

The FY 1989 Request for Security Assistance

By

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[The following is a reprint of a prepared statement which was presented by General Brown in testimony before the Foreign Operations Subcommittee of the House Appropriations Committee in Washington, DC on March 17, 1988.]

Thank you, Mr. Chairman, for the opportunity to address your subcommittee on the FY 1989 Request for Security Assistance. This is my first time here, and I look forward to establishing the straightforward and cooperative relationship we need to effectively address the serious national security issues involved in our military assistance programs. Because the Administration's FY 1989 Foreign Assistance Request is a balanced request that conforms to the budget agreement reached last year between the Administration and the Congressional leadership, I am hopeful that there will be much more to agree on this year than in the last several years.

My staff tells me, Mr. Chairman, that last year you good-naturedly asked my predecessor if he was not tired of making the same points year after year. I am afraid that I will reiterate some of those points, but that is because they speak to enduring truths of U.S. security that must always guide our deliberations. World problems do not go away. At the same time, I appreciate other realities with which you must contend. I want to engage this committee in a pragmatic approach to resolving any issues you may have with the budget request, and, to this end, I intend to be frank and to the point in my testimony today.

PURPOSE OF MILITARY ASSISTANCE

Our military assistance programs--FMS Credit Financing (FMSCR), the Military Assistance Program (MAP), and International Military Education and Training (IMET)--are a vital instrument of our national security policy, an essential investment in U.S. defense. They establish productive relationships with foreign political and military leaders, and are instrumental to obtaining and preserving access to strategic foreign military facilities. They enable foreign forces to handle threats to U.S. interests. They give countries very tangible incentives to support U.S. policy, and demonstrate that we have an interest that goes beyond rhetoric. They help countries achieve the security they need to develop successful economies and open political systems.

The military assistance programs are cost effective. By enlisting the support of friends and allies, they achieve real security objectives at far less expense than could be achieved by the U.S. on its own. This point is particularly salient in light of the decline in real U.S. defense spending. More than ever, we must squeeze the most we can from every dollar which contributes to our national security.

SECURITY ASSISTANCE ACCOMPLISHMENTS

As the committee well knows, our military assistance effort, like other elements of our foreign assistance effort, has suffered severe funding reductions over the last several years in the wake of deficit reduction. These reductions have had serious implications for our national security policy.

Security assistance funding has suffered larger proportionate funding cuts over the last several years than the rest of the foreign assistance effort. In fact, from FY 1986 to FY 1988, security

assistance declined by 16 percent while other discretionary foreign assistance funding increased by 3 percent. Military assistance began its decline after FY 1984, a year earlier than most other programs.

Military assistance funding had increased in the first half of this decade in response to pressing requirements, such as base rights, Middle East peace, the Soviet/Afghan threat to Pakistan, Central American insurgencies supported by hostile powers, Libyan aggression in Chad, the Vietnamese threat to Thailand, and the threats to our vital interest in the Persian Gulf, especially as a result of the Iran-Iraq War.

These investments clearly paid off. We renewed base agreements with every base rights country receiving security assistance, and financed some much-needed force modernization for our southern-tier NATO allies. Israel remains stronger than all its possible enemies combined, and Egypt remains at peace with Israel and firmly retains an independent foreign policy. Pakistan has preserved its independence and taken important steps toward democracy, and the Soviets are now looking for a way out of Afghanistan. The tide of insurgency in El Salvador was checked. Chad has pushed Libya back to the border, teaching Libya an invaluable lesson about intervention. Thailand has contained aggression along its borders, as Vietnam tries to find a way to escape its own interventionist quagmire. We greatly enhanced our ability to execute our Southwest Asia strategy by preserving our access agreements with Kenya, Somalia, and Oman, and carrying out facilities upgrades in these countries. Security assistance was not solely responsible for these accomplishments, but it played a major role.

These challenges, however, are not yet behind us, and new ones have come to the fore, particularly the intensification of the insurgency in the Philippines and the drug war in Latin America and the Caribbean. Continued adequate levels of military assistance intelligently applied are needed to preserve past successes and achieve new ones. Unfortunately, severe funding reductions and reduced Administration flexibility in the application of assistance have already cost us some achievements, and threaten many others.

AGGREGATE FUNDING HISTORY

Two forces [have been] behind the severe funding cuts suffered by the vast majority of FMSCR/MAP countries since FY 85: aggregate funding reductions and increased earmarking. Total funding has *declined* over this three-year period by \$1 billion or over 17 percent. At the same time, the percentage of funding earmarked has increased from 46 percent to 92 percent. In gross terms, earmarked funding has *increased* by \$1.75 billion, though the number of programs earmarked has only increased from 3 to 8. Non-earmarked funding has declined by \$2.75 billion; funding available for the more than forty other programs funded in FY 1985 but not earmarked in either FY 85 or FY 88 has declined by \$1.15 billion or 77 percent. Consequently, by FY 1988, only 16 of those more than 40 other programs are receiving any FMS Credits or MAP. I do gratefully acknowledge, however, that the funding bill reported by your committee last year earmarked military assistance to a far lesser extent than did the final Continuing Resolution for FY 1988.

Some in the Congress have rebutted Administration complaints about excessive earmarking by saying that Congress often reflects the Administration's own priorities by placing a floor on country funding at or below Administration request levels. This argument ignores the critical link between total available resources and specific country funding. When total resources are inadequate, the funding cuts have to be distributed on the margin where they most protect U.S. security interests. Congressional earmarks have not always accomplished this, thus ensuring that scarce foreign assistance resources are not optimally utilized to the benefit of this country. Furthermore, Congressional earmarks sometimes exceed Administration request levels.

The FMSCR and MAP programs were not the only military assistance programs to bear large funding reductions. The inexpensive but highly-effective IMET program, whose funding fared relatively well through FY 1987, suffered a very sharp and detrimental cut of 15 percent this year. Congressional authority to let the Army fund the fixed costs of the United States School of the Americas will mitigate the cut, but the number of foreign military personnel utilizing the program will still have to be significantly reduced. These IMET cuts only compound the detrimental effect of the FMSCR/MAP funding reductions on our relations with these countries.

The Special Defense Acquisition Fund (SDAF) also suffered a very sharp drop in its spending authority in FY 1988, falling by approximately \$80 million or 25 percent. The SDAF, which procures defense equipment in anticipation of foreign sales, enables the U.S. to respond to urgent defense needs of friends and allies with less resort to drawdowns from U.S. forces. Reduced SDAF spending authority could precipitate increased emergency drawdowns from U.S. forces, especially when decreased U.S. defense spending could produce longer procurement lead times for many items.

It is difficult to understand why a program as valuable as SDAF suffered such a large reduction when that reduction will have no significant effect on the budget. SDAF, as a revolving fund, is spending only previously appropriated funding (from certain receipts from FMS sales); its spending authority is not scored as budget authority, and hence against the budget authority ceiling; and it outlays at an extremely slow rate. I ask that you support our request for \$350 million in SDAF obligation authority in FY 1989.

COUNTRY IMPACTS

In FY 1987, in the face of the large decrease to total funding and simultaneous large increase in earmarked funding, the Administration sought to preserve programs and country relations by avoiding the zeroing-out of funding for more than a few countries. Most countries were funded well below the levels needed to sustain existing U.S. equipment.

In FY 88, a further reduction in total funding, of which an unprecedented 92 percent was earmarked, left the Administration no choice but to deny funding to a further 25 programs. Only three countries in Latin America and the Caribbean received MAP funding; 17 were unfunded, including states of the North Andean and the Caribbean regions with their serious drug problems. Seven countries went unfunded in Africa. Funding for Spain was terminated. Most funded countries are nevertheless still funded well below their sustainment requirements, including such key countries as Turkey, Tunisia, Jordan, Kenya, and Somalia.

While these general figures tell a great deal, the impacts on specific key countries and their real-world implications can be even more dramatic.

I am especially concerned with the impact of the last few years' reductions on Portugal. In our 1983 exchange of notes concerning continued use of the strategic Lajes Air Base, we made a best efforts pledge to achieve a rising trend in military assistance funding to \$125 million, and to maintain that level. While we achieved the \$125 million level in FY 1985, the growing earmarks and declining funds have forced us to cut FMSCR/MAP funding for Portugal to \$82.5 million in FY 88, a 34 percent drop. As the poorest member of NATO after Turkey, Portugal is almost wholly dependent on assistance from the U.S. and other NATO allies to maintain its existing defense equipment and finance much-needed modernization, such as its NATO frigate program and outfitting its NATO brigade. These funding cuts will delay major modernization programs, and probably eliminate smaller ones.

Inadequate funding also has real implications for our base rights in Portugal, which are critical to a number of our regional strategies. Secretary Carlucci recently had several lengthy meetings

with Portuguese Prime Minister Cavaco Silva in which the Prime Minister personally expressed his concerns about the deleterious effects FY 1988 security assistance levels will have on the modernization of Portugal's armed forces. The Prime Minister announced that he would seek "consultation" relating to the status of our agreement on the Lajes Base.

We are trying to do more for Portugal through the Southern Region Amendment, but are limited in what we can do through this vehicle. After the first flush of excess equipment in FY 1987, there is not much left that is useful for Portugal, either because the equipment is obsolescent or in poor condition or it is not compatible with Portugal's force structure. While we will continue to the best of our ability to utilize SRA to assist Portugal, a substantial funding increase for Portugal in FY 1989, as reflected in our request, is absolutely imperative.

I am also very concerned about the impact on Turkey. In the first half of this decade, assistance levels enabled Turkey to initiate such desperately needed force modernization efforts as F-16 procurement and tank modernization. Yet, since FY 85, Turkey's FMSCR/MAP has declined by 30 percent. In FY 1987, we could just barely cover support of existing U.S. equipment and payments for ongoing programs in Turkey; no further modernization of Turkey's largely obsolete equipment could be financed. Excess defense articles provided under the Southern Region Amendment have been useful and much appreciated by Turkey, but do not compensate for the modernization foregone as a result of the funding reductions. The SRA will also be of declining utility as useful excess defense articles become scarce. Substantial assistance for Turkey from our NATO allies, especially Germany, is highly important, but does not compensate for the effect declining U.S. funding is having on U.S.-assisted projects. Despite this situation and its political fallout in Turkey, Prime Minister Ozal demonstrated Turkey's continued commitment to Western security by signing the DECA (Defense Economic Cooperation Agreement) renewal in 1987.

In FY 1988, however, Turkey's FMSCR/MAP allocation, while unchanged from the FY 1987 level, does not, unlike in FY 1987, cover their minimum requirements for sustainment and ongoing programs, but falls \$95 million short. That is, those minimum requirements have grown. Turkey thus perceives declining U.S. support for, and appreciation of, a loyal ally situated in a strategic and dangerous part of the world and burdened with serious military deficiencies it cannot alone afford to remedy.

A democratic government such as Turkey's (and Portugal's) cannot ignore inevitable public pressure for a reaction. The delay in the ratification of the DECA until February 1988 is a relatively mild response. Failure to provide more adequate levels of assistance and to moderate our handling of sensitive issues between our two nations not only leaves a strategic ally inadequately armed, but could also invite reactions with more serious implications for our security cooperation and overall relations. Our request for Turkey in FY 1989 is the least we can do to avoid these real dangers.

Jordan is another important country that has suffered severe funding reductions with a detrimental effect for U.S. policy. FMSCR/MAP funding for Jordan has declined by almost \$65 million or 71 percent since FY 1985. FY 88 funding will cover only two-thirds of Jordan's sustainment requirement. Furthermore, the Administration has been prevented from selling Jordan the advanced systems it needs to defend itself against the larger and better armed forces of Syria.

Jordan is essential to progress toward a wider and more stable Middle East peace, and especially to a settlement of the explosive situation in the occupied West Bank. Jordan needs all the help it can get from us as it struggles to preserve its room for independent action in this dangerous area of the world. Adequate U.S. assistance, both as a means to acquire an effective deterrent force and as a tangible symbol of U.S. support, is the prerequisite, and not the reward, for bolder Jordanian efforts on behalf of peace. We provide \$3.1 billion a year in military

assistance to Israel and Egypt to preserve peace in the Middle East; the \$48 million requested for Jordan in FY 1989 is a worthwhile investment to establish a firmer base for that peace.

Tunisia, another important friend in the volatile Near East, has seen its FMSCR/MAP funding decline by 59 percent since FY 1985. It is funded below its sustainment requirement in FY 1988. Tunisia is a small country potentially vulnerable to the aggressive and unpredictable Libya on its border. We need to provide adequate U.S. assistance to the new government in Tunisia to help keep Tunisia strong and confident enough to deter Libyan aggression and resist accommodationist pressures.

In East Asia, long-time ally Thailand has suffered a 57 percent decrease in its FMSCR/MAP funding since FY 1985, despite the continuing Vietnamese threat on its Cambodian border. Serious fighting along the border with Laos is increasing Thailand's assistance needs as important Thai military assets are expended. Our request for Thailand in FY 1989 provides a small but necessary increase over its FY 1988 allocation to cover essential requirements.

Indonesia, a strategically-situated country with a large voice in ASEAN [Association of Southeast Asian Nations], has had its FMSCR/MAP funding reduced by 88 percent since FY 1985. Our FY 1989 request for Indonesia will help ensure that previous programs continue.

In Africa, severe funding reductions have contributed to the loss of prepositioning rights in at least one country, and are threatening the future of access agreements with several other countries. Sudan, which received \$45 million in FY 1985, is receiving no MAP in FY 1988, although some unexpended prior-year funds will sustain previous programs and assist them to patrol areas into which Libya has intruded. Somalia and Kenya have suffered 83 and 75 percent funding reductions respectively since FY 1985. Somalia was so unsettled when it learned of its low \$5.5 million MAP allocation for FY 1988 that it abruptly cancelled scheduled joint military discussions. The increased aid we are requesting for these countries in FY 1989 is important if we are to preserve the relations and access privileges we have cultivated with these strategic countries.

In Chad during the last two years, U.S. assistance made an important contribution to the Chadian rollback of Libyan forces to the Aozou strip. Increased MAP funding was an important element of this assistance, but the bulk of supplies were provided through emergency drawdown authorities [FAA, Sec. 506(a)]. The use of emergency drawdowns from U.S. stocks was clearly successful in that situation, but it cannot be the basis of the long-term effort needed to consolidate these victories and establish the security Chad requires to unify its war-torn country and develop its impoverished economy. This requires an adequate and sustained security assistance program.

Yet, Chad is bearing a 39 percent reduction in its FY 1988 MAP funding vice FY 1987. This will not cover even basic sustainment for the trucks and two C-130s the U.S. has provided. If hostilities again erupt, we may have to resort to emergency authorities again. Our request for Chad in FY 1989 needs to be fully funded if we are to reduce this reliance on emergency drawdowns and to lay the basis for durable peace and development in that country.

Latin America and the Caribbean have been hit hardest of all by funding reductions this year. Only three of the approximately 20 countries of that region whose security we have consistently invested in during this decade are funded in FY 1988.

We have achieved great success in El Salvador during this decade, turning back a rising tide of leftist insurgency and right-wing terror while helping to establish a democracy. Many said it could not be done. El Salvador is an instructive example of what can be accomplished through a balanced, sustained, and intelligently applied security assistance program that enjoys broad bipartisan support. At the same time, we cannot afford to be complacent about El Salvador.

Despite the successes and the promise of the Arias peace plan, the war in El Salvador is far from over. Yet, El Salvador's FMSCR/MAP funding has been reduced by 37 percent since FY 1985, and by 23 percent since just last year. This year's level of \$85 million will cover only basic combat sustainment requirements; \$24 million of combat loss replacements and infrastructure enhancement will have to be deferred. Reserves of spares and ammunition are being consumed, and some aircraft, patrol boats, and infantry battalions may have to be deactivated if additional funding is not forthcoming by the end of this year. Less tangible but no less important, declining U.S. support assaults the morale of this battered country and its armed forces. Our request for El Salvador is necessary to maintain the current capabilities of its armed forces and to demonstrate continued strong U.S. support.

Honduras has also experienced serious funding reductions, though it is a bulwark against Nicaragua's "revolution without borders." It peacefully transitioned to an elected civilian government, and supports the struggle to establish and preserve democracy throughout the region. Its forces are a deterrent to Nicaraguan aggression against Honduras without in turn threatening Nicaragua.

U.S. military assistance, as a means to strengthen and to promote greater professionalism in the Honduran armed forces and as a vital demonstration of U.S. support, has been an essential underpinning of the key role Honduras plays in this region. Yet, Honduras has experienced a 40 percent fall in its MAP funding since FY 1985, and a 33 percent reduction since just last year. FY 1988 funding will cover only payments for the recently acquired F-5 aircraft and minimum sustainment. Reserves will be run down, and maintenance will be deferred. No modernization can be undertaken. Like El Salvador, the psychological impact of the reductions is severe. Our request for Honduras is essential to sustain existing equipment and ongoing programs, and to give Honduras the confidence to continue to fully engage its neighbors in the regional peace process underway.

Guatemala is the only other country funded in the Western Hemisphere, earmarked by Congress at \$7 million in MAP. We have finally been forced to zero-out funding for countries with serious drug trafficking problems--Bolivia, Colombia, Ecuador, Jamaica, and the mini-states of the Eastern Caribbean--after having increasingly underfunded them over the previous two years. We have thereby reduced the means and incentives for the military forces of these countries to vigorously pursue the difficult and dangerous war against narco-insurgency.

The impact and implications of this situation are particularly grievous in Colombia, where the drug war wages alongside and often overlaps a major leftist insurgency. Colombia's military and police forces are stretched too thin to effectively fight either; increasing executions of law enforcement and political officials threaten to make this democratic country ungovernable.

Our FY 1989 request will restore some funding to these countries and attempt to get our assistance to their anti-narcotics and counterinsurgency efforts back on track.

Congressional caps on funding available for MAP general costs, especially when combined with the decline in the value of the dollar, have seriously impaired the planning and implementation of military assistance by requiring substantial cutbacks in personnel and operational costs, both overseas and in the United States. We cannot just throw money at a country program; we need the people and facilities to administer the funding in a manner that most cost-effectively contributes to the security of the country. Mr. Chairman, I ask for your help in ensuring that we have sufficient resources in FY 1989 to effectively administer the programs. We need \$42 million to cover MAP general costs in FY 1989, of which \$35 million will be necessary to meet the Overseas Program Administration requirements.

Our military assistance effort has also been hurt by several non-funding provisions of the Continuing Resolution for FY 1988. These include bans on the sale of STINGER air defense missiles and anti-tank rounds with a depleted uranium penetrating component (DU Rounds) to countries other than NATO and major non-NATO allies. The limited exception for Bahrain on STINGERS does not fully address that threatened country's legitimate self-defense requirements.

STINGER missiles and DU Rounds are important instruments for helping friends deter or resist aggression against our common interests; in many cases, we are unable to offer an alternative item of required capability. STINGER missiles provide an effective and low-cost alternative to the many states which cannot afford more expensive systems such as HAWK and CHAPARRAL but need an air-defense capability that they can deploy with their tactical forces. Because of the stringent safeguards we impose and the determination of countries to guard these systems as national assets, we judge that the danger of diversion is almost nil. In fact, to date, no STINGERS provided to governments through the security assistance program have been diverted to unauthorized parties. In the case of the DU Rounds, it is the standard kinetic energy round of the American tank. Countries could simply purchase the equivalent tungsten round from other countries, and perhaps turn to them as suppliers of armored vehicles as well. Such an outcome reduces our leverage without denying the capability to countries and regions.

Congress should assess transfers of these items on a case-by-case basis when they are needed, as the Administration does, instead of legislating a preemptive across-the-board prohibition.

Other detrimental provisions of the FY 1988 Continuing Resolution include an effective prohibition on the transfer of new U.S. equipment to Cyprus by any party; a prior notification requirement before undertaking new programs in Sudan, Ecuador, and Jamaica; and the requirement that excess defense articles to Greece and Turkey be provided in the same ratio as their military assistance funding. Furthermore, the extension of the Southern Region Amendment to Israel and Egypt could dilute the utility of this program to the southern-tier countries of NATO, for whom it was established.

Mr. Chairman, I nonetheless appreciate that there were some bright spots last year. Foremost, the funding story would have been much worse if it had not been for the budget agreement struck between the Administration and Congressional leadership which restored some funds to the account. I wish to acknowledge the efforts of the Congress and this committee in behalf of that agreement.

Other beneficial aspects of the Continuing Resolution include the two-and-a-half year extension of the Glenn-Symington waiver for Pakistan; the FMS debt refinancing authority; the exemption of Argentina and Brazil from restrictions on training; the war-reserves stockpile in Thailand; allowing the Army to assume the fixed costs of the United States School of the Americas; and several provisions enhancing our military assistance program for Israel. All of these provisions are important boosts to a military assistance effort otherwise severely damaged by funding reductions.

FY 1989 REQUEST

Mr. Chairman, I know that you appreciate the impacts of these serious military assistance funding reductions. I also recognize that this committee and the Congress as a whole have had to make extremely painful choices as you have labored to reduce the federal deficit. We may disagree on some of the choices made, but we must look to how we can now best address the military challenges facing this country.

This budget request is a start at the future, and one that I believe you can support. It is part of an Administration request for the [Budget] 150 Function that conforms to the budget agreement. The request also preserves the balance between military and other foreign assistance that Congress has legislated for the past three years. The individual program levels address our real security requirements in the best way that can be done, given overall funding and political constraints.

This request reflects hard choices made to conform to budget realities. This request is focused to support the basic military requirements of important friends and allies who lack the means to provide this support themselves. We are requesting aid this year for ten fewer programs than we requested in FY 1988; Spain joins Korea as a "graduate" of our military assistance effort. Program request levels in almost all cases will cover only sustainment and the most essential modernization. Turkey exemplifies this approach; its request level is \$60 million less than is needed to cover sustainment and ongoing program requirements, but we believe that this level will allow the most essential programs to continue.

Let me speak of two country FMSCR/MAP request levels that I think you may have concerns about. First, you will note that the level requested for Greece is somewhat less than 70 percent of the level requested for Turkey, though Congress has repeatedly earmarked it at the 70 percent level. You are, of course, well aware that the Administration strongly opposes this earmark, as well as others, because it is an artificial construction that does not reflect actual needs. It has also skewed allocations in constrained budgets to the serious detriment of other priority programs.

The request level for Greece, however, is quite close to this traditional earmark requirement, representing 64 percent of the request for Turkey. More significantly, we propose for the first time that Greece receive 100 percent grant funding. Greece never received grant FMSCR or MAP prior to FY 1988, and was earmarked by Congress to receive \$30 million [in grant MAP funds] or 9 percent of its total allocation in FY 1988. Turkey has traditionally received a much larger percentage of its total funding as grant aid, 64 percent in FY 1988. Thus, in terms of the total subsidy element of FMSCR and MAP funding, Greece will be substantially improving its traditional position relative to Turkey.

We are also requesting \$15 million less for the Philippines than Congress earmarked for it in FY 1988, although no less than the Administration had requested for this year. The Administration strongly supports a vigorous military assistance program for the Philippines, and clearly the Philippines has a larger requirement. But, in a constrained budget, \$110 million is a reasonable level. In addition, the amount of assistance that the Philippines armed forces can optimally absorb this year is limited. The Philippines requires a great deal of assistance to resolve its security problems, but it should be applied in the context of an efficient and reliable long-term program.

The \$52.5 million request for IMET is also a constrained but essential one. The request will restore funding to such important countries as Morocco and Pakistan, which were among those which suffered reductions in FY 1988. We are also requesting that Congress act to exempt IMET from restrictions such as the Brooke Amendment. IMET's objectives are primarily the longer-term ones of building strong and productive relations with and promoting professionalism within foreign military establishments; exempting IMET from restrictions such as Brooke will prevent shorter-term problems, such as loan arrearages, from interfering with the achievement of these longer-term objectives.

Mr. Chairman, this request for military assistance represents a careful and delicate balancing of program requirements to best support U.S. security interests in the context of a severely constrained budget. Most of our military programs have already suffered more funding reductions than they can tolerate and still fully serve the purposes for which they were established. There is little margin for change. If this request is skewed by reduced aggregate funding or earmarks, more country programs will have to be abandoned and others will be funded at inadequate levels, and

U.S. security will bear the consequences. Indeed, I hope we will not again see a 92 percent level of earmarking. I believe you can appreciate, Mr. Chairman, that while these earmarks may seem logical in the context of specific cases, their impact on the non-earmarked countries is devastating and seems to defy logic. We have submitted a realistic request sensitive to Congressional priorities, and I hope that this committee can fully support it.

CONGRESSIONAL OVERSIGHT

To conclude my testimony, Mr. Chairman, I would like to discuss this committee's long-standing concern with its ability to oversee the use of military assistance funds. You have asked for increased amounts of information on military assistance programs, and we have been forthcoming.

Last May, per your request, DSAA submitted a classified report detailing how countries intended to use requested FY 1988 military assistance monies. We agreed to send you an updated report geared to the allocation of appropriated FY 1988 funds as soon as possible after the enactment of the appropriation, and have recently provided it. We also agreed and have so provided a classified annex to the CPD for FY 1989 similarly detailing our planned FY 1989 programs.

The Continuing Resolution for FY 1988 extended formal reprogramming requirements to items of major defense equipment (MDE). The Administration must notify the Congress 15 days prior to obligating funds for the purchase of MDE if the MDE was not previously justified to the Congress or if it is more than 20 percent in excess of the quantities justified. The updated report we recently sent you on the use of FY 1988 military assistance monies constitutes the Congressional justification required by this new legislation, and therefore, is the basis for reprogramming actions.

These reports and the reprogramming notifications that will flow from the new legislation substantially increase the program detail readily available to the Congress. We worked long and hard with this committee and your Senate counterparts to arrive at this point. I believe, and I hope you agree, that these additional reports and requirements will enable you to fully exercise your oversight responsibilities. We are willing to continue to work with you and your staffs to provide additional information from time to time as required.

In light of this, I do not believe that revocation of the Administration's authority to merge MAP funds with FMS Credits and country funds in the FMS Trust Fund (known as MAP Merger) is necessary or even helpful to Congressional oversight of the military assistance effort. Congress gave the Administration MAP Merger authority effective in FY 1982. This authority greatly increased the efficiency of the FMS system. It also enhanced Congressional oversight by simplifying and centralizing the military assistance effort.

Revoking MAP Merger will require DSAA to establish an entirely new accounting system for MAP paralleling the FMS Trust Fund. This will increase the administrative burden of implementing military assistance, and siphon increasingly scarce resources away from already underfunded country programs. It will run directly counter to our very successful efforts over the last few years to streamline the FMS system by reducing the time and expense of handling FMS cases. It will not increase Congressional ability to ensure that U.S. funds are used in accordance with the law and to the maximum benefit to the U.S.; indeed, it will only add another complexity to an already complex program. I ask the Committee to seriously reconsider the wisdom of terminating MAP Merger.

In sum, Mr. Chairman, our military assistance effort has been severely damaged over the last several years, primarily as a result of funding reductions and unrealistic earmarks. Consequently,

the infrastructure of security we have helped establish in countries with real security concerns around the world is deteriorating. Base and access rights are threatened in numerous countries, and countries facing or engaged in conflict are having to forego essential modernization and are unable to sustain existing equipment. I cannot say just where the walls are going to break, but I fear that inevitably somewhere they will, and we and our friends and allies will be ill-prepared to respond.

Military assistance is not just about budget numbers; it's about peace, security, freedom, and development. The request we have submitted for military assistance is the least we can afford to do in the situation we find ourselves in. It is truly a realistic and balanced request sensitive to Congressional priorities. I hope you will support it.