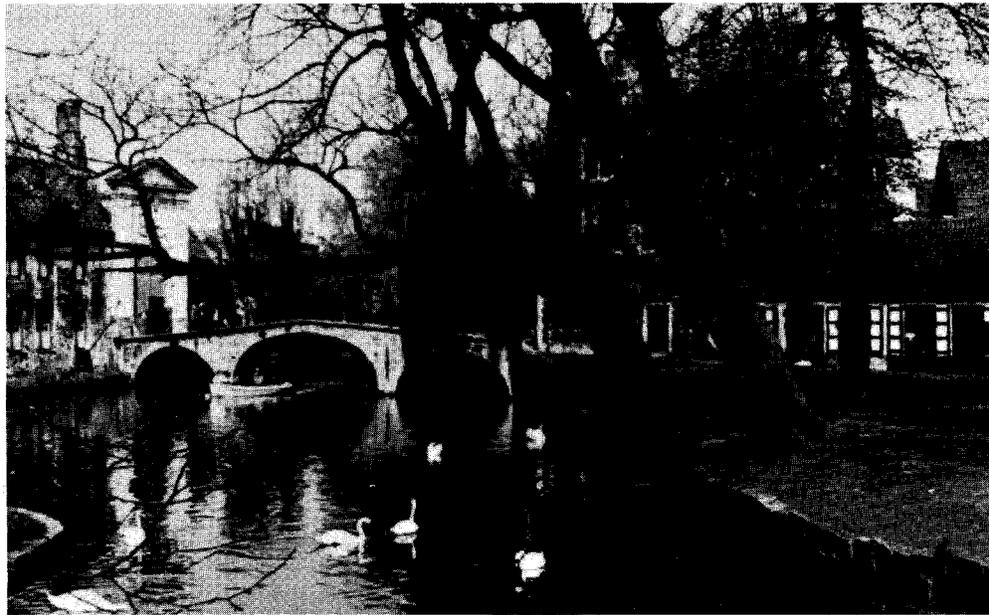
The Arch of the *Palais du Cinquantenaire*, Brussels, built to commemorate the 50th anniversary of Belgian independence

For 84 years, Belgium remained neutral in the various intra-European wars until German troops overran the country on August 4, 1914. The monarch, King Albert, rallied his troops, and together with the French army, was able to hold on to a corner of the Flemish region in Belgium throughout the war. Some of the fiercest battles of World War I were fought on these "Flanders Fields".

The effects of the German invasion and subsequent occupation were devastating, with 46,000 dead, in excess of 150,000 severely wounded, and the economy systematically dismantled to support the German war effort. Nearly all heavy industry was destroyed, the infrastructure was thrown into total collapse, and economic losses were estimated to exceed 7 billion Belgian Francs

(BF), representing approximately 16 percent of the country's wealth. The Conference of Versailles, which produced the peace treaty ending World War I, attempted to redress Belgian claims for reparations but only provided for BF 2 billion to compensate for actual damages. As a matter of necessity, the restructuring of the economy was made the highest post-war priority, but the extensive ravages of four years of war, coupled with the insurmountable challenge of restoring the infrastructure and economy, made this an unattainable task. By 1924, price levels had risen to five times their pre-war highs, the national debt had more than doubled, and the Belgian currency had depreciated rapidly, making not only reconstruction almost impossible but also taking a severe toll on the living conditions of the working class.[2] In order to avoid total chaos, a system of unprecedented social reform was initiated, and the granting of universal male suffrage in 1919 lent considerable influence to the emerging political parties which were developing along religious, economic, and, of course, linguistic lines. The majority parties (Catholic, Liberal, and Socialist) and several smaller splinter groups so divided the electorate that the formation of a stable coalition government proved next to impossible, with 17 governments being formed in 21 years--from 1919-1940.

During this time, Belgium, in an effort to provide for its political and economic security, entered into a number of international pacts and associations: it became part of the French alliance system under a Franco-Belgian military agreement in 1922, was one of the first signatories of the League of Nations, and, in 1925, signed the Locarno Treaty with France and Germany to guarantee their borders. On the economic front, Belgium established the Belgian-Luxembourg Economic Union in 1922, and participated in the Treaty of Oslo in 1930, which established preferential customs arrangements among the Scandinavian countries, Belgium, The Netherlands, and Luxembourg.



Gateway to the Beguinage Canal, Brugge. Major cities in Belgium--Brugge, Brussels, and Charleroi--are connected by a series of canals.

The inter-war years also saw an unprecedented blooming of Flemish culture and widespread feelings of Flemish nationalism in northern Belgium. This served to intensify ethnic rivalry with the southern French-speaking Walloons and threatened the economic recovery and social order. Partly as a result, Belgium abrogated the Locarno Treaties and all other such pacts in 1936 and reverted to its policy of neutrality in an unsuccessful effort to hold off a potential Nazi invasion. When this failed, Belgium was invaded on September 10, 1940, and was occupied by

Germany until late 1944. It was in the Ardennes region of southwest Belgium, near the city of Bastogne, that the last great land battle of the war in Europe--the Battle of the Bulge--was fought in December 1944, and where 13,299 American soldiers now lie buried in one of the largest American military cemeteries outside the continental United States. Because of his controversial behavior during the German occupation, King Albert was forced to abdicate in 1951 in favor of his son, King Baudouin, who still occupies the throne.

CONTEMPORARY BELGIUM

Belgium today is a parliamentary democracy under a constitutional, hereditary monarch who, while technically the source of all executive authority, relinquishes all governmental decisions to a Council of Ministers led by the Prime Minister. The King's powers are limited to those explicitly mentioned in the Constitution, such as convening and dissolving Parliament, appointing diplomatic envoys, declaring war, and conferring titles and decorations. No act of the King is valid unless the decrees issued in his name are countersigned by one of the cabinet ministers. Additionally, the King may not act on his own initiative nor against the advice of his cabinet ministers who are drawn from among the members of a bicameral Parliament. The power of the state is divided into executive, legislative, and judicial categories with duplicative administrative structures operating at the national, regional, provincial, and communal levels. The cabinet holds office as long as it retains the confidence of Parliament, which includes 13 political parties split along linguistic and ideological lines. Direct popular elections for parliamentary seats (excluding 76 of the 182 Senate seats which are apportioned by other means) are held at least every four years under a system of universal suffrage, mandatory voting, and proportional representation. The Flemish and Francophone Social Christians have been the major modern-day political force in Belgium, leading or participating in virtually all of the 30-odd coalition governments since World War II.

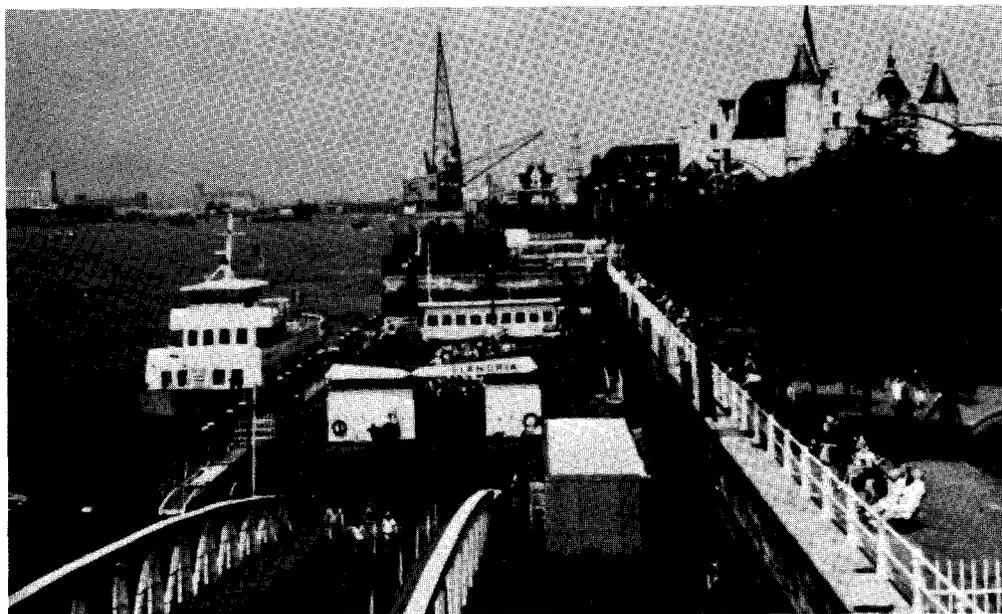
While elections are constitutionally required every four years, Belgian politics of the post-war years has witnessed a series of government collapses as a result of complex, fragile coalitions based primarily on the country's ethnic divisions. The linguistic split into Flemish and Wallonian regions remains the most significant factor in Belgian political life, with all major institutions divided by language, and with regional linguistic rivalries having to be taken into account on all important national decisions. (The capital, Brussels, was officially declared linguistically neutral in 1981.) The ever-present perils of the language issue were most recently dramatically highlighted by the October 1987 resignation of Prime Minister Martens and his center-right government over a purely linguistic issue in which the militant French-speaking mayor of a small village called Fourons, located in the Flemish Limburg province, refused to speak Dutch in the formal execution of his duties. While the underlying currents in this issue include significant unease at the recent shift of political and economic power away from Wallonia, it serves to emphasize how deeply the linguistic division runs in Belgium and the



The landmark Hotel de Ville
at the Grand Place, Brussels

hazard it poses to any government seeking to remain in power.[3] In the Armed Forces, this has resulted in an institutionalized 60-40 manning split based upon the larger Flemish population, and, in the area of defense procurement, it has had a major impact in the awarding of contracts based upon the proportional economic advantages to each region.

Because of its experiences during the two World Wars and its limited ability for self-defense, Belgium was quick to join as a founding member of the United Nations, with a Belgian--Paul Henri Spaak--serving as the first president of the U.N. General Assembly. For the same reasons, Belgium was also one of the 12 founding charter members of NATO in 1949 and has served as the host for NATO headquarters in Brussels since 1967, and the Supreme Headquarters Allied Powers, Europe (SHAPE) in Mons since 1966. Briefly summarized, Belgium's major NATO roles include: (1) participating in the defense of the central European region by air-land defense of an army corps area in the Federal Republic of Germany (FRG); (2) military defense of XXits national territory and its immediate sea approaches, and the organization, defense and support of allied Lines of Communication (LOC); and (3) maintaining a mobile Belgian task force with a land component issued from a para-commando regiment and an air transport command. To accomplish these goals, Belgium maintains an army of approximately 66,000, half of whom are deployed to the FRG as part of the Belgian I Corps, which is comprised of two active divisions, each having three mechanized brigades and supporting units. The remainder of the army comprises the Forces Interior responsible for the defense of the home territory and LOC, and is made up of regular army units which would be augmented in wartime by the local gendarmerie and reserve forces. In addition, the Forces Interior are supplemented by a regiment of para-commandos (equivalent to U.S. Army Rangers) with two airborne infantry and one commando battalion. The Belgian Air Force, consisting of 20,000 officers and airmen, operates four tactical air wings (two F-16 and two MIRAGE V), in addition to one C-130 transport wing, a helicopter wing, and a missile wing which currently mans four NIKE Hercules surface-to-air missile squadrons in the FRG. The Belgian Navy, smallest in NATO at approximately 4,500 men, consists of four AAW frigates and a mix of about 30 mine warfare hunters and sweepers, the majority of which are assigned full time to NATO's CINCHAN for the defense of the sea approaches to Western Europe. Despite its small navy, Belgium deployed two minesweepers and a support ship to the Persian Gulf for mine clearance operations in September 1987.



The Fleet Landing (*Embacadere*) at Antwerp, the third largest port in the world. U.S. Navy ships visiting Belgium are typically moored here.

Besides NATO headquarters, Brussels is host to a large variety of international organizations, including the European Economic Community (EEC), and because of its geographical proximity to the major cities in Europe, is host to over 899 U.S. companies, 300 of which are in the Fortune 500 and many of which are key players in the defense field. Belgium comprises approximately 11,800 square miles (about the size of the state of Maryland) and has a population of 9.4 million (about that of the state of Pennsylvania).

EVOLUTION OF THE OFFICE OF DEFENSE COOPERATION, BELGIUM--LUXEMBOURG (ODC BELLUX)

Just as the history of Western Europe heavily influenced the evolution of modern Belgium, the history of post-war Europe has also had a profound effect on the emergence of what is now the Office of Defense Cooperation. As a product of the Truman Doctrine, the 1948 European Recovery Plan, or Marshall Plan, provided more than \$12.5 billion for the economic recovery of Europe, some \$518 million of which was directed to Belgium. Closely related to the Marshall Plan was the U.S. effort to shore up the defense of war-ravaged Western Europe through the use in many European countries of Mutual Defense Assistance Agreements. Signed on January 27, 1950 and implemented in Belgium on March 30, 1950, this agreement provided for the establishment of the Military Assistance Advisory Group (MAAG) BELLUX in order to oversee the programs of assistance furnished pursuant to the Mutual Defense Assistance Agreement. Headed by a Brigadier General and a staff of some 75 people, MAAG BELLUX assisted the Belgian military in revitalizing a force which had been nearly decimated in World War II and in ultimately transferring and assimilating more than a billion dollars of Military Assistance Program (MAP) equipment for the Belgian armed forces.

TABLE 1

FINANCIAL SUMMARY OF MAP MATERIAL FURNISHED TO BELGIUM (As of 1 October 1987)

A. TOTAL VALUE OF MATERIAL ACQUIRED:	ACQUISITION VALUE
NAVY	178,917,000
AIR FORCE	342,655,907
ARMY	483,681,964
	TOTAL \$1,005,254,871
B. MATERIAL TURNED-IN OR CONSUMED:	
NAVY	100,325,573
AIR FORCE	323,393,872
ARMY	440,111,981
	TOTAL \$ 863,831,426
C. MATERIAL REMAINING IN INVENTORY:	
NAVY	78,591,427
AIR FORCE	19,262,035
ARMY	43,569,983
	TOTAL \$ 141,423,445

Of the three services, the Belgian Army was by far the largest recipient of MAP equipment from the U.S., taking into inventory the entire spectrum of army material including tanks, personnel carriers, machine guns, rocket launchers, and a variety of armored vehicles. The Belgian Air Force, which was not formally established until after the war, grew tremendously with the assimilation of over 220 F-84F and 48 F-104G aircraft, as well as equipment to mobilize 6 squadrons of NIKE missile launchers, 4 of which are still in service. The Belgian Navy, which was not more than a small coastal defense force in 1947, received 7 ocean mine sweepers and more than 30 coastal and inshore mine sweepers that provided them with the nucleus of their fleet through the 1970s, with 17 of those ships still in active service today. The five principal official functions of MAAG BELLUX were to: (1) supervise host country use of MAP property and process the redistribution and disposal of excess U.S. MAP property; (2) assist in U.S. military export sales and international logistics efforts; (3) represent the Department of Defense to the host country military establishment; (4) influence host country military strategy, doctrine, and force structure in a direction favorable to U.S. policy objectives; and (5) serve as a point of contact for the exchange of information with the host country on forces, defense budgets, weapons systems, and military capabilities.

As the volume of MAP equipment transferred to Belgium ebbed in the early 1960s, the size of the MAAG BELLUX also began to diminish, from a staff of 25 people, including five O-6s in 1968, to only 14 people, with three O-6s, in 1976. Congressional passage of the International Security Assistance and Arms Export Control Act (AECA) in 1976, put statutory limits on the sizes of MAAGs worldwide, precluded the establishment of any additional MAAGs without specific Congressional approval, and placed the MAAGs under the direct control and supervision of the U.S. Chiefs of Mission. As a result, MAAG BELLUX was formally disestablished on 30 September 1976, and the Office of Defense Cooperation (ODC) was established on 1 October 1976 under EUCOM Permanent Order 21-002. The International Security Assistance Act of 1977, P.L. 95-92, further specified the worldwide total of military personnel which could be assigned to diplomatic missions on a permanent basis to perform security assistance functions, limiting the size of ODCs to a maximum of six people with justification by the Chief of Mission. For ODC BELLUX, this meant a reduction to the current operating level of five officers, headed by an Air Force O-6. (See Appendix 1 for a current organizational chart of ODC BELLUX.) It also meant a move from an old, spacious facility on the southern edge of Brussels to a new location in the center of town, almost adjacent to the Embassy, in an early 19th century townhouse that was once the residence of the English poet Lord Byron.

The move to closer proximity to the Embassy had a very positive effect on the ODC's relationship with the Embassy and our role as a member of the "country team". The accomplishment of our varied missions, such as security assistance planning, U.S. defense representative, U.S. CINCEUR Contact Officer (USCCO), EUCOM public affairs POC, host national support, etc., require daily liaison with various members of the country



**The "Lord Byron House,"
51 Rue Ducale, Brussels;
Headquarters, ODC, BELLUX**

team, including the Ambassador, Deputy Chief of Mission (DCM), political-military officer, and United States Information Service officers in order to ensure proper coordination of U.S. Government positions on issues concerning Belgium. We at the ODC in Brussels have been extremely fortunate to have an Embassy staff, and in particular an Ambassador and DCM, who have been deeply interested in, and extremely supportive of, our mission, and who have not hesitated to intercede at the highest levels in both the U.S. and Belgian governments to ensure that issues were expeditiously resolved. No single better example exists of the need to work together as a "country team" than the 1983 Belgian decision to accept Ground Launched Cruise Missiles (GLCM) at Florennes, Belgium, as part of NATO's "theater" nuclear weapons to bolster the alliance doctrine of "flexible response". As might be expected, the approval of such a decision by the Belgian government, and its subsequent implementation, was a highly political and controversial issue which required extremely close coordination of all members of the Embassy staff. Once the initial approval phase had been completed, extensive coordination was required for several years to ensure the timely construction of the GLCM base at Florennes and the "normalization" of activities there. And now, as the U.S. and Soviet governments have completed an agreement on the removal of intermediate-range nuclear forces from Europe, the country team is again deeply involved in discussions on the future of GLCM bases and the timing of activities related to the missile withdrawal.

Another area in which the EUCOM defense representative role involves much ODC activity is in coordination with the Belgian government on the biannual REFORGER exercises which test the capabilities of Belgian seaports and airports to cope with the numerous logistical and operational problems which might be encountered in the emergency resupply of Western Europe. Preparation for REFORGER exercises takes months of involvement by all members of the ODC to ensure that the various Army, Navy, and Air Force elements involved in these exercises have coordinated their plans with the appropriate Belgian government, military, and port authorities.

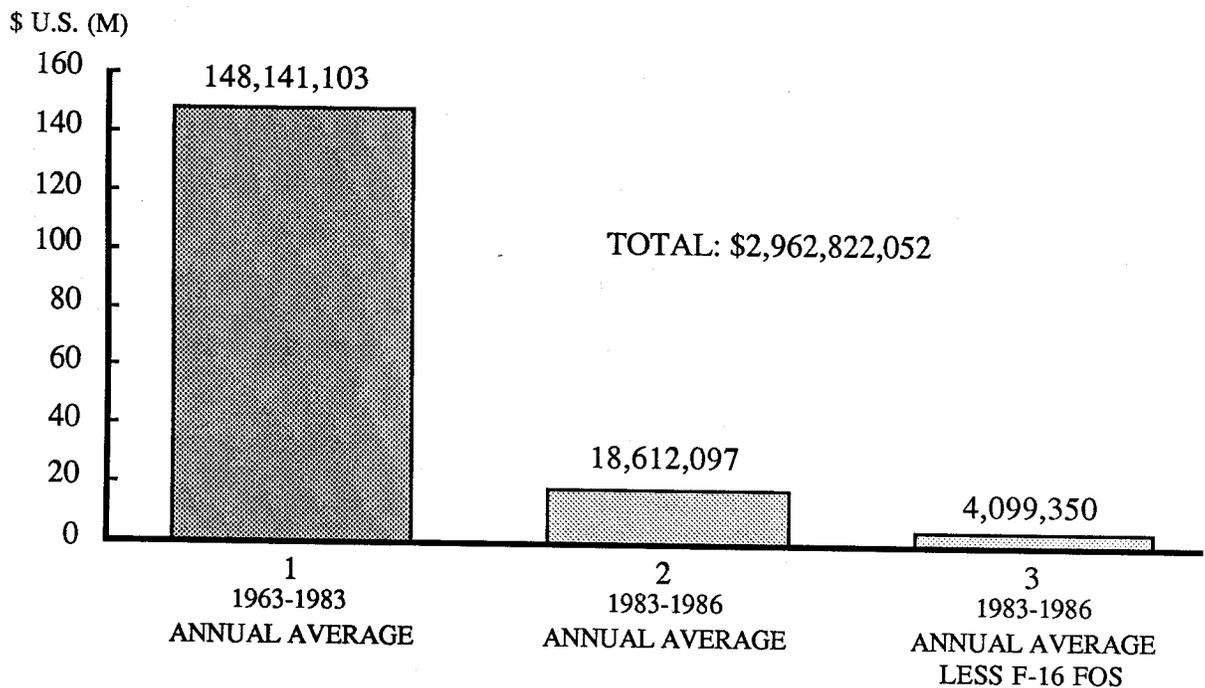


A U.S. Navy CH-53E helicopter awaiting Standard Depot Level Maintenance at IAI, Zaventern Airport, Brussels

In the early 1960s, the Belgian military began an intense program to modernize its forces from the predominantly MAP assets in its inventory. Several large procurements were made from a variety of sources including the emerging indigenous Belgian defense industry, other European countries, and, of course, from the United States via FMS and direct commercial sales. ODC

BELLUX, like all other ODCs, has traditionally been deeply involved in the planning, supervision, and implementation of the security assistance program in Belgium. Because of the relatively small size of its military and its equally limited defense budgets, the Belgian FMS program cannot compare in scope to that of its larger NATO partners such as the United Kingdom and the Federal Republic of Germany; however, for these same reasons, proper planning and close in-country coordination of FMS efforts become even more significant to ensure that limited assets are wisely used. In the period 1963-1986, Belgian military FMS purchases exceeded \$2.9 billion, although from the data in Table 2 below, it is obvious that the levels of these purchases have greatly diminished over the past few years. Major FMS purchases by the Belgian Army in the past two decades have included 96 M108 105MM and 41 M109 155M Howitzers, 290 HAWK tactical missiles, support for the Belgian Army NIKE Hercules squadrons, and over 100 LANCE missiles. Current army FMS program levels are valued at \$30.6 million with 45 open cases. In the same period, the Belgian Army has been much more involved in commercial purchases from the U.S., with the two largest purchases having been a \$110 million contract for 127 M109A2 SP 155MM Howitzers from BMY and a \$106 million contract for the procurement of 114,000 rounds of M485A2 155MM ammunition from General Defense Corp. Belgian Navy procurements have been mainly limited to support equipment for its frigates and minesweepers and participation in the 10 nation NATO SEASPARROW (RIM-7H/M) missile consortium which Belgium joined in 1970. By far the largest participant in the FMS system has been the Belgian Air Force (BAF) which has obtained extensive support for its C-130 squadrons, AIM-9-P3 air -to-air missiles, and a very ambitious pilot training program, including annual participation in U.S. Air Force RED FLAG exercises. Without a doubt, however, the single most important FMS program to date with Belgium has been its purchase (initial and follow-on buys) of 160 F-16 A/B aircraft as part of the original European Participating Government (EPG) consortium which included The Netherlands, Denmark, and Norway.

TABLE 2
FMS SALES TO BELGIUM
1963 - 1986



As stated in the 10 June 1975 Memorandum of Understanding (MOU), the objectives of the USAF-EPG F-16 program were (1) to acquire a low cost, easily maintained aircraft with advanced avionics and weapons capability; (2) to standardize fighter aircraft in NATO, thus contributing to greater NATO rationalization, standardization, and interoperability (RSI); (3) to allow the EPG countries to acquire advanced technology; and (4) to make optimum use of EPG industrial, economic, and technical resources in the production of the aircraft.[6] The original Belgian Air Force (BAF) purchase under the terms of this MOU was for 116 F-16 A/B aircraft at a purchase price of \$949 million, with significant Belgian industry coproduction and indirect offsets written into the program. Under the terms of the MOU, the U.S. contractors were to place contracts with industry in the participating EPG countries equal to 58 percent of the procurement value of the 348 EPG and 650 USAF aircraft, with an additional guarantee of offsets equaling 15 percent of any third country sales of the F-16. Specific Belgian coproduction arrangements of the original purchase included the mate through delivery of the 116 Belgian and 58 Danish aircraft, the final assembly of the engine, major airframe components manufactured for the USAF original 650 aircraft acquisition, and the continued coproduction of major airframe components and subsystems for third country aircraft in quantities commensurate with the achievement of offset credit equal to 15 percent of their procurement value. In addition, in 1982 Belgium agreed to purchase an additional 44 F-16 aircraft at a purchase price of \$632 million, which included indirect offsets of 22 percent and direct offsets of 58 percent of the procurement value. Belgian industrial participation for this follow-on buy was similar to the original arrangement, with continued mate through delivery of the BAF planes, final assembly of Pratt & Whitney F-100 engines, manufacture of aircraft fuselages, wings and engine modules for both the BAF and USAF aircraft, and additional work in the manufacture of airframe subcomponents and subsystems for BAF, USAF, and third country aircraft.

The sheer magnitude of the BAF F-16 program, both in terms of dollar value and involvement of Belgian defense industries in a major coproduction arrangement, clearly made it the most important security assistance program between the U.S. and Belgium. More importantly, however, were the program objectives which recognized that due to the tremendous costs of sophisticated weapons systems and the impact which these costs can have on a country's defense planning, the "old" method of business wherein countries came to the U.S. via the "one-way street" of FMS sales was no longer necessarily operative. Terms such as NATO RSI, technology transfer, and coproduction had now become the watchwords for conducting business in the arms transfer arena, and the use of formal MOUs, such as the one establishing the F-16 program, became indispensable to the conduct of cooperative efforts in defense procurement. In 1977, the Culver-Nunn Amendment to the Defense Appropriation Authorization Act (P.L. 94-361) authorized DOD to make exceptions to the Buy American Act and similar legislation in order to promote a "two-way street" concept of cooperation in defense procurement among NATO allies to further NATO RSI as a means of improving military readiness among the Alliance. In 1983, the Roth-Glenn-Nunn Amendment (P.L. 97-252) reaffirmed this commitment to NATO cooperation and became the foundation of DOD's MOU program of bilateral procurement agreements with our NATO allies. While these MOUs do not guarantee business or defense procurement contracts to foreign defense firms, they do provide an opportunity for U.S. and allied industry to compete for defense business with lowered legal obstacles on both sides. In December 1979, the U.S. and Belgium signed a MOU relating to the principles governing mutual cooperation in the research, development, production, procurement, and logistic support of defense equipment. The stated intent of this MOU was (1) to permit both countries to make the most cost effective and rational use of their respective resources allocated to defense; (2) to promote the widest possible use of standard or interoperable equipment; and (3) to develop and maintain an advanced industrial and technological capability for the North Atlantic Alliance. Supported by an implementing Annex agreed to in April 1983, the "Two Way Street MOU" provides for annual meetings to exchange information on the status of programs covered by the MOU and to seek new areas of possible mutual cooperation.[7] Coordination of these meetings, setting the agenda, and monitoring the

progress of in-country MOU programs became an adjunct mission of the ODC and greatly increased the scope of our in-country involvement as these programs relate to the FMS system.

The agenda of the most recent U.S.-Belgian MOU meeting conducted in April 1987 provides a fairly good example of the range of issues covered under the MOU and efforts required to support it. Topics discussed included the following: the U.S.-Belgian Defense Balance of Trade, which includes FMS and commercial purchases made by Belgium and DOD prime and subcontractor values (see Table 3); revitalization of existing Data Exchange Agreement Annexes for the exchange of information; updating the Industrial Security Accord which regulates travel, visitation, and access to classified information between the two governments; discussions on USG policy on granting waivers for nonrecurring costs (NRC) recoupment charges involved in R&D of defense equipment; establishment of a Scientist/Engineer Exchange program to facilitate cooperative efforts in defense research; examination of current and proposed Nunn Amendment projects and areas for Belgian participation; and a bilateral review of possible armament cooperation opportunities. The last two items--the Nunn Amendment (which earmarks U.S. defense funds for cooperative research and development projects) and armaments cooperation--are concepts which represent increased ODC involvement in an area which has not traditionally been emphasized as part of an SAO role, and which have significantly altered our future in-country role from the passive management of ongoing security assistance programs to a more active participation in the Belgian defense planning and procurement process.

Table 3

U.S. - BELGIAN

FY 85 MOU DEFENSE TRADE BALANCE¹

FY	<u>BELGIAN MOD PURCHASES FROM U.S.</u>			<u>DOD PURCHASES FROM BELGIUM</u>			<u>RATIO⁴</u>
	<u>FMS</u>	<u>COM-MERCIAL³</u>	<u>TOTAL</u>	<u>DD350</u>	<u>SUB-CONTRACT</u>	<u>TOTAL</u>	
1985	8,735	28,908	37,643	49,932	113,240	156,172	0.23:1
1984	7,931	6,517	14,448	103,594	10,545	114,139	0.13:1
1983 ²	957,965	50,000	1,007,965	50,065	62,909	112,974	8.92:1
1982	19,068	50,000	69,068	62,781	177,711	240,492	0.29:1

Notes:

1. Figures in thousands of U.S. \$ as of 30 Sept 85.
2. 1983 Belgian purchases include 44 follow-on F-16 aircraft for \$632 million.
3. Commercial export figures are estimated totals of commercial exports licensed under The Arms Export Control Act compiled by the State Department Office of Munitions Control.
4. This ratio is the result of comparing DOD data with NATO allies' generated trade with each country. Data provided by OUSD-IPT in April 1987.

EMERGENCE OF DEFENSE COOPERATION IN ARMAMENTS

The current emphasis on armaments cooperation, and the changing role of the ODCs within that sphere, derives its impetus from President Reagan's Conventional Arms Transfer Policy of 8 July 1981 which rescinded the constraints imposed upon DOD by the Carter administration's infamous "leprosy letter" and which recognized the political, economic, and military importance of fostering armaments cooperation with our allies. In June 1985 the Secretary of Defense formally addressed the need for greater cooperation with our NATO allies to improve NATO's conventional defenses to compensate for the rapid expansion of Warsaw Pact forces. To ensure the most efficient use of limited resources and to enhance our collective security, the Secretary of Defense directed DOD activities involved in armaments cooperation to (1) ensure reciprocal access to, and protection of, U.S. and allied technology to avoid unnecessary duplication of technological developments; (2) deploy and support common--or at least interoperable--equipment with the Allies; (3) develop incentives for the Allies to make greater investment in modern conventional military equipment; and (4) achieve the economies of scale afforded by coordinated research, development, production, and logistic support programs. In taking these steps, it was hoped that the President's policy of supporting Allied armaments cooperation would "convince our NATO allies, the U.S. Congress and Executive agencies that collective security depends upon greater integration of military requirements with alliance-wide Defense Industrial Cooperation"(DIC).[8]

For SAOs, a particularly important aspect of the President's Arms Transfer Policy was the direction provided for U.S. government representatives overseas "to provide the same courtesies and assistance to firms that have obtained licenses to market items on the United States Munitions List as they would to those marketing other American products." While Section 515 of the Foreign Assistance Act of 1961 had already specifically authorized SAOs to perform the function of "promoting rationalization, standardization, interoperability, and other defense cooperation measures among members of the North Atlantic Treaty," a strict interpretation of that mandate in the past had confined SAOs to purely security assistance related activities since the JMP funding of security assistance organizations required that at least 50 percent of a SAO member's time be dedicated to SA functions. This narrow view of the role of the SAO has begun to change in recent years as the lines of distinction between what is, and what is not, a legitimate SAO function have been blurred by the emergence of activities such as investigating quids for possible non-recurring cost waivers, NATO conventional defense improvement efforts, participation in Nunn/Quayle Amendment projects, FMS sales accompanied by indirect commercial offsets, etc., which combine to make it nearly impossible to arbitrarily say that a particular function is not valid for SAOs.

In recognition of this fact, DOD in June 1986 initiated a study of the role of SAOs in armaments cooperation/defense industrial cooperation to identify the extent to which SAOs were involved in "non-traditional" SAO functions, the manpower requirements necessary to support those functions, and the host country perceptions of the SAO role in these areas.[9] Utilizing a Working Group on Offices of Defense Cooperation established by DEPSECDEF Taft in May 1986, OSD, with the coordination of the JCS, the Unified Commanders, and the Military Departments, sought to examine the guidance, manpower, funding, and training requirements of the ODC organizations to support DOD armaments cooperation initiatives in recognition of the role which ODCs can, and already do, play in DOD armaments cooperation programs. This study resulted in the December 1986 OSD decision to provide POM funding for 40 armaments cooperation billets in Europe, 34 of which were to be drawn from existing SAO authorized strengths and the remaining 6 to be released from joint assignment elsewhere.[10] This action was taken in the belief that the recognition of armaments cooperation as an assigned responsibility of the ODC/MAAG would ensure that appropriate levels of attention within the host country would be given to participation in, and implementation of, cooperative opportunities, and to create an environment favorable to the development of additional cooperative programs in the future. As defined by OSD/USDP in March 1987, the ODC/MAAGs with identified armaments cooperation billets would be responsible for:

(1) serving as an advisor/liason for the national armaments director to counterparts in host country ministry, services, and industry for cooperation in research, development, production, and support of military systems; (2) liaison for DOD planning and advisory activities intended to develop defense industrial capabilities in those nations with whom we have a formal DIC agreement; (3) substantive and administrative participation and support of specific reciprocal defense procurement MOU/MOA implementation; (4) serve as POC for MOD and foreign firms on DOD acquisition and logistic practices and contacts, and for U.S. firms seeking or implementing cooperative programs; (5) to monitor arrangements for protection of U.S. and allied technologies and military systems as necessary to ensure continued cooperative activities, and (6) to provide coordination and support of meetings and visits of DOD representatives involved with armaments cooperation.[11]

Concurrent with DOD activity in creating both an environment and a structure for fostering increased Allied armaments cooperation, in April 1985 an amendment to the U.S. munitions control regulations deleted the requirement for prior approval for the sale of Significant Military Equipment (SME) to NATO countries, Japan, Australia, and New Zealand, provided that no technical data was released. In January 1987, the Secretary of State issued updated guidance on arms transfer policies and procedures to all diplomatic missions in which he stated that

in view of the potential importance of arms transfers to U.S. security and foreign policy objectives, it is important for posts to work closely with representatives of U.S. defense firms who are properly licensed or authorized to discuss their defense products with host country officials . . . [and that] if the Chief of Mission believes that a potential acquisition by the host country could significantly advance USG foreign policy and/or national security objectives, he/she should expeditiously bring this to the attention of the Department, and upon specific authorization from the Department, become personally involved in furthering that action . . . and be perceived by host government officials and U.S. defense contractors as doing so.[12]

This SECSTATE guidance was followed in August 1987 by direction to yet another member of the country team, the Commercial Officer, when the U.S. Department of Commerce issued revised guidance for U.S. Foreign Commercial Service (USFCS) Officers on the support of U.S. defense industry sales. Key elements of this guidance included (1) with respect to FMS efforts conducted by DOD, to support those efforts, within the constraints of DOC limited resources, where the USFCS officer's knowledge of host country can be useful such as suggesting areas for coproduction agreements and/or bilateral work sharing, assistance in identifying and selecting agents and consultants, etc.; and (2) for U.S. defense firms which have a license to release technical data in support of sales promotions or other marketing activities in the host country USFCS can provide advice on which host government officials to contact, general advice on sales tactics, and informing the host government of the issuing of licenses.[13]

THE CHANGING ROLE OF ODCs

Given the recent shift to participation in defense cooperation in armaments (DCA), the ODC's emerging role in that process, and the increased support of the Embassy country team, what are we at the ODC BELLUX doing in this challenging new field? Before answering that question, perhaps it is best to briefly examine the economic and political environment in which we must work to hope to be able to participate in DCA.

Although Belgium had been a prosperous country from an early date, it entered the 1980s facing a difficult period of structural adjustment complicated by regional conflicts. The country's

industrial economy is largely based on the manufacture of semi-finished and finished goods from imported materiel, and on the provision of financial and transport services associated with trade and public administration. Because of its small domestic market and lack of significant natural resources, the country is extremely dependent upon foreign trade (the port of Antwerp is the second largest in Western Europe and the third largest in the world) and is highly sensitive to developments in the international market and economy. Traditional sectors of the economy including coal, steel, and textiles have been hard hit by changes in demand and international competition, and have resulted in a gradual shifting of the economic power base from Wallonia to the Flanders region in recent years. Since the 1970s, high labor costs and an extensive social welfare system have served to undermine the competitiveness of Belgian industry, and to discourage private investment, thereby contributing to serious unemployment with an average 12.8 percent unemployed in the period 1984-1987. The 1973 oil embargo and resultant global recession hit the Belgian economy particularly hard, creating a record deficit in 1981 and stagnating economic growth to the point that in 1982 Parliament had to grant the government emergency economic powers to attempt to restore corporate competitiveness, control public expenditure (social security, unemployment benefits, and public services accounted for 26 percent of the total budget in 1982), and boost employment. The resulting economic austerity program was designed to reduce the government deficit of over 12 percent of GNP in 1983 to 8 percent in 1987 and 7 percent by 1989.[14] As part of this austerity program, all government agencies, including the MOD, have had to take severe budget cuts. In 1985 defense represented 6.3 percent of the national budget; recent budget reductions to help meet deficit reduction targets have resulted in a near zero growth level, with capital expenditures for new defense equipment having been cut back dramatically. While ongoing programs of defense modernization will continue, at albeit slower rates, future increases in real defense spending for new procurement will be, politically, very difficult to obtain under the current climate of budget contraction, and all government procurement decisions must ensure that Belgium derives the maximum return from its investment consonant with Belgian law and defense procurement policies.

BELGIAN DEFENSE ACQUISITION POLICIES

Offset Requirements

Although the central government is constitutionally responsible for national defense, the reality is that regional politics play a decisive role in defense acquisitions. In the case of any kind of major defense purchase, it would be impossible for the Belgian government to make a decision without agreement on the regional division of whatever benefits might accrue.

The idea of requiring what have come to be generally called "offsets" to be linked to defense purchases did not originate in Belgium; however, the regional politics described earlier make the process especially complicated in this country.

The Belgian Economics Ministry (MEA) has developed a pamphlet entitled "Principles of the Ministry of Economic Affairs Related to Contracts for Defense Equipment." These principles, which include being involved in R&D efforts from the onset, reflect the prioritization of the different types of industrial offsets expected in conjunction with major defense purchases, and is an effort by the ministry to provide written guidance to foreign companies seeking to market defense equipment in Belgium. The pamphlet is more a list of current concerns than a set of instructions; however, any company interested in marketing their product to the Belgian Ministry of Defense should be fully prepared to address these concerns. In addition, although not formally stated in the MEA paper, the value of any offset proposal is expected to be equal to a minimum of 100 percent of the contract value, and should be distributed according to the following regional percentage formula:

Flanders 54 - 56 percent

Wallonia 34 - 36 percent

Brussels 9 - 11 percent

These percentages were agreed upon in 1983 and were recently re-publicized following the release of funds for new defense procurement over the next two years (1988-89).

The prevailing mood in the Belgian defense industry, and other areas of the economy as well, is that Belgium is falling behind in emerging technologies and unless immediate action is taken to reverse this trend, independent Belgian industries will cease to exist by the year 2000 and Belgium will become a second class "workshop" nation where nothing is invented and products are merely reproduced from somebody else's design. According to the Belgian National Armaments Director,

Belgian industry has--for lack of its own natural resources--always based its activities on transformational technology. Since its labor is expensive and since it must remain competitive, the country is forced to concentrate on those sectors offering high additional value, and this in turn means high technology: Belgium's industrial future is assured only if the country develops and renews its technological potential.[15]

It is clearly evident that the maximum leverage will be exerted from defense spending towards correcting this situation, through greater Belgian involvement in R&D and codevelopment.

Evaluation and Selection of New Defense Equipment.

A decision by one of the Belgian Armed Services to acquire a new weapons system is based largely on their stated requirements in support of the overall NATO Force Goals. This determines the type and quantity of a particular item, and an initial evaluation of mission capability and life cycle cost is performed by the service staffs. From this survey of what is potentially available, a "short list" of rationally prioritized selections is developed. A process of extended "consultations" then begins with the manufacturers on this short list. These consultations will involve refining the cost data, developing quantity and delivery time options, and obtaining additional technical data. It is readily apparent that traditional FMS procedures (i.e., P&R, P&A, LOA development) are not, by their very nature, well suited for competing in this process, and unless the U.S. manufacturer is willing or able to arrange potential offsets, coproduction, or participation in future R&D programs, the FMS option is practically precluded from the start for major Belgian purchases. Following the consultation process, the Service will pass the procurement request to the Joint Military Procurement Agency, which will then normally issue a formal request for proposals (RFP). To evaluate the proposal submissions, two Working Groups will be formed: a Technical/Operational Evaluation Group and an Economic/Industrial Offset Evaluation Group. The Technical Group will review and prioritize the proposals as rationally and objectively as possible, using military operational criteria as a basis for their decisions. Their report is reviewed by the National Armaments Director and passed to the Minister of Defense. The second group (chaired by a member of the Ministry of Economic Affairs) will evaluate the industrial offsets according to the principles referred to earlier and ensure that the proposed offsets are regionally distributed according to the percentage formulas shown above.

Obviously, cost and capability are only two of the criteria in the selection of defense acquisition; political factors must also be considered. This Working Group also submits its recommendations through the National Armaments Director to the Minister of Defense. The Minister of Defense will then present the MOD prioritized proposal list to a special Council of

Cabinet Ministers that reviews all defense spending actions prior to submission to the Parliament for formal approval.

Once approved by the Parliament, the purchase authorization is passed to the Joint Staff, which then authorizes procurement action to begin. As might be expected, this process sometimes results in the selection of a defense product or service that falls short of meeting all military operational requirements or ultimately costs a great deal more than an item procured "off the shelf." In the long run, however, it is designed to ensure that the Belgian government derives the maximum return in all areas--military, political, and economic--from their limited defense procurement and R&D budgets.

ODC BELLUX Initiatives in Armaments Cooperation

As previously stated, the ODC's participation in U.S.-Belgian MOU discussions has served as a vehicle for greater involvement in the sphere of armaments cooperation, especially with respect to identifying potential projects for Nunn Amendment funding and seeking bilateral armaments cooperation opportunities in order to maintain a favorable balance of defense trade between the U.S. and Belgium. A major drawback to full Belgian participation in Nunn projects identified by the U.S. services has been the requirement for a heavy investment of R&D funding which the Belgian defense budget is unable to support to the extent required by these large programs. The impact of such an investment on a smaller nation such as Belgium is enormous and, as stated by the Belgian MOD, ". . . does not enable countries with limited resources to participate in the maximum number of projects . . . and which results in the smaller countries specializing in a narrow field and thus not being able to share in the technology transfer and the subsequent expertise to be derived from it." Described in Belgium as *la beaute du geste*, this process, wherein larger countries set conditions and investment levels for participation in collaborative projects so severe that the smaller countries either cannot join or are so restricted as to make their investment almost meaningless, has to date precluded Belgian participation in any of the major Nunn programs but has not thwarted their desire to do so. Belgium's modest successes in this area have come in the NATO Comparative Test and Foreign Weapons Evaluation Programs associated with the Nunn amendment. For example, the National Armaments Director (NAD) nominated a Belgian company's research on IR and chaff decoys for possible collaborative work in the U.S.-Belgian MOU meeting. The ODC was then able to coordinate Belgian efforts with the U.S. Navy program sponsor and subsequently the U.S. Navy has obtained \$200,000 for testing in 1988 at the Naval Research Laboratory in what looks like a very promising initiative. Additionally, the U.S. Army Aberdeen Research Center has obtained Nunn money for the evaluation of advanced helicopter night vision devices developed by a small Belgian company, and the U.S. Navy has also expressed an interest in Belgian produced bullet trap grenades as a candidate for the Foreign Weapons Evaluation program. While not of the scope of the more glamorous Nunn projects such as the NATO Identification, Friend or Foe (IFF) system or Modular Standoff Weapons system, these programs do represent a foot in the door to greater Belgian participation, and indicate that there is research going on in Belgium of potential benefit to the alliance.

Finding these research efforts has been a major role of the ODC, as we have instituted a regular program of "factory visits" where ODC officers investigate any leads we may have on a company or product and visit these companies in order to identify the sources and availability of equipment being produced and make a preliminary assessment of their potential value as either an industry-to-government or industry-to-industry cooperative effort. These trips have resulted in the discovery of some rather interesting applications of technology, such as an innovative method of casting titanium for the aerospace and marine industry, a non-toxic insect repellent for use in tropical climates, and a device to measure fuel oil storage tanks for ullage or leakage with almost 100 percent accuracy. Having uncovered these various products, an even larger challenge is to put the Belgian company in contact with the correct DOD component which might have an interest in

exploring further development. While for the more technical projects we can call on in-theater resources such as the Naval Research Laboratory or Air Force European Office of Aerospace Research and Development in London, very often we must resort to a hit-or-miss approach of writing the various DOD procurement agencies and/or program sponsors in the hope that someone will think the idea to be of sufficient interest to warrant further examination. In addition, on all of our visits we try to sit down with the Belgian industrialists and explain how to go about obtaining a possible contract with DOD, either by submitting an unsolicited proposal or through responding to the DOD bidder's list of requests for goods and services. Initially this tactic tends to scare off many potential customers as the sheer magnitude of the DOD acquisition process and the complexity of regulations in the FAR make the entire process appear very ominous to the uninitiated. However, after we have had a chance to explain how the various DOD procurement agencies fill their demands through commodity listings and advertisements in publications such as the Commerce Business Daily, we are generally able to get these small companies to take the plunge and become actively involved in selling themselves to the U.S. government or in seeking a U.S. partner for the marketing of their product in the U.S. In so doing, we have developed a voluminous, but certainly incomplete, library of publications from the various AFLCs, ILCs, Competition Advocates, and other components of the services and DLA to put at the disposal of a Belgian company which might wish to learn more about U.S. defence procurement business. In addition, we have attempted to bring together in one document a summary of how to obtain DOD subcontracts so that Belgian firms can deal directly with U.S. industry. We have also co-sponsored two in-country symposia on "How to do Business with the U.S. Army/Air Force" which brought together representatives of the National Armaments Directors' Office, the Ministry of Economic Affairs, and numerous Belgian companies to discuss defense contracts and how to overcome obstacles in obtaining them.

The identification of areas for possible bilateral cooperation between the U.S. and Belgian governments poses a special problem due to the reduced Belgian military procurement budget as well as the complexity of inter-ministerial and regional politics and interests involved in the Belgian defense procurement system. Further complicating this equation is the tendency of EEC countries to buy "European" before they consider going the traditional FMS route, as well as a peculiarity of Belgian law that requires all excess procurement funds not recouped by the end of the fiscal year in which they are allocated to revert to the Belgian national treasury vice the armed forces. (This aspect has always made Belgian planners look askance at FMS because, unlike most other countries, it precludes the Belgian services from benefitting from the "economies of scale" upon which the consolidation of U.S. and FMS customer requirements is based.) In sum, these factors combine to put procurement through FMS at a distinct disadvantage unless the U.S. government and defense manufacturers are willing and able to work together to overcome them. The recent changes in the U.S. approach to armaments cooperation, and the increased involvement of the entire country team, are at least now allowing U.S. defense equipment manufacturers a chance to compete whereas only a few years ago they were "locked-out" of the market for those items which had to be purchased via FMS.

In order to highlight projects which appear to have serious potential for armaments cooperation, the ODC instituted a series of "Armaments Cooperation Spot Reports" which are designed to alert officials in the system (SECDEF, STATE, the Services, USEUCOM, etc.) to program status, our perceptions of the next step in the process, and which agency's assistance might be required. As an example, in the Spring of 1987, the BAF initiated a study to determine a follow-on aircraft for the F-16 in the year 2000. Based upon the lengthy Belgian system of defense procurement, it appeared obvious that if a U.S.-manufactured aircraft had any chance of competing for selection, they had to become involved in the early planning stages. In support of this opinion, the Ambassador sent personal letters to the Chief Executive Officers (CEOs) of all major U.S. aircraft manufacturers advising them of the existence of the BAF study and the general lead times for participation, and urged the CEOs to get involved now if they hoped to be able to participate in any such program. These letters were followed by an ODC "Spot Report" to DOD

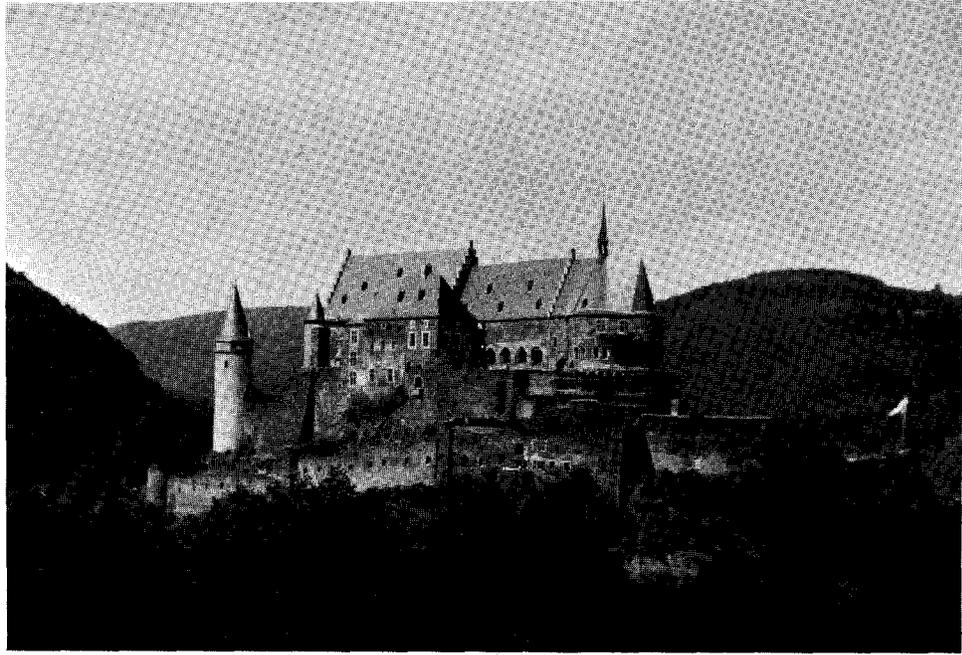
stating that any DOD aircraft for the same time frame should be closely coordinated with industry in a dual approach if we hoped to market the aircraft in Belgium. Fortunately, in this same period, the Air Force and General Dynamics had been busy responding to a SECDEF tasking to study an F-16 derivative aircraft in order to evaluate an upgraded F-16 as a complement to the Advanced Tactical Fighter (ATF) in the 1990s and to explore the costs and benefits of upgrading the F-16 to satisfy EPG country requirements for the future. The timing of our country team efforts, then, was able to dovetail nicely with the Air Force's ongoing efforts, and resulted in an October 1987 U.S. government/contractor briefing team to the EPG countries to explain the F-16 derivative concept (dubbed "AGILE FALCON"). The briefing postulated EPG requirements, and the prospective program plans, including pre-development activity, codevelopment, and coproduction possibilities, industrial participation, and possible aircraft configuration.

As a result, the ODC is now actively involved in discussions with the NAD for a "Predevelopment MOU" or other such instrument to be signed in the Spring of 1988 which would agree upon a cost-sharing arrangement for the AGILE FALCON and establish a role for European industry in the predevelopment stage while not obligating the EPG countries for the later codevelopment/coproduction stages. It is hoped that the mutual benefits of such a joint program, i.e., shared development costs, economies of scale in production, reinforced NATO RSI and EPG participation in aircraft R&D as well as production, will convince both Belgian government and industry that the F-16 variant represents an attractive and cost-effective candidate for a follow-on fighter for all participants in the program.

In an effort similar to the follow-on F-16, the ODC has been working through the National Armaments Director to ensure that U.S. companies get an equal opportunity to compete for the selection of the Belgian Army's new anti-tank and scout helicopters. Again, precipitated by letters to CEOs of major U.S. helicopter manufacturers and "Spot Reports," we have been monitoring MOD/NAD deliberations and keeping U.S. industry and DOD advised of developments. This has involved working with the commercial officer in the embassy to establish contact with interested Belgian partners for codevelopment and coproduction, ensuring that U.S. companies are aware of the Ministry of Economic Affairs' requirements for both direct and indirect offset arrangements, and arranging briefings of all interested parties by the various U.S. manufacturers.

In addition to these major projects, we are actively involved in a number of other armaments cooperation initiatives which are likely to result in a combination FMS/commercial sale, such as the selection of new ASW torpedoes for the Belgian Navy, the purchase of HMMWVs as replacements for Belgian Army jeeps, and the outfitting of the BAF fleet of F-16s with an EW system. In these efforts, two elements stand out as being common to them all: (1) that the coordination of all players in the country team, working closely with both DOD and U.S. industry, is essential to the sale of any major defense equipment in Belgium; and (2) in the present environment of NATO armaments cooperation, a straight, no-strings-attached major U.S. government FMS sale to Belgium is a thing of the past and that the diverse activities which promote armaments cooperation in conjunction with FMS sales are an appropriate part of the primary mission of this ODC as we pursue life after the "two-way street."

Luxembourg



A 13th Century castle at Vianden, Luxembourg.

HISTORY

In 963 AD, Siegfroi, Count of the Ardennes, established the Luxembourg dynasty by having a castle built on a rocky promontory, the site of the present city of Luxembourg. Several towns grew around the castle and, in turn, were surrounded by heavy fortifications until the entire area became a single, mighty fortress called the "Gibraltar of the North." During the five centuries following Siegfroi's acquisition of the area, national heroes such as Sigismund, Wenceslaus, Henry VII, Charles IV, and especially, John the Blind, fought bloody battles against invaders.

Until the 15th century, the Luxembourg dynasty remained semiautonomous. The dynasty in its independent status, together with its "German links", came to an end with the Burgundian conquest of the area in 1443, which heralded several more centuries of battles and sieges.

In 1815, after 400 years of domination by various European nations, Luxembourg was made a grand duchy by the Congress of Vienna. It was granted political autonomy in 1838 under King William I of The Netherlands, who was also the Grand Duke of Luxembourg. The country considers its year of independence to be 1839.

By the Treaty of London in 1867, Luxembourg was recognized as an independent state and was guaranteed perpetual neutrality. After being occupied by Germany in both world wars, Luxembourg formally abandoned neutrality in 1949 by becoming a charter member of the North Atlantic Treaty Organization (NATO).

The present sovereign, Grand Duke Jean, succeeded his mother, Grand Duchess Charlotte, on November 12, 1964, when she abdicated after a 45-year reign.

PEOPLE

Luxembourgers express independence and national solidarity while espousing a pragmatic, international outlook. Luxembourgish, the spoken, indigenous language, is an old Moselle-Frankish dialect blended with elements of German and French. The official language of the civil service, law, and Parliament is French, with a few exceptions--criminal and legal debates are conducted partly in Luxembourgish. German is the primary language of the press. Pupils are taught in both languages, with German spoken mainly at the primary level and French at the secondary level.

GOVERNMENT

Luxembourg has a parliamentary form of government with a constitutional monarchy. Under the constitution of 1868, as amended, the Grand Duke is the chief of state. Executive power is exercised by the Grand Duke and the Council of Government (Cabinet), which consists of a president of government (Prime Minister) and several other ministers. The prime minister is the leader of the political party or coalition of parties having the most seats in Parliaments.

Legislative power is vested in the Chamber of Deputies, elected directly to 5-year terms. A second body, the Council of State, is composed of representatives of various sectors of society who are appointed by the Grand Duke. The Council of State is an advisory body whose views are considered by the Chamber of Deputies in drafting legislation.

Luxembourg law is a composite of local practice, legal tradition, and foreign systems--French, Belgian, and German. The apex of the judicial system is the Superior Court, the judges of which are appointed by the Grand Duke.

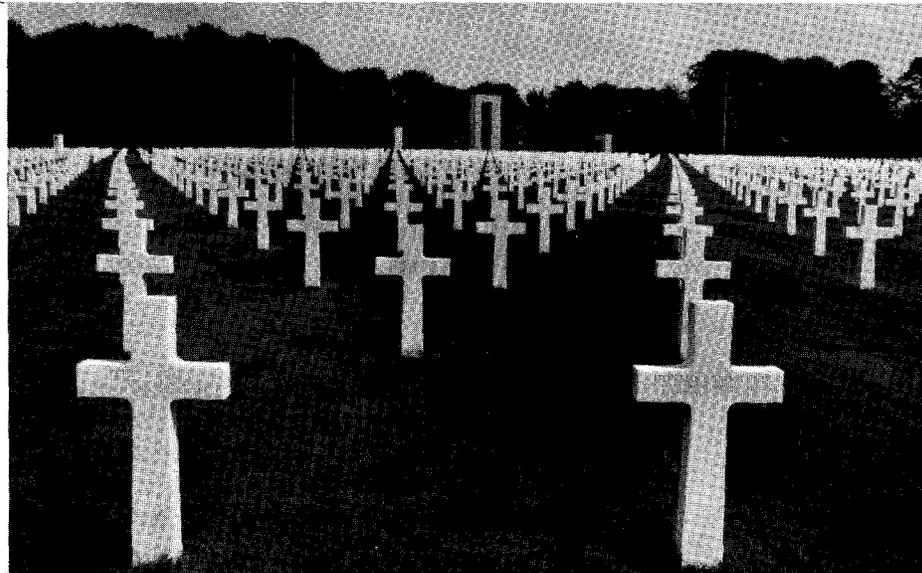
Since 1984, the government consists of a center-left coalition of the Christian Social Party (25 seats in the Chamber) and the Socialists (21 seats). This leaves the Democratic (liberal) party, which had participated in 3 consecutive coalition governments, in the opposition (14 seats), along with the Communists (2 seats) and the Greens (2 seats).

STRATEGIC SIGNIFICANCE AND DEFENSE

Luxembourg is bordered by France, Belgium, and the Federal Republic of Germany. It covers 1,034 square miles (about the size of Rhode Island) and has a population of 365,000.

Luxembourg is the host to two U.S. Army Theater Reserve storage sites which house a major portion of USAREUR's reserve of combat vehicles and equipment. Luxembourg International Airport is a major REFORGER airfield. Luxembourg has agreed to the construction of a USAF warm base wartime contingency hospital, and Luxembourg is also the host to the NATO Maintenance and Supply Agency (NAMSA) and its northern depot at Capellen.

The 1986 budget for the Ministry of Public Force was 2.4 percent of the total government budget. This represents 1.1 percent of the estimated GNP. Luxembourg's NATO roles include : (a) commitment of a reinforced rifle company to the Allied Command Europe (ACE) mobile force; (b) defense of Luxembourg's territory and the allied Lines of Communication (LOC); and (c) wartime host nation support to the LOC. Luxembourg would be hard pressed to do all three at the same time.



A view of the Luxembourg-American Cemetery and Memorial at Hamm, WWII gravesite of 5100 American soldiers of the Third Army, including General George S. Patton, Jr..

The strength of the army has declined dramatically since the 1950s when the nation could field some 10,400 troops in time of war. The law of 27 June 1967 made the army an all volunteer force with no organized reserve or mobilization structure. This law fixed army strength at 638 military and 100 civilians. In 1985, Luxembourg reduced its contribution to NATO from a battalion to a reinforced company. (Note: In contrast to its NATO allies, Luxembourg cited no economic difficulties in justifying its reduction. In fact, it enjoys a per capita GDP second in the European Community only to West Germany and has a budget surplus.) To quote Mario Hirsch, a Luxembourg journalist, "In a crisis situation, Luxembourg would either have to rely on foreign troops to protect its territory and the NATO LOC, or break its (ACE Mobile Force) commitment. Mr. Hirsch continues:

18 years after the abolition of conscription, Mr. Marc Fischbach, Luxembourg's Minister of Defence finally wants to honour the country's promise by setting up a territorial force of some 150 men. But this suggestion immediately became a hot issue and the subject of intense political controversy. While the idea is backed by Mr. Fischbach's own ruling Christian Social Party, the Socialist Party, the other party in the coalition government, is strongly opposed to any such move on the grounds that Luxembourg has already done more than enough to meet its obligations to NATO and that any further step to "militarize" the country is unwelcome.

ODC RELATIONSHIPS IN LUXEMBOURG

The ODC's Luxembourg Affairs Officer (an Army LTC billet) represents the ODC Chief as a member of the U.S. Embassy country team in Luxembourg. Historically, this officer has lived in Brussels and gone TDY to Luxembourg to accomplish the ODC missions there. This will change in February of 1988 with the permanent stationing of the officer in Luxembourg. The change of duty station was approved by USEUCOM in light of the increasing level and frequency of involvement for this officer in Luxembourg. The Security Assistance mission continues, but the real increases are in the USCINCEUR Contact Officer and Defense Cooperation in Armaments duties. The U.S. Embassy is quite small (seven diplomats). As the only "in house" military

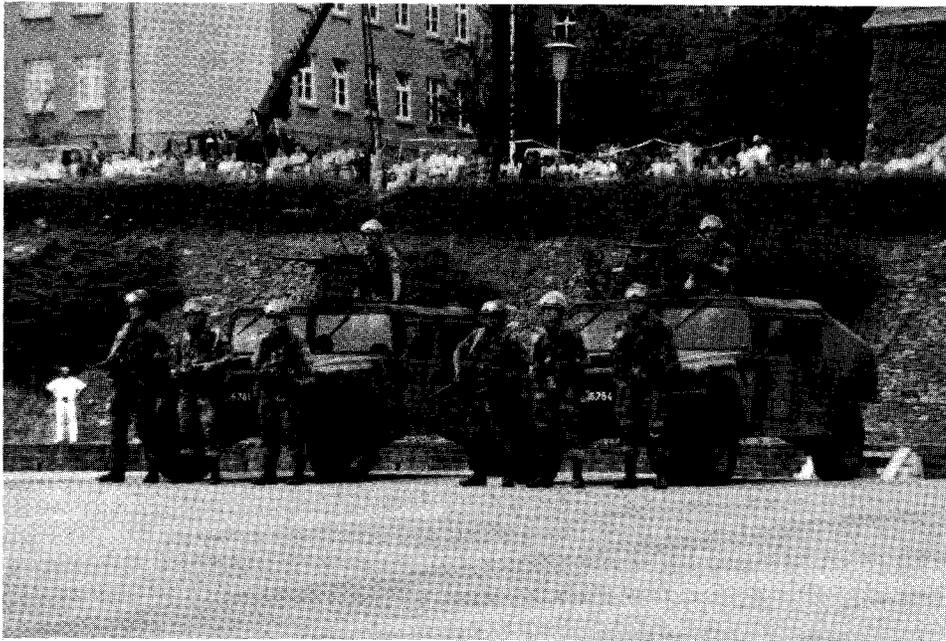
officer, the ODC representative will become an important political-military asset to the Deputy Chief of Mission.

The ODC deals with the Ministry of Defense in all mission areas, as well as the Ministry of Foreign Affairs/International Trade on armaments cooperation issues. The ODC maintains very close contact with the Luxembourg Army Headquarters and the Military Training Center on security assistance matters.

MAJOR ACTIVITIES IN LUXEMBOURG

FMS

In 1985, the Luxembourg Army purchased 29 high mobility multi-purposed wheeled vehicles (HMMWV) through FMS. This made Luxembourg the first NATO ally to purchase this 1 1/4 ton vehicle from the U.S. Army. The Army's satisfaction with the vehicle led to the 1987 purchase of an additional 40 "Hummers." This allows the Army to replace their fleet of 60 M151 1/4 ton jeeps with the Hummer as their primary tactical vehicle. The long-range interest is for another 60 Hummers to serve as troop transport vehicles.



Luxembourg Army personnel with the U.S. HMMWV, the "Hummer."

Armament Cooperation

The relationship of the U.S. firm LTV (manufacturer of the Hummer through its subsidiary AM General) with the Luxembourg MOD has evolved from placing offset contracts with Luxembourg industry to searching for Luxembourg subcontractors for LTV projects. The Ministry of Foreign Affairs and Chamber of Commerce are working with LTV to identify likely candidates. LTV provided 200 percent offset (of 100 percent promised) for the first Hummer contract. The search for subcontractors is a result of the negotiations surrounding the 1987 contract.

IMET

Biennial funding of a small IMET program for Luxembourg began in 1986. The rationale was the necessity to restore U.S.-Luxembourg contacts within the military at the PME level. The previous Minister of Defense was the last PME student (U.S. Army Command and General Staff College) prior to the IMET program. Two Army officers attended the U.S. Armed Forces Staff College at Norfolk in 1986. One now serves as S3 of the Military Training Center, while the other is now the Deputy G4 in the Army Headquarters. If FY 88 funding is received, two officers will attend the U.S. Army Logistics Executive Development Course. These officers are future G4s for the Army. The IMET program is bearing fruit in that the MOD has realized it can send one officer to Norfolk for less money than it has been spending on 12 or 18-month programs in Europe. The Minister has agreed to Luxembourg funding for AFSC students in the years when no IMET funds are available.

NOTES

1. *Background Notes--Belgium*, U.S. Department of State, Bureau of Public Affairs, June 1983.
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Appendix 1

U.S. Office of Defense Cooperation in Belgium-Luxembourg

ODC BELLUX ORGANIZATION

