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# SECURITY ASSISTANCE LEGISLATION AND POLICY

## The FY 1990 Security Assistance Budget Request

[The following material is extracted from the *Congressional Presentation Document for Security Assistance Programs, Fiscal Year 1990 (FY 90 CPD)* (pages 1-8, 11-12, 18, 24, 31, and 33-35). The CPD is jointly prepared annually by the Department of Defense and the Department of State for presentation to Congress. It provides a highly detailed description and budget justification for the various components and activities of the U.S. Security Assistance Program which require Congressional authorizations and funding appropriations.]

### Overview: FY 1990 Security Assistance Budget Request

#### WHAT IS SECURITY ASSISTANCE?

The term "security assistance" covers a range of programs through which the United States, in the pursuit of its own national interests, aids other nations to defend and preserve their own national security. Key appropriated components of this program are Foreign Military Sales Financing (FMSF), formerly Foreign Military Sales Credit (FMSCR), and Military Assistance Program (MAP) grants; the Economic Support Fund (ESF); International Military Education and Training (IMET); and Peacekeeping Operations (PKO). More broadly defined, security assistance also includes all U.S. arms transfers to friendly or allied nations.

#### RECENT DEVELOPMENTS IN SECURITY ASSISTANCE

The U.S. security assistance program has suffered a series of steady and deep cuts in aggregate funding levels over the last several years, beginning in the mid-1980s. Since 1984, military assistance has been cut by 26 percent. During this period, military aid to Egypt and Israel increased by 20 percent, while funding for all other country programs declined by 57 percent. For FY 1989, Congress approved a budget that reduced funding for the military portion of the program by \$10 million. Thus, despite relatively favorable treatment of the economic portion, the overall downward trend remains unchecked. Coupled with this reduction in funding levels has been an increasing tendency to earmark funds for particular countries, at times above the levels requested by the Administration. Significant cuts in funding threaten U.S. ability to pursue national security objectives. These include access to military bases and facilities abroad, support for emerging democracies facing conflict without resort to U.S. combat involvement, and sound military-to-military relations that support our diplomatic strategy and enhance U.S. influence and prestige.

Regrettably, reduced aggregate funding levels for security assistance programs, together with Congressional earmarking of over 90 percent of security assistance monies in recent years, requires termination of many unprotected programs. The results have been felt most acutely in Africa and Latin America, where numerous country programs were eliminated in FY 1988. Overall, the Administration's flexibility in using scarce resources to meet foreign policy priorities has been greatly reduced. In addition, the Congressional actions have fostered the appearance of a *de facto* U.S. retreat from global responsibilities, together with an apparent lessening of U.S. commitments to the defense of friends and allies. This situation creates the danger of an erosion of confidence in the United States on the part of many friendly nations, while also offering an invitation to adversaries to make trouble.

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## SOME BASIC POINTS

To understand fully the problems created by recent funding shortfalls and earmarking, it is necessary to look closely at the basic purposes of security assistance. Above all, security assistance is an instrument of U.S. national security policy, designed to promote U.S. national interests. Such assistance promotes these interests by pursuing multiple, overlapping, and mutually reinforcing goals. These goals include:

- Promoting regional stability;
- Maintaining the cohesion and strength of U.S. alliances and the cooperative arrangements essential to maintaining U.S. access to important military facilities around the world;
- Enhancing the ability of U.S. security partners to deter and defend against aggression and instability;
- Strengthening the economies of countries that are struggling to cope with high import costs and heavy debt at a time when commodity export prices are down; and
- Defending democratic values and institutions.

For over 40 years, security assistance has proved a key component of the U.S. strategy of global deterrence, collective security and forward defense against aggression. As challenges and threats have shifted, so has the focus of security assistance components. While major elements of the program--at present--are its support for the Middle East peace process and its aid to basing and access countries, in the past security assistance has helped to underwrite U.S. commitments and interests in countries throughout all geographic regions, in response to an ever-changing world environment. In the early post-war period, Western Europe, Japan, Korea, and Taiwan were the primary beneficiaries. Subsequently, as these countries have become able to bear the burden of self-defense, assistance efforts have shifted to other priority regions.

Helping U.S. friends and allies to defend themselves is a highly efficient use of resources for achieving important national security objectives. Far greater expenditures on U.S. force structure, mobility, and logistics would be required to equal the military effect of friends and allies who are "on the scene." Thus, much of the security assistance program is based on the belief that aiding foreign countries to defend themselves (and to counter domestic threats from guerrillas and narcotics traffickers) contributes markedly to America's own security and is more effective in the long term than using U.S. military personnel to the same end.

In an era of increasing strain on the U.S. defense budget, security assistance takes on even more importance. The United States will be relying on its friends and allies around the world even more in the future to share the common defense burden. Security assistance will remain a major tool for encouraging and helping them to contribute more to deterrence. Moreover, support for recipient country activities that meet basic human needs in the form of food, housing, and job opportunities will encourage a more dependable base for U.S. relations worldwide.

In addition, security assistance provides jobs and exports which benefit the U.S. economy, as well as the economies of scale (such as longer production runs) which support weapons systems of continued interest to the U.S. Armed Forces. Thus, security assistance is not a philanthropic effort, but one which produces direct domestic benefits: employment, export sales, investment opportunities, and access to raw materials. Above all, it is an investment in the overall national security and well-being of the United States.

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## RECENT EXECUTIVE BRANCH ACTIONS

To improve the effectiveness of declining security assistance funding, the Executive [Branch] in recent years has presented smaller, more realistic security assistance budgets, and worked with foreign nations to plan activities more carefully while seeking from Congress authority for more flexibility in administration in order to increase the program and policy payoffs of available funding.

Among other measures, the Congress has approved greater concessionality in the terms of the funding of the global security assistance program, as many foreign governments face rising debt and repayment levels on previously-acquired loan obligations. ESF, which previously included loans, has recently been made all-grant, while FMS credits--where not extended on non-repayable terms--have been provided at concessional (rather than near-market) rates of interest.

In its FY 1989 security assistance request, the Administration sought approval of all FMS credits as non-repayable, or "forgiven," as a means of further increasing the quality of U.S. assistance. In response, of a global total of nearly \$4.3 billion in FMS funding for FY 1989, Congress appropriated more than \$3.8 billion in grants and \$410 million in concessional loans. This fiscal year, in keeping with the effort to reduce the debt burden of military aid recipients, the Administration is again requesting all-grant military financing.

In addition to the trend toward greater concessionality, the Executive Branch has sought to increase the number of IMET recipients. However, the total amount of IMET funding was reduced for FY 1988 and FY 1989 to \$47.4 million.

## CONCLUSION

In the present environment, security assistance in all its varied forms will provide an inducement to other nations to participate fully in common defense efforts. Security assistance provides cost-effective alternatives to U.S. defense efforts by allowing foreign forces to stand in for more expensive U.S. military units and installations. Furthermore, security assistance helps to advance U.S. major foreign policy goals of defending freedom, democracy, and human rights. Such aid can bolster the ability of foreign nations to carry out needed economic and political reforms, leading to the further development of democratic institutions, respect for human rights and progress toward more just societies.

The Administration's FY 1990 budget request for the security assistance program is the product of careful analysis. It represents an effort to define clear priorities in the face of limited funding.

Despite the positive trends in world affairs over the past year, reflecting the fruits of the Administration's firm policy of deterrence and defense, the world remains a dangerous and uncertain place. For key U.S. friends and allies, such as those on NATO's southern flank and in Central America, essential assistance to preserve freedom against the threat of external aggression has been severely cut in recent years. Dozens of other country programs, and consequently U.S. security relations with a variety of friendly foreign countries, have been severed entirely due to inadequate funding levels. Continuation of this trend could threaten U.S. access and influence in many key regions over the coming years, creating a tacit retreat from U.S. global interests and responsibilities.

The United States must act with firmness and conviction, supplying the needed resources where necessary to defend its partners and allies against aggression and terrorism. A number of priority bilateral and regional programs require steady, predictable year-to-year funding. To this

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end, the help of Congress is needed to obtain more consistent and flexible assistance funding. With the cooperation of Congress and the support of the American people, the security of the United States and its friends throughout the world can be ensured against the multiple threats and challenges in the years ahead.

**FY 1990 SECURITY ASSISTANCE PROGRAMS  
BUDGET AUTHORITY  
(DOLLARS IN THOUSANDS)**

	ECONOMIC SUPPORT	FMS FINANCING	MAP (GRANTS)	IMET (GRANTS)	PKO	TOTAL
<b>AFRICA:</b>						
AFRICA CIVIC ACTION	0	6,000	0	0	0	6,000
BENIN	0	0	0	100	0	100
BOTSWANA	0	4,000	0	370	0	4,370
BURKINA FASO	0	0	0	100	0	100
BURUNDI	0	0	0	140	0	140
CAMEROON	0	0	0	275	0	275
CAPE VERDE	0	0	0	100	0	100
CENTRAL AFRICAN REPUBLIC	0	500	0	180	0	680
CHAD	10,000	10,000	0	400	0	20,400
COMOROS	0	0	0	100	0	100
CONGO	0	0	0	75	0	75
DJIBOUTI	3,000	2,000	0	165	0	5,165
EQUATORIAL GUINEA	0	0	0	100	0	100
GABON	0	0	0	100	0	100
GAMBIA	0	0	0	100	0	100
GHANA	0	0	0	200	0	200
GUINEA	0	0	0	150	0	150
GUINEA-BISSAU	0	0	0	100	0	100
IVORY COAST	0	0	0	150	0	150
KENYA	9,000	15,000	0	1,100	0	25,100
LESOTHO	0	0	0	100	0	100
LIBERIA	15,000	1,000	0	800	0	16,800
MADAGASCAR	0	1,000	0	100	0	1,100
MALAWI	0	1,200	0	300	0	1,500
MALI	0	0	0	175	0	175
MAURITANIA	0	0	0	125	0	125
MAURITIUS	0	0	0	50	0	50
NIGER	0	2,000	0	275	0	2,275
NIGERIA	0	0	0	100	0	100
RWANDA	0	0	0	100	0	100
SAO TOME & PRINCIPE	0	0	0	110	0	110
SENEGAL	10,000	2,000	0	525	0	12,525
SEYCHELLES	3,000	0	0	100	0	3,100
SIERRA LEONE	0	0	0	100	0	100
SOMALIA	20,000	15,000	0	1,200	0	36,200
SOUTH AFRICA REPUBLIC	3,300	0	0	0	0	3,300
SUDAN	10,000	5,000	0	1,050	0	16,050
SWAZILAND	0	0	0	100	0	100
TANZANIA	0	0	0	120	0	120
TOGO	0	0	0	100	0	100
UGANDA	0	0	0	200	0	200
ZAIRE	0	9,000	0	1,300	0	10,300
ZIMBABWE	0	0	0	240	0	240
<b>REGIONAL TOTAL</b>	<b>83,300</b>	<b>73,700</b>	<b>0</b>	<b>11,275</b>	<b>0</b>	<b>168,275</b>
<b>AMERICAN REPUBLICS:</b>						
ANTIGUA-BARBUDA*	0	0	0	40	0	40
ARGENTINA	0	2,000	0	150	0	2,150
BAHAMAS	0	0	0	40	0	40
BARBADOS*	0	0	0	65	0	65
BELIZE	2,000	500	0	115	0	2,615
BOLIVIA	30,000	7,000	0	500	0	37,500
BRAZIL	0	0	0	150	0	150
CENTRAL AMERICA REGIONAL	12,000	0	0	0	0	12,000
CHILE	0	0	0	50	0	50
COLOMBIA	0	20,000	0	1,500	0	21,500
COSTA RICA	57,000	1,500	0	250	0	58,750
DOMINICA*	0	0	0	75	0	75
DOMINICAN REPUBLIC	20,000	2,000	0	750	0	22,750
EASTERN CARIBBEAN	15,000	5,000	0	0	0	20,000
ECUADOR	9,000	3,000	0	700	0	12,700
EL SALVADOR	180,000	97,000	0	1,600	0	278,600
GRENADA*	0	0	0	100	0	100
GUATEMALA	87,000	9,000	0	500	0	96,500
GUYANA	0	0	0	50	0	50

**FY 1990 SECURITY ASSISTANCE PROGRAMS  
BUDGET AUTHORITY (Continued)  
(DOLLARS IN THOUSANDS)**

	ECONOMIC SUPPORT	FMS FINANCING	HAP (GRANTS)	IMET (GRANTS)	PKO	TOTAL
<b><u>AMERICAN REPUBLICS (CONT):</u></b>						
HAITI	0	0	0	400	0	400
HONDURAS	87,000	60,000	0	1,250	0	148,250
JAMAICA	25,600	5,000	0	350	0	30,350
LATIN AMERICA & CARIBBEAN REGL	15,600	0	0	0	0	15,600
MEXICO	0	0	0	250	0	250
PACAMS	0	0	0	2,300	0	2,300
PARAGUAY	0	0	0	150	0	150
PERU	5,000	5,000	0	525	0	10,525
ST. CHRISTOPHER-NEVIS*	0	0	0	75	0	75
ST. LUCIA*	0	0	0	75	0	75
ST. VINCENT & GRENADINES*	0	0	0	75	0	75
SURINAME	0	0	0	50	0	50
TRINIDAD & TOBAGO	0	0	0	40	0	40
URUGUAY	0	500	0	200	0	700
VENEZUELA	0	0	0	125	0	125
<b>REGIONAL TOTAL</b>	<b>544,600</b>	<b>217,500</b>	<b>0</b>	<b>12,500</b>	<b>0</b>	<b>774,600</b>
<b><u>EAST ASIA &amp; PACIFIC:</u></b>						
BURMA	0	0	0	250	0	250
CAMBODIAN RESISTANCE	7,000	0	0	0	0	7,000
FIJI	1,000	300	0	100	0	1,400
INDONESIA	0	5,000	0	2,000	0	7,000
KOREA	0	0	0	1,650	0	1,650
MALAYSIA	0	0	0	1,000	0	1,000
PAPUA NEW GUINEA	0	0	0	75	0	75
PHILIPPINES	160,000	200,000	0	2,900	0	362,900
SINGAPORE	0	0	0	50	0	50
SOLOMON ISLANDS	0	0	0	75	0	75
SOUTH PACIFIC REGIONAL	11,200	0	0	0	0	11,200
THAILAND	5,000	45,000	0	2,400	0	52,400
TONGA	0	0	0	75	0	75
VANUATU	0	0	0	30	0	30
<b>REGIONAL TOTAL</b>	<b>184,200</b>	<b>250,300</b>	<b>0</b>	<b>10,605</b>	<b>0</b>	<b>445,105</b>
<b><u>EUROPE &amp; CANADA:</u></b>						
AUSTRIA	0	0	0	30	0	30
CYPRUS	7,000	0	0	0	0	7,000
FINLAND	0	0	0	35	0	35
GREECE	0	350,000	0	700	0	350,700
ICELAND	0	0	0	25	0	25
IRELAND	0	0	0	30	0	30
LUXEMBOURG	0	0	0	25	0	25
MALTA	0	0	0	50	0	50
PORTUGAL	50,000	125,000	0	2,600	0	177,600
SPAIN	0	0	0	2,100	0	2,100
TURKEY	60,000	550,000	0	3,500	0	613,500
YUGOSLAVIA	0	0	0	100	0	100
<b>REGIONAL TOTAL</b>	<b>117,000</b>	<b>1,025,000</b>	<b>0</b>	<b>9,195</b>	<b>0</b>	<b>1,151,195</b>
<b><u>NEAR EAST &amp; SOUTH ASIA:</u></b>						
AFGHAN HUMANITARIAN	35,000	0	0	0	0	35,000
ALGERIA	0	0	0	150	0	150
BANGLADESH	0	0	0	300	0	300
EGYPT	815,000	1,300,000	0	1,700	0	2,116,700
INDIA	0	0	0	400	0	400
ISRAEL	1,200,000	1,800,000	0	0	0	3,000,000
JORDAN	35,000	48,000	0	2,200	0	85,200
LEBANON	2,000	0	0	550	0	2,550
MALDIVES	0	0	0	50	0	50
MIDDLE EAST REGIONAL	17,500	0	0	0	0	17,500
MOROCCO	15,000	40,000	0	1,400	0	56,400
NEPAL	0	500	0	125	0	625
OMAN	20,000	0	0	100	0	20,100

**FY 1990 SECURITY ASSISTANCE PROGRAMS  
BUDGET AUTHORITY (Continued)  
(DOLLARS IN THOUSANDS)**

	ECONOMIC SUPPORT	FMS FINANCING	MAP (GRANTS)	IMET (GRANTS)	PKO	TOTAL
<u>NEAR EAST &amp; SOUTH ASIA (CONT):</u>						
PAKISTAN	250,000	240,000	0	1,000	0	491,000
SRI LANKA	0	0	0	200	0	200
TUNISIA	12,500	30,000	0	1,500	0	44,000
YEMEN (SANA'A)	0	2,000	0	1,100	0	3,100
REGIONAL TOTAL	2,402,000	3,460,500	0	10,775	0	5,873,275
<u>NON-REGIONAL:</u>						
DEOB/REOB AUTHORITY	18,000	0	0	0	0	18,000
GENERAL COSTS	0	0	41,432	150	0	41,582
MULTINATL. FORCE & OBSERV. (MFO)	0	0	0	0	24,377	24,377
UN FORCE IN CYPRUS	0	0	0	0	9,000	9,000
NON-REGIONAL TOTAL	18,000	0	41,432	150	33,377	92,959
TOTAL BUDGET AUTHORITY	3,349,100	5,027,000	41,432	54,500	33,377	8,505,409

### Military Financing

Foreign Military Sales Financing (FMSF)--previously know as Foreign Military Sales Credit (FMSCR) and the country component of the Military Assistance Program (MAP)--enables allies and friends of the United States to strengthen their self-defense capabilities by acquiring U.S.-origin military articles, services, and training. For fiscally-constrained countries where security interests coincide with those of the United States, the high costs of modern defense equipment make it difficult to obtain defense equipment and related services on a cash basis. A strong national defense capability contributes to regional stability and reduces the likelihood that regional conflict will threaten U.S. interests. Thus, it is greatly to the advantage of the United States to assist friendly countries in maintaining the ability to defend themselves, by providing them the required financing for major defense purchases.

Given the magnitude and complexity of its global responsibilities, the United States alone cannot safeguard the free world's security interests. FMSF permits friendly nations to share the burdens of collective security. By providing such assistance, the United States lessens the likelihood of direct U.S. military involvement during situations of instability and conflict, thereby helping to reduce demands on U.S. military resources.

FMSF in its previous form was initiated in the Mutual Defense Security Act of 1954 and was continued in the Foreign Assistance Act (FAA) of 1961. In 1971, credit financing exceeded grant assistance for the first time. In 1976, the Arms Export Control Act (AECA) consolidated existing government and commercial sales legislation. Sections 23 (direct loans) and 24 (guaranteed loans) of the Act provided authorization for the program. Because of increased emphasis on cash sales in the late 1970s, the number of grant recipients and the size of the grant program decreased steadily through FY 1981.

Almost all FMSF in the 1974-1984 period was in the form of guaranteed loans provided though the Federal Financing Bank at interest rates that were slightly higher than the cost of money to the U.S. Treasury. In the global recession of the early 1980s, repayment of previous FMS loans with higher interest rates exacerbated many developing countries' debt service problems.

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By the early 1980s, Congress and the Executive Branch, spurred by the Bipartisan Commission on Economic and Security Assistance, expressed concern that high interest rate FMS financing was contributing to recipient country debt problems. This concern prompted the FY 1985 legislative mandate for totally "forgiven" (i.e., non-repayable) FMSF for Egypt and Israel and concessional (lower interest rate) loans for other selected countries.

In FY 1988, FMSF was [furnished] in the form of either forgiven loans or concessional interest rate loans. (All of the aid for Israel and Egypt continued to be forgiven. At Congressional direction, part of the FMSF for Turkey and Pakistan, respectively, was also forgiven.) In FY 1989, most of the appropriated FMSF--about \$3.86 billion out of \$4.27 billion--is in the form of grants. The Administration believes that grant FMS is fully justified because, by enhancing the economic value of U.S. military assistance, many countries are better able to devote more of their scarce financial resources to economic development activities.

The Administration is requesting all-grant FMS financing for FY 1990. Selected recipients will be able to apply part or all of their FMS financing to commercial purchases, a process that is not possible under the grant Military Assistance Program (MAP), which is intended strictly for government-to-government purchases. This all-grant initiative is consistent with the trend advocated by Congress to modify the FMSF program in order to ease countries' debt burdens.

Established under the Mutual Defense Assistance Act of 1949, MAP originally provided for grants of military equipment, materials, and services (including training) to allied and friendly nations. Beginning in FY 1982, MAP funds were merged with recipient countries' funds and/or with Foreign Military Sales (FMS) financing credits in the FMS Trust Fund to pay for FMS cases.

In FY 1982, in response to the steady economic deterioration of several defense partners, the Administration increased its grant funding request. Congress thereafter provided gradual increases in MAP appropriations. Sustained Congressional support for MAP funding has partially compensated for reductions in overall security assistance appropriations. In FY 1989, \$467 million in MAP is being provided for country and regional programs. In FY 1990, the Administration's MAP request is designed to meet administrative expenses associated with [the] implementation of military assistance.

## **International Military Education and Training**

International Military Education and Training (IMET) is a low-cost foreign policy instrument that is recognized as one of the most effective components of U.S. security assistance. This people program establishes valuable friendships and channels of communications with foreign governments and military forces. The training provides U.S. friends and allies with knowledge and skills that improve their military forces, contribute to their security, and promote their self-sufficiency. Since 1950, IMET and its predecessor program have trained more than 500,000 officers and enlisted personnel.

In bringing foreign students to the United States, the IMET program exposes them to the U.S. professional military establishment and the American way of life, including U.S. regard for democratic values, respect for individual and human rights, and belief in the rule of law. IMET seeks to establish military-to-military ties as foreign students train alongside the U.S. military. They are also exposed to U.S. military procedures and see how the U.S. military functions under civilian rule.

Military training is provided in specialties from professional military education through nation building activities to basic technical skills. In addition, English language training, which is essential to course attendance in the continental United States, contributes directly to increased

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rapport. IMET supplements other countries' indigenous training capabilities and is often the only major alternative to Soviet-oriented programs.

In addition to teaching military skills and U.S. military doctrine, IMET provides sufficient opportunities for future access to the civilian and military leadership of other countries. Many of the foreign students, by virtue of being selected for U.S. training, are potential senior military leaders. As in the past, a significant number of IMET-trained military leaders are likely to hold future positions of prominence in their countries. For example, over 1,500 IMET-trained personnel hold such positions, including cabinet ministers, ambassadors, chiefs of military services and commandants of senior professional military schools. As a long-term investment, IMET is a most valuable security assistance tool, one which provides numerous benefits for the United States.

In sum, IMET not only provides training for recipients, but also promotes a greater understanding of the U.S. military, of American culture and values, and of respect for individual liberty.

### **Economic Support Fund**

The Economic Support Fund (ESF) advances U.S. economic, political, and security interests by offering economic assistance to allies and developing countries of strategic importance to the United States. By fostering economic development and reform, ESF helps to avert or alleviate the economic and political disruptions that can threaten the security and independence of key allies and friends. The Agency for International Development (AID) implements the ESF program under the direction of the Administrator of AID and in accord with the overall foreign policy guidance of the Secretary of State.

ESF is used primarily to provide balance of payment support through the provision of direct financial assistance (cash transfer) or the financing of commodity imports to ensure the acquisition of critical raw material and capital goods when foreign exchange is not readily available. Depending on the recipient country's economic situation, fast-disbursing balance of payments or budgetary support provided through ESF creates leverage for the policy reforms required to facilitate sustainable economic growth by encouraging the adoption of more rational economic and fiscal policies. Where longer-term political and economic stability is the primary concern, ESF finances projects of direct benefit to the poor.

As has been the case through the 1980s, economic dislocation and political strife continue to place great strains on many countries. Many of these same countries have recognized that economic reform is essential to enhancing the chances for economic and political stability and have begun to implement urgently needed reforms. In the short term, however, measures to create more rational and efficient economic structures and practices can often exacerbate social and political tensions unless buffered by external assistance. The FY 1989 appropriation of nearly \$3.26 billion in grant ESF and the Administration's FY 1990 request reflect a firm U.S. commitment to economic development and growth. Funding will help safeguard important mutual security interests of the United States and its friends and allies.

Among other things, ESF encourages continued progress toward a permanent peace and stability in the Middle East; promotes economic and political stability in countries with which the United States has base rights and military access arrangements; buttresses efforts by the Central American countries to promote long-term growth and strengthen democratic institutions and respect for human rights; helps mitigate the impact of the Afghan conflict; and supports infrastructure development and the evolution of economies in sub-Saharan Africa.

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## Peacekeeping Operations

The Foreign Assistance Act of 1961, Part II, Chapter 6, as amended, authorizes assistance to friendly countries and international organizations for peacekeeping operations which further U.S. national security interests. The United Nations Force in Cyprus (UNFICYP) and the Multinational Force and Observers (MFO) in the Sinai are two such international organizations. The Administration is requesting \$33.377 million in FY 1990 in support of both UNFICYP and the MFO.

**United Nations Force in Cyprus.** The FY 1990 request for UNFICYP is \$9.000 million. The United States has a clear and vital interest in preserving UNFICYP. Its erosion would exacerbate existing tensions and increase the risk of violence on Cyprus, which could seriously weaken NATO's ability to defend its vital southern flank.

UNFICYP has 2,122 military and civilian personnel stationed in Cyprus. Six Western European countries and Canada provide troops; Australia and Sweden provide civilian police. The cost to the United Nations of maintaining UNFICYP for the first half of 1988 has been about \$12.6 million, which does not reflect the bulk of the costs which have been absorbed by the troop-contributing countries. The Force's cumulative deficit from previous years, a cost borne by the troop-contributing countries, reached about \$164.2 million by the end of November 1988. The United States continues to try to reduce this figure in various ways, including actively seeking contributions from non-contributing U.N. members and seeking means to reduce operating costs. Failure of the United States to maintain its full contribution to UNFICYP would increase the deficit and would make more difficult efforts to increase contributions from others.

**Multinational Force and Observers.** The FY 1990 request for the MFO is \$24.377 million, a straight line from last year. The mission of the MFO, an independent international body, is to implement the security arrangements envisioned for the United Nations in the 1979 Egyptian-Israeli Peace Treaty. Congress authorized U.S. participation in Public Law 97-132. The United States has a firm political commitment to the governments of Israel and Egypt to finance one-third of annual MFO costs. In FY 1989, the MFO proposed a budget of \$81 million with a U.S. share of \$27 million. However, when it became apparent that the U.S. contribution for FY 1989 would not exceed that of FY 1988 (\$24.377 million), the MFO revised its budget and took steps to reduce its operations. These steps included cutting each of its three infantry battalions by 100 men and closing nine observation/check points. For FY 1990, the MFO is planning on a budget of slightly over \$73.5 million, again predicated on a U.S. contribution of \$24.377 million. While the MFO and the two treaty partners are confident that the FY 1989 reductions will not adversely affect mission performance, further cuts would, at a minimum, require basic changes in MFO operational concepts.

## Special Defense Acquisition Fund

The Special Defense Acquisition Fund (SDAF) is a revolving fund established in FY 1982 to finance the acquisition of defense items and services in anticipation of authorized Foreign Military Sales. SDAF enhances the U.S. Government's ability to meet urgent foreign needs for military equipment while minimizing adverse impacts on the readiness of U.S. forces. SDAF is authorized by Chapter 5 of the Arms Export Control Act. The Department of Defense (DOD) is responsible for its management and the Defense Security Assistance Agency (DSAA) is the executive agent responsible for day-to-day operation of the Fund.

SDAF was capitalized in prior years; however, Congressional authority to obligate SDAF funds is required in the annual appropriation legislation. SDAF was capitalized to the statutory

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ceiling of \$1.07 billion by receipts from asset use charges, charges for the proportional recoupment of nonrecurring research, development, and production costs, and the SDAF sales of defense articles or related services. SDAF now sustains itself from sales receipts.

A very useful foreign policy tool, SDAF promotes cooperative planning with allied and friendly governments. It also contributes to economies of scale that lower unit costs for programs covered by FMS financing.

The existence of SDAF assets in production reduces pressure on the DOD to meet emergency assistance requirements by either withdrawals from U.S. Service inventories or diversions from production. SDAF also helps other nations to resolve planning shortfalls or unforeseen developments. When withdrawals or diversions cannot be avoided, SDAF reduces adverse impacts on U.S. readiness by accelerating replenishment using SDAF assets in production and so avoids having to repeat the full procurement cycle.

SDAF procurements enhance U.S. defense production by extending production lines, achieving higher levels of production which reduce unit costs, and establishing favorable add-on contracts for those items from current and projected procurement. During FY 1988, SDAF benefits were especially evident in the procurement of torpedoes, air-to-air missiles, counterbattery radars, night vision goggles, light arms, tactical radios, communications security equipment, and anti-tank missiles. Higher production volumes for these items resulted in lower unit prices for both DOD end-users, NATO, and other allied and friendly nations.

Sales agreements for SDAF items already concluded and in progress in FY 1988 demonstrate how SDAF supports U.S. foreign policy objectives to build coalition defenses and enhance regional stability. Here are some highlights:

- Readiness and interoperability with NATO, Australia, and Japan have been sustained and improved by accelerating sales and deliveries of such items as TOW-2 and TOW-2A anti-tank missiles, Multiple Launch Rocket Systems (MLRS), Stinger man-portable anti-aircraft missiles, Standard surface-to-air naval missiles, Phalanx Close-in Weapons Systems (CIWS), Sidewinder air-to-air missiles, Sparrow air-to-air missiles, tactical Army radios, Firefinder counterbattery radars, and 155mm artillery ammunition.
- In NATO's Southern Flank, SDAF procurements and sales help force modernization planning and accelerate deliveries of selected items.
- While minimizing drawdowns of U.S. assets, SDAF has been used to overcome severe backlogs of tactical radios (man-portable and vehicular) needed by allied and friendly governments in the Philippines, Malawi, Thailand, Morocco, Central America, Caribbean, West Africa, etc. In contrast to prior years, DOD has had to direct only several diversions of man-portable radios, which were followed by accelerated replenishments from SDAF assets.
- SDAF buys of various types of ammunition (from rifles to howitzers), vehicles (jeeps and trucks), and light arms (rifles, machine guns, and mortars) have greatly reduced pressures on the Army to withdraw on-hand Service stocks for sustainment of the counterinsurgency and border safeguarding missions of friendly governments. Examples of these efforts are programs with the Philippines, Chad, Thailand, Morocco, Central America, Bolivia, and in the Caribbean.
- SDAF has helped the National Security Agency (NSA) to implement more orderly planning and management and to stabilize procurements to foster interoperability of U.S. secure communications (COMSEC) with NATO, Australia, and New Zealand. Also, it has expedited replenishing the U.S. Air Force for security assistance-related withdrawals of COMSEC assets later needed for U.S. strategic systems.

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- SDAF's investment of \$50 million in a Supply Support Procurement program with the Defense Logistics Agency (DLA) is helping DOD to respond more efficiently to Low Intensity Conflict (LIC) pressures on U.S. assets while maintaining critical stock quantities for the readiness of U.S. forces. This is done by using the SDAF funds to lower DLA's program reorder points and increase stock levels.

The obligation authority requested for FY 1990 is \$325 million; this is the program level that can be supported with the capital and pending receipts from expected SDAF sales. A steady annual procurement program of \$325 million makes sense: first, it avoids disruptive peaks and valleys over time of procurements and deliveries; second., it enables the acquisition of diversified items to help on a range of programs; and, third, it provides the capability to achieve more economical production rates.

Based upon planning within DOD and surveys of country needs, the following items are possible SDAF procurement candidates in FY 1990:

- Communications Security Equipment
- Tactical Vehicle and Personnel Radios
- Military Vehicles
- Infantry/Cavalry Fighting Vehicles
- Towed Howitzers
- Machine Guns and Mortars
- Infantry Equipment, Ordnance, and Support Items
- Ammunition and Ordnance of All Types
- Anti-Tank Missiles, Rockets, and Projectiles
- Air-to-Air Missiles and Ordnance
- Air-to-Surface Missiles and Munitions
- Surface-to-Air Missiles and Gun Systems
- Anti-Shipping and Anti-Radiation Missiles
- Multiple Launch Rocket Systems (MLRS) and Rockets
- Tactical Radars
- Counterbattery Radars
- Utility Helicopters and ASW Platforms
- Aircraft Long-lead Support
- Supply Support Procurement