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# SECURITY ASSISTANCE LEGISLATION AND POLICY

## The FY 1994 Security Assistance Budget Request

[The following material is extracted from the *Congressional Presentation Document for Security Assistance Programs, Fiscal Year 1994 (FY 94 CPD)*, pages 3-16, 19-21, 27-28, 38, 44-46, 48-52, 54-56, and 60. The CPD is jointly prepared annually by the Department of State and the Defense Security Assistance Agency 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 1994 Security Assistance Budget

The *Congressional Presentation Document* (CPD), a joint product of the Departments of State and Defense, offers a general perspective on the Administration's budget request for security assistance, together with justifications for each regional or country program.

#### WHAT IS SECURITY ASSISTANCE?

Security assistance is an instrument of foreign policy, covering a broad range of programs which employ funding and legal authorities to provide defense assistance, economic support, peacekeeping, nonproliferation and counter-narcotics assistance to key friends and allies. Major appropriated programs are Foreign Military Financing, the Economic Support Fund, International Military Education and Training, Peacekeeping Operations, and Nonproliferation and Disarmament.

- **Foreign Military Financing (FMF)** enables selected friends and allies to improve their defense capabilities by financing the acquisition of U.S. defense articles and services. As a grant and low interest loan program, FMF is distinguished from **Foreign Military Sales (FMS)** the system through which government-to-government sales of military equipment occur. In general, FMF provides financing for FMS sales. Select countries, however, have been eligible to use FMF credits for procurement through direct commercial contracts with U.S. firms outside of FMS channels.
- **The Economic Support Fund (ESF)** provides economic assistance to allies and strategically important developing countries. Grants are available to aid the balance of payments, to finance infrastructure and capital projects, to carry out developmental projects benefiting the local population, and in some instances to support counter-narcotics activities.
- **International Military Education and Training (IMET)** provides military education, management and technical training on a grant basis to students from allied and friendly nations. IMET promotes military-to-military relations and exposes foreign military and civilian officials to U.S. values and democratic processes.
- **Peacekeeping Operations (PKO)** by friendly countries and international organizations in furtherance of U.S. national security interests may also receive funding. The security assistance budget covers non-assessed, (i.e., voluntary) contributions to

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peacekeeping whether bilateral or multilateral in nature. (A separate and much larger account covers assessed UN peacekeeping activities, but is not classified as a security assistance program.)

- The **Nonproliferation and Disarmament Fund** is a new element in the security assistance budget. It will help to address what Secretary Christopher, in his confirmation hearings, identified as one of the foremost security challenges facing the United States.

## GLOBAL CHALLENGES

The past few years have witnessed changes in the international environment unparalleled since the Second World War. The pace and unpredictability of these changes require clearly-defined objectives reflecting vital U.S. foreign policy and national security interests.

- **Building democracy** through support of free and fair elections, respect for human rights, the rule of law and economic opportunity.
- **Promoting and maintaining peace** by supporting peacekeeping efforts, assisting friendly and allied nations, insisting upon verifiable arms control and nonproliferation of weapons of mass destruction, and fostering sustained peaceful development.
- **Promoting economic growth and sustainable development** by fostering free and open markets, trade liberalization, deregulation, privatization, and market-based structural reform.
- **Addressing global problems** of environmental degradation, narcotics trafficking, terrorism and other criminal activities by increasing cooperation with allies, friends, and traditional adversaries.
- **Meeting urgent humanitarian needs** by supporting private and governmental efforts, and by promoting economic reform and resolution of local conflicts.

## TRANSFORMING SECURITY ASSISTANCE

The U.S. offers security assistance to strengthen the national security of friendly nations, and to support existing or prospective democratic institutions and market economies. As we seek to shape the emerging post-Cold War international environment, security assistance provides a vital element of continuity and contributes to secure, stable relationships. The threats to our own interests which—as recent experience shows—will continue to arise, and the instability which invariably accompanies changing times, require policies that support independent political development, promote stability, and encourage rational economic development and reform. This is what security assistance does.

Nevertheless, programs which protected and advanced U.S. interests during the Cold War clearly now require reconsideration and reform to meet the challenges of the new international environment. The FY 94 budget reorients resources and makes several important departures in content and presentation to initiate the transition of security assistance to post-Cold War realities. We have, for example, organized the security assistance budget under functional categories rather than traditional geographic areas, and arranged individual country programs under these categories. The purpose of this organization is to ensure that security assistance funding is clearly related and contributes to key policy objectives, by specifying which foreign policy priorities individual country programs will serve. While most country programs could legitimately fall under more than

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one function, our placement reflects our best judgment of the *primary* objective served by each account.

Following are the functional categories employed in the FY 94 security assistance budget:

**Middle East Peace:** The nearly \$5.2 billion requested for the Middle East peace process supports the long-standing goal of a just, lasting, and comprehensive peace between Israel and its Arab neighbors, including the Palestinians. In addition to Israel and Egypt, we propose security assistance for Jordan, West Bank/Gaza and Lebanon, as well as for science and technology exchanges between Israel and neighboring Arab states. A new request for \$5 million to support the multilateral working groups of the peace process will help fund activities agreed upon by these groups and increase the possibilities for progress in the bilateral talks.

**Defense Cooperation and Regional Security:** In recognition of generally diminished tension and the need to invest greater resources in economic growth, amounts requested for military assistance are substantially scaled down from prior years. Proposed funding supports \$855 million in concessional loans to key allies which have close defense relations with the United States and provide access to important military facilities essential to power projection capabilities. In addition, \$143 million in ESF is requested for Turkey, an important ally which plays a constructive role in several strategic areas, such as the Middle East, the Balkans, the Caucasus, and Central Asia. We also propose \$50 million in funding to promote regional stability and to assist other key friends and allies in meeting critical defense and economic needs.

**Economic Development:** We propose \$171.5 million in ESF for 12 country programs, including El Salvador (\$90 million), the Afghan Humanitarian program (\$5 million), Cambodian Economic Development (\$10 million), Nicaragua (\$29 million), and the Philippines (\$10 million).

**Counter-Narcotics:** We propose \$100 million in ESF for counter-narcotics activities in Bolivia, Colombia, and Peru. We also recommend an increase in FMF for the Andean countries from FY 93's \$44 million to \$45 million, and from \$4.5 million to \$4.7 million for the Potential Source and Transit countries (Belize, the Dominican Republic, Eastern Caribbean states, Ecuador, Guyana, Jamaica, Trinidad, and Tobago).

**Peacekeeping:** To meet burgeoning requirements for peacekeeping, we propose an additional \$50 million in PKO funding above FY 93's allocation of \$27.166 million. Funding will be provided to long-standing UN peacekeeping operations on Cyprus and the Multinational Force and Observers in the Sinai. It will also support new peacekeeping ventures by the Conference on Security and Disarmament (CSCE) in the Balkans and former Soviet Union, by the UN/OAS observer mission in Haiti, and by the Economic Community of West African States in Liberia and the Organization of African Unity in Rwanda. Peacekeeping-related, bilateral and multilateral security assistance programs will support demobilization and downsizing of African militaries, UN efforts at a settlement in Cambodia, and bicomunal projects on Cyprus.

**Nonproliferation and Disarmament Fund:** We are requesting \$50 million for this new element in the security assistance budget, which has assumed primary importance in the national security agenda. The proposed \$50 million will fund a four-part assistance program consisting of: *education and training* on nonproliferation and arms control issues, *destruction and conversion* to eliminate weapons production facilities and implement applicable conventions and treaties; *enforcement and interdiction* to curb the trade in materials related to weapons of mass destruction; and *safeguards and verification* to apply and verify international nonproliferation regimes.

**Democratic Development:** Democratic development for the first time is a funded category in the security assistance budget. We propose to increase ESF for Haiti to \$15 million,

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and programs for promotion of democracy in Africa to \$20 million, from FY 93 levels. Also included in this category are programs designed to improve the administration of justice in Panama and in selected Caribbean countries.

For FY 94, security assistance programs for peacekeeping, promotion of democracy and nonproliferation are part of a government-wide, integrated approach to these issues. The total budget request for peacekeeping stands at over \$1 billion which, in addition to \$77 million for non-assessed PKO operations, includes \$620 million for assessed contributions to UN peacekeeping as well as a new, separate DoD account of \$300 million. Similarly, the Administration's approach to nonproliferation and disarmament issues will involve efforts by the Departments of State, Defense and Energy, as well as the Arms Control and Disarmament Agency and the intelligence community. The proposed FY 94 budget for the State Department and ACDA is \$197 million, which is composed of \$50 million in security assistance funding, \$63 million for the ACDA budget and \$34 million in payments to international organizations.

In addition to the \$53 million proposed for democratic development under security assistance, the FY 1994 budget requests \$704 million for grant assistance for democratic and economic reform in the newly independent states of the former Soviet Union—an increase of \$311 million over FY 93's level. It also requests \$409 million for assistance to Central and Eastern Europe. USAID also will undertake democracy-building programs in Asia, Latin America and the Caribbean, and Africa using over \$100 million in economic support funds and development assistance. DoD's budget contains \$50 million to support such initiatives as research in restructuring military forces as part of a return to democracy, and support for key countries moving toward democracy, such as the Eastern European States.

Promotion of democracy is also a major theme of International Military Education and Training (IMET). This is accomplished through professional military education, management courses, and technical training of military and defense civilians from friendly countries. Under the expanded IMET initiative, military and civilian officials, including legislators and civilians from ministries other than defense who have defense-related responsibilities, receive training in internationally-recognized standards of human rights, fundamentals of military justice, defense resource management and civilian control of the military. Proposed funding for IMET has been straightlined from FY 93 at \$42.5 million. Within that amount, we have increased funding for programs in former Soviet and Eastern European States to encourage the democratic transformation of their military establishments.

## DOMESTIC ECONOMIC IMPACT

Security assistance programs have a direct and positive impact upon our economy. With the exception of funds earmarked by Congress for expenditure in Israel, almost all FMF is spent in the United States. These sales result in economies of scale (e.g., longer production runs) which reduce the costs of weapon systems of continued interest to our armed forces. In fact, the continuation of a number of DoD production lines depends on foreign sales. These production lines constitute part of DoD's mobilization base in the event the U.S. must respond quickly to a military conflict. As the lines close, our ability to mount or sustain a rapid response will decrease.

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY FUNCTION  
(Dollars in Thousands)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	NON-PROLIF. & DISARMAMENT
<b>MIDDLE EAST PEACE:</b>						
EGYPT	815,000	0	1,300,000	1,800	0	0
ISRAEL	1,200,000	0	1,800,000	0	0	0
JORDAN	10,000	0	9,000	1,800	0	0
LEBANON	4,000	0	0	400	0	0
MIDDLE EAST REGIONAL COOPERATION	7,000	0	0	0	0	0
MULTILATERAL PEACE PROCESS	2,500	0	0	0	0	0
WEST BANK/GAZA	25,000	0	0	0	0	0
<b>TOTAL</b>	<b>2,063,500</b>	<b>0</b>	<b>3,109,000</b>	<b>4,000</b>	<b>0</b>	<b>0</b>
<b>REGIONAL SECURITY AND DEFENSE COOPERATION:</b>						
ALGERIA	0	0	0	150	0	0
ANTIGUA-BARBUDA*	0	0	0	25	0	0
AUSTRIA	0	0	0	15	0	0
BAHRAIN	0	0	500	75	0	0
BARBADOS*	0	0	0	45	0	0
BELIZE	0	0	0	125	0	0
BOTSWANA	0	0	0	400	0	0
CAMEROON	0	0	0	350	0	0
CHAD	0	0	0	380	0	0
COSTA RICA	0	0	0	230	0	0
DJIBOUTI	0	0	0	150	0	0
DOMINICA*	0	0	0	68	0	0
DOMINICAN REPUBLIC	0	0	0	600	0	0
EL SALVADOR	0	0	2,700	0	0	0
FINLAND	0	0	0	15	0	0
GABON	0	0	0	135	0	0
GREECE	0	315,000	0	200	0	0
GRENADA*	0	0	0	78	0	0
GUINEA	0	0	0	150	0	0
HONDURAS	0	0	1,500	1,000	0	0
JAMAICA	0	0	0	450	0	0
KENYA	0	0	0	600	0	0
KOREA	0	0	0	200	0	0
MALAWI	0	0	0	200	0	0
MALAYSIA	0	0	0	800	0	0
MALTA	0	0	0	65	0	0
MOROCCO	0	0	20,000	1,000	0	0
NAMIBIA	0	0	0	250	0	0
NIGER	0	0	0	300	0	0
OMAN	2,000	0	0	110	0	0
PHILIPPINES	0	0	7,700	2,000	0	0
PORTUGAL	0	90,000	0	1,000	0	0
SOUTH PACIFIC TUNA TREATY	14,000	0	0	0	0	0
SENEGAL	0	0	0	600	0	0
SEYCHELLES	0	0	0	90	0	0
SINGAPORE	0	0	0	20	0	0
SPAIN	0	0	0	200	0	0
ST. KITTS*	0	0	0	60	0	0
ST. LUCIA*	0	0	0	101	0	0
ST. VINCENT & GRENADINES*	0	0	0	85	0	0
THAILAND	0	0	0	1,800	0	0
TUNISIA	0	0	2,000	1,000	0	0
TURKEY	143,000	450,000	0	2,800	0	0
ZIMBABWE	0	0	0	300	0	0
<b>TOTAL</b>	<b>159,000</b>	<b>855,000</b>	<b>34,400</b>	<b>18,222</b>	<b>0</b>	<b>0</b>

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY FUNCTION  
(Continued)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	NON-PROLIF. & DISARMAMENT
<b>NON-PROLIFERATION AND DISARMAMENT:</b>						
EDUCATION/TRAINING PROGRAMS	0	0	0	0	0	9,100
DESTRUCTION PROGRAMS	0	0	0	0	0	18,500
ENFORCEMENT/INTERDICTION	0	0	0	0	0	6,000
SAFEGUARDS AND VERIFICATION	0	0	0	0	0	16,400
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,000</b>
<b>ECONOMIC DEVELOPMENT:</b>						
AFGHAN HUMANITARIAN	5,000	0	0	0	0	0
CAMBODIA ECONOMIC DEVL	10,000	0	0	0	0	0
EASTERN CARIBBEAN	2,000	0	0	0	0	0
EL SALVADOR	90,000	0	0	0	0	0
HONDURAS	7,500	0	0	0	0	0
JAMAICA	4,000	0	0	0	0	0
MONGOLIA	3,000	0	0	0	0	0
MOROCCO	8,000	0	0	0	0	0
NICARAGUA	29,000	0	0	0	0	0
PHILIPPINES	10,000	0	0	0	0	0
TUNISIA	3,000	0	0	0	0	0
<b>TOTAL</b>	<b>171,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>COUNTERNARCOTICS:</b>						
<b>ANDEAN NARCOTICS INITIATIVE:</b>						
BOLIVIA	100,000 a/ (50,000)a/	0	45,000 a/ (15,000)a/	0	900	0
COLOMBIA	(20,000)a/	0	(30,000)a/	2,000	0	0
PERU	(30,000)a/	0	(0)a/	500	0	0
<b>POTENTIAL SOURCE &amp; TRANSIT:</b>						
BELIZE	0	0	4,700 b/ (400)b/	0	0	0
DOMINICAN REPUBLIC	0	0	(350)b/	0	0	0
EASTERN CARIBBEAN	0	0	(400)b/	0	0	0
ECUADOR	0	0	(400)b/	780	0	0
GUYANA	0	0	(200)b/	0	0	0
JAMAICA	0	0	(350)b/	0	0	0
TRINIDAD & TOBAGO*	0	0	(400)b/	0	0	0
UNALLOCATED	0	0	(2,200)b/	0	0	0
<b>TOTAL</b>	<b>100,000</b>	<b>0</b>	<b>49,700</b>	<b>4,180</b>	<b>0</b>	<b>0</b>
<b>DEMOCRATIC DEVELOPMENT:</b>						
AFRICA DEMOCRACY SUPPORT PROGRAM	20,000	0	0	0	0	0
ALBANIA	0	0	0	150	0	0
ANGOLA	0	0	0	100	0	0
BELARUS	0	0	0	100	0	0
BULGARIA	0	0	0	300	0	0
CZECH REPUBLIC	0	0	0	500	0	0
EL SALVADOR	0	0	0	1,100	0	0
ERITREA	0	0	0	75	0	0
ESTONIA	0	0	0	150	0	0
ETHIOPIA	0	0	0	150	0	0
GEORGIA	0	0	0	50	0	0
GUATEMALA	0	0	0	350	0	0
HAITI	15,000	0	0	400	0	0
HUNGARY	0	0	0	700	0	0
KAZAKHSTAN	0	0	0	100	0	0
KYRGYZSTAN	0	0	0	50	0	0
LATIN AMERICA & CARIBBEAN REGIONAL	12,000	0	0	0	0	0
LATVIA	0	0	0	150	0	0

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY FUNCTION  
(Continued)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	NON-PROLIF. & DISARMAMENT
<u>DEMOCRATIC DEVELOPMENT (CONT):</u>						
LITHUANIA	0	0	0	150	0	0
MOLDOVA	0	0	0	50	0	0
MONGOLIA	0	0	0	75	0	0
MOZAMBIQUE	0	0	0	150	0	0
NICARAGUA	0	0	0	100	0	0
PANAMA	6,000	0	0	0	0	0
POLAND	0	0	0	700	0	0
ROMANIA	0	0	0	100	0	0
RUSSIAN FEDERATION	0	0	0	1,000	0	0
SLOVAKIA	0	0	0	350	0	0
TURKMENISTAN	0	0	0	50	0	0
UKRAINE	0	0	0	600	0	0
TOTAL	<u>53,000</u>	<u>0</u>	<u>0</u>	<u>7,750</u>	<u>0</u>	<u>0</u>
<u>PEACEKEEPING:</u>						
AFRICA REGIONAL	0	0	10,000	0	0	0
CSCE	0	0	0	0	7,000	0
CYPRUS	15,000	0	0	0	9,000	0
ECOWAS	0	0	0	0	12,000	0
HAITI	0	0	0	0	28,000	0
MFO	0	0	0	0	18,000	0
OAU	0	0	0	0	3,166	0
UNFICYP	0	0	0	0	0	0
SOUTHEAST ASIA REGIONAL	20,000	0	0	0	0	0
TOTAL	<u>35,000</u>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>77,166</u>	<u>0</u>
<u>PROMOTE PROFESSIONAL MILITARY RELATIONSHIPS:</u>						
ARGENTINA	0	0	0	200	0	0
BAHAMAS, THE	0	0	0	100	0	0
BANGLADESH	0	0	0	350	0	0
BENIN	0	0	0	120	0	0
BRAZIL	0	0	0	150	0	0
BURUNDI	0	0	0	250	0	0
CAPE VERDE	0	0	0	150	0	0
CENTRAL AFRICAN REPUBLIC	0	0	0	150	0	0
CHILE	0	0	0	200	0	0
COMOROS	0	0	0	90	0	0
CONGO	0	0	0	150	0	0
COTE D'IVOIRE	0	0	0	200	0	0
GAMBIA	0	0	0	110	0	0
GHANA	0	0	0	250	0	0
GUINEA-BISSAU	0	0	0	125	0	0
GUYANA	0	0	0	50	0	0
INDIA	0	0	0	345	0	0
LESOTHO	0	0	0	100	0	0
MADAGASCAR	0	0	0	150	0	0
MALDIVES	0	0	0	70	0	0
MALI	0	0	0	180	0	0
MAURITIUS	0	0	0	75	0	0
MEXICO	0	0	0	500	0	0
NEPAL	0	0	0	200	0	0
NIGERIA	0	0	0	400	0	0
PACAMS	0	0	0	600	0	0
PAPUA NEW GUINEA	0	0	0	125	0	0

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY FUNCTION  
(Continued)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	NON-PROLIF. & DISARMAMENT
<u>PROMOTE PROFESSIONAL MILITARY RELATIONSHIPS (CONT):</u>						
PARAGUAY	0	0	0	175	0	0
RWANDA	0	0	0	120	0	0
SAO TOME & PRINCIPE	0	0	0	125	0	0
SIERRA LEONE	0	0	0	200	0	0
SOLOMON ISLANDS	0	0	0	50	0	0
SRI LANKA	0	0	0	225	0	0
SURINAME	0	0	0	50	0	0
SHAZILAND	0	0	0	120	0	0
TANZANIA	0	0	0	150	0	0
TOGO	0	0	0	125	0	0
TONGA	0	0	0	50	0	0
TRINIDAD & TOBAGO	0	0	0	75	0	0
UGANDA	0	0	0	150	0	0
URUGUAY	0	0	0	300	0	0
VANUATU	0	0	0	50	0	0
VENEZUELA	0	0	0	475	0	0
WESTERN SAMOA	0	0	0	50	0	0
ZAMBIA	0	0	0	100	0	0
TOTAL	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,980</u>	<u>0</u>	<u>0</u>
<u>MISCELLANEOUS:</u>						
ADMINISTRATIVE COSTS	0	194	25,558	0	0	0
BANGLADESH c/	0	0	500	0	0	0
DEOB/REOB AUTHORITY	0	0	500	0	0	0
GENERAL COSTS	0	0	0	368	0	0
DEMNING & TRAINING	0	0	2,499	0	0	0
TOTAL	<u>0</u>	<u>194</u>	<u>29,057</u>	<u>368</u>	<u>0</u>	<u>0</u>
TOTAL PROGRAM	<u>2,582,000</u>	<u>855,194</u>	<u>3,232,157</u>	<u>42,500</u>	<u>77,166</u>	<u>50,000</u>
FINANCING FOR NON-SUBSIDY ELEMENT OF CONCESSIONAL LOANS	0	-734,737	0	0	0	0
TOTAL BUDGET AUTHORITY	<u>2,582,000</u>	<u>120,457</u>	<u>3,232,157</u>	<u>42,500</u>	<u>77,166</u>	<u>50,000</u>

\* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative in Section III for a discussion of specific country programs.

a/ Preliminary allocation of Andean Narcotics Initiative funds.

b/ Preliminary allocation of Potential Source & Transit funds.

c/ Funding to provide maintenance support for disaster relief material provided following the devastating cyclone in April 1991.

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY REGION  
(Dollars in Thousands)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	TOTAL
<b>AFRICA:</b>						
AFRICA DEMOCRACY SUPPORT PROGRAM	20,000	0	0	0	0	20,000
AFRICA REGIONAL	0	0	10,000	0	0	10,000
ANGOLA	0	0	0	100	0	100
BENIN	0	0	0	120	0	120
BOTSWANA	0	0	0	400	0	400
BURUNDI	0	0	0	250	0	250
CAMEROON	0	0	0	350	0	350
CAPE VERDE	0	0	0	150	0	150
CENTRAL AFRICAN REPUBLIC	0	0	0	150	0	150
CHAD	0	0	0	380	0	380
COMOROS	0	0	0	90	0	90
CONGO	0	0	0	150	0	150
COTE D'IVOIRE	0	0	0	200	0	200
DJIBOUTI	0	0	0	150	0	150
ECOWAS	0	0	0	0	12,000	12,000
ERITREA	0	0	0	75	0	75
ETHIOPIA	0	0	0	150	0	150
GABON	0	0	0	135	0	135
GAMBIA, THE	0	0	0	110	0	110
GHANA	0	0	0	250	0	250
GUINEA	0	0	0	150	0	150
GUINEA-BISSAU	0	0	0	125	0	125
KENYA	0	0	0	600	0	600
LESOTHO	0	0	0	100	0	100
MADAGASCAR	0	0	0	150	0	150
MALAWI	0	0	0	200	0	200
MALI	0	0	0	180	0	180
MAURITIUS	0	0	0	75	0	75
MOZAMBIQUE	0	0	0	150	0	150
NAMIBIA	0	0	0	250	0	250
NIGER	0	0	0	300	0	300
NIGERIA	0	0	0	400	0	400
OAU	0	0	0	0	3,166	3,166
RWANDA	0	0	0	120	0	120
SAO TOME & PRINCIPE	0	0	0	125	0	125
SENEGAL	0	0	0	600	0	600
SEYCHELLES	0	0	0	90	0	90
SIERRA LEONE	0	0	0	200	0	200
SWAZILAND	0	0	0	120	0	120
TANZANIA	0	0	0	150	0	150
TOGO	0	0	0	125	0	125
UGANDA	0	0	0	150	0	150
ZAMBIA	0	0	0	100	0	100
ZIMBABWE	0	0	0	300	0	300
<b>REGIONAL TOTAL</b>	<b>20,000</b>	<b>0</b>	<b>10,000</b>	<b>7,970</b>	<b>15,166</b>	<b>53,136</b>
<b>AMERICAN REPUBLICS:</b>						
ANDEAN NARCOTICS INITIATIVE:	100,000 a/	0	45,000 a/	0	0	145,000 a/
BOLIVIA	(50,000)a/	0	(15,000)a/	0	0	(65,000)a/
COLOMBIA	(20,000)a/	0	(30,000)a/	0	0	(50,000)a/
PERU	(30,000)a/	0	(0)a/	0	0	(30,000)a/
ANTIGUA-BARBUDA*	0	0	0	25	0	25
ARGENTINA	0	0	0	200	0	200
BAHAMAS, THE	0	0	0	100	0	100

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY REGION  
(Continued)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	TOTAL
<b>AMERICAN REPUBLICS (CONT):</b>						
BARBADOS*	0	0	0	45	0	45
BELIZE	0	0	0	125	0	125
BOLIVIA	0	0	0	900	0	900
BRAZIL	0	0	0	150	0	150
CHILE	0	0	0	200	0	200
COLOMBIA	0	0	0	2,000	0	2,000
COSTA RICA	0	0	0	230	0	230
DOMINICA*	0	0	0	68	0	68
DOMINICAN REPUBLIC	0	0	0	600	0	600
EASTERN CARIBBEAN	2,000	0	0	0	0	2,000
ECUADOR	0	0	0	780	0	780
EL SALVADOR	90,000	0	2,700	1,100	0	93,800
GRENADA*	0	0	0	78	0	78
GUATEMALA	0	0	0	350	0	350
GUYANA	0	0	0	50	0	50
HAITI	15,000	0	0	400	28,000	43,400
HONDURAS	7,500	0	1,500	1,000	0	10,000
JAMAICA	4,000	0	0	450	0	4,450
LATIN AMERICA & CARIBBEAN REGIONAL	12,000	0	0	0	0	12,000
MEXICO	0	0	0	500	0	500
NICARAGUA	29,000	0	0	100	0	29,100
PACAMS	0	0	0	600	0	600
PANAMA	6,000	0	0	0	0	6,000
PARAGUAY	0	0	0	175	0	175
PERU	0	0	0	500	0	500
POTENTIAL SOURCE & TRANSIT:	0	0	4,700 b/	0	0	4,700 b/
BELIZE	0	0	(400)b/	0	0	(400)b/
DOMINICAN REPUBLIC	0	0	(350)b/	0	0	(350)b/
EASTERN CARIBBEAN	0	0	(400)b/	0	0	(400)b/
ECUADOR	0	0	(400)b/	0	0	(400)b/
GUYANA	0	0	(200)b/	0	0	(200)b/
JAMAICA	0	0	(350)b/	0	0	(350)b/
TRINIDAD & TOBAGO	0	0	(400)b/	0	0	(400)b/
UNALLOCATED	0	0	(2,200)b/	0	0	(2,200)b/
ST. KITTS AND NEVIS*	0	0	0	60	0	60
ST. LUCIA*	0	0	0	101	0	101
ST. VINCENT & GRENADINES*	0	0	0	85	0	85
SURINAME	0	0	0	50	0	50
TRINIDAD & TOBAGO	0	0	0	75	0	75
URUGUAY	0	0	0	300	0	300
VENEZUELA	0	0	0	475	0	475
<b>REGIONAL TOTAL</b>	<b>265,500</b>	<b>0</b>	<b>53,900</b>	<b>11,872</b>	<b>28,000</b>	<b>359,272</b>
<b>EAST ASIA &amp; PACIFIC:</b>						
CAMBODIA ECONOMIC DEVL	10,000	0	0	0	0	10,000
KOREA	0	0	0	200	0	200
MALAYSIA	0	0	0	800	0	800
MONGOLIA	3,000	0	0	75	0	3,075
PAPUA NEW GUINEA	0	0	0	125	0	125
PHILIPPINES	10,000	0	7,700	2,000	0	19,700
SINGAPORE	0	0	0	20	0	20
SOLOMON ISLANDS	0	0	0	50	0	50
SOUTH PACIFIC TUNA TREATY	14,000	0	0	0	0	14,000
SOUTHEAST ASIA REGIONAL	20,000	0	0	0	0	20,000
THAILAND	0	0	0	1,800	0	1,800

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY REGION  
(Continued)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	TOTAL
<b>EAST ASIA &amp; PACIFIC (CONT):</b>						
TONGA	0	0	0	50	0	50
VANUATU	0	0	0	50	0	50
WESTERN SAMOA	0	0	0	50	0	50
<b>REGIONAL TOTAL</b>	<b>57,000</b>	<b>0</b>	<b>7,700</b>	<b>5,220</b>	<b>0</b>	<b>69,920</b>
<b>EUROPE &amp; CANADA:</b>						
ALBANIA	0	0	0	150	0	150
AUSTRIA	0	0	0	15	0	15
BELARUS	0	0	0	100	0	100
BULGARIA	0	0	0	300	0	300
CSCE	0	0	0	0	7,000	7,000
CYPRUS	15,000	0	0	0	0	15,000
CZECH REPUBLIC	0	0	0	500	0	500
ESTONIA	0	0	0	150	0	150
FINLAND	0	0	0	15	0	15
GEORGIA	0	0	0	50	0	50
GREECE	0	315,000	0	200	0	315,200
HUNGARY	0	0	0	700	0	700
KAZAKHSTAN	0	0	0	100	0	100
KYRGYZSTAN	0	0	0	50	0	50
LATVIA	0	0	0	150	0	150
LITHUANIA	0	0	0	150	0	150
MALTA	0	0	0	65	0	65
MOLDOVA	0	0	0	50	0	50
POLAND	0	0	0	700	0	700
PORTUGAL	0	90,000	0	1,000	0	91,000
ROMANIA	0	0	0	100	0	100
RUSSIAN FEDERATION	0	0	0	1,000	0	1,000
SLOVAKIA	0	0	0	350	0	350
SPAIN	0	0	0	200	0	200
TURKEY	143,000	450,000	0	2,800	0	595,800
TURKMENISTAN	0	0	0	50	0	50
UKRAINE	0	0	0	600	0	600
UNFICYP	0	0	0	0	9,000	9,000
<b>REGIONAL TOTAL</b>	<b>158,000</b>	<b>855,000</b>	<b>0</b>	<b>9,545</b>	<b>16,000</b>	<b>1,038,545</b>
<b>NEAR EAST &amp; SOUTH ASIA:</b>						
AFGHAN HUMANITARIAN	5,000	0	0	0	0	5,000
ALGERIA	0	0	0	150	0	150
BAHRAIN	0	0	500	75	0	575
BANGLADESH	0	0	500	350	0	850
EGYPT	815,000	0	1,300,000	1,800	0	2,116,800
INDIA	0	0	0	345	0	345
ISRAEL	1,200,000	0	1,800,000	0	0	3,000,000
JORDAN	10,000	0	9,000	1,800	0	20,800
LEBANON	4,000	0	0	400	0	4,400
MALDIVES, REPUBLIC OF	0	0	0	70	0	70
MFO	0	0	0	0	18,000	18,000
MIDDLE EAST REGIONAL COOPERATION	7,000	0	0	0	0	7,000
MOROCCO	8,000	0	20,000	1,000	0	29,000
MULTILATERAL PEACE PROCESS	2,500	0	0	0	0	2,500
NEPAL	0	0	0	200	0	200
OMAN	2,000	0	0	110	0	2,110

**FY 1994 SECURITY ASSISTANCE PROGRAMS BUDGET AUTHORITY—BY REGION  
(Continued)**

	ECONOMIC SUPPORT	FMF CONCESS.	FMF GRANT	IMET	PKO	TOTAL
NEAR EAST & SOUTH ASIA (CONT):						
SRI LANKA	0	0	0	225	0	225
TUNISIA	3,000	0	2,000	1,000	0	6,000
WEST BANK/GAZA	25,000	0	0	0	0	25,000
REGIONAL TOTAL	2,081,500	0	3,132,000	7,525	18,000	5,239,025
TOTAL COUNTRY PROGRAMS	2,582,000	855,000	3,203,600	42,132	77,166	6,759,898
NON-REGIONAL:						
ADMINISTRATIVE COSTS	0	194	25,558	0	0	25,752
DEMINEING & TRAINING	0	0	2,499	0	0	2,499
DEOB/REOB AUTHORITY	0	0	500	0	0	500
GENERAL COSTS	0	0	0	368	0	368
NON-REGIONAL TOTAL	0	194	28,557	368	0	29,119
TOTAL PROGRAM	2,582,000	855,194	3,232,157	42,500	77,166	6,789,017
FINANCING FOR NON-SUBSIDY ELEMENT OF CONCESSIONAL LOANS						
	0	-734,737	0	0	0	-734,737
TOTAL BUDGET AUTHORITY	2,582,000	120,457	3,232,157	42,500	77,166	6,054,280

\* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative in Section III for a discussion of specific country programs.

a/ Preliminary allocation of Andean Narcotics Initiative funds.

b/ Preliminary allocation of Potential Source & Transit funds.

**THE FUTURE OF SECURITY ASSISTANCE**

Notwithstanding the stark budget environment and deterioration of the national consensus which supported foreign aid throughout the Cold War, security assistance remains an indispensable instrument of foreign policy. In the FY 94 budget, we propose the initial steps necessary to accommodate the security assistance program to post-Cold War requirements. The Administration looks forward to working with Congress on further steps to refocus security assistance and to forge a consensus with the American people on the purposes and priorities of foreign aid as we approach the twenty-first century. In this connection, the Administration will work closely with the Congress in fashioning new legislation to replace the Foreign Assistance Act of 1961 and the Arms Export Control Act of 1976.

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## Foreign Military Financing

Foreign Military Financing (FMF) enables selected friends and allies to improve their defense capabilities by financing the acquisition of U.S. military articles, services, and training. As FMF helps countries provide for their legitimate defense needs, it promotes U.S. national security interests by strengthening coalitions with friends and allies, and cementing strong military-to-military relationships. FMF also supports our regional security cooperation with key allies such as Egypt, Greece, Israel, Portugal, and Turkey by rectifying shortcomings in their defense capabilities through financing major modernization programs, such as F-16s. It helps meet post-Cold War challenges, such as peacekeeping on the Iraq-Kuwait border, by financing equipment and services in support of forces engaged in these efforts. It also helps Latin American and Caribbean nations acquire aircraft, spare parts, and other items to fight the war on drugs.

A grant and concessional loan program, FMF is distinguished from FMS, the system through which all government-to-government sales of military equipment occur. In general, FMF provides financing for FMS sales. Select countries, however, have been eligible to use FMF credits for procurement through direct commercial contracts with U.S. firms outside of FMS channels. The relevant legislation identifies the eligible countries as: Greece, Turkey, Portugal, Morocco, Pakistan, Tunisia, Jordan, Yemen, Egypt, and Israel.

By meeting the demand for U.S. products, FMF promotes interoperability with U.S. forces, and contributes to a strong U.S. defense industrial base—a critical element of the national defense. FMF also strengthens the U.S. economy by financing sales of defense items that lengthen production runs. This results in lower unit costs for DoD purchases and creates jobs. Indeed, the longer term survival of a number of important domestic arms programs, such as the M1A2 Abrams battle tank, Apache helicopter, and the F-15 and F-16 jet fighters, depend on foreign sales. These programs represent skilled labor and jobs in the defense industry.

Between 1974 and 1984, almost all FMF took the form of guaranteed loans provided through the Federal Financing Bank at interest rates slightly higher than the cost of money to the U.S. Treasury. In the global recession of the early 1980s, repayment of FMF loans compounded many developing countries' debt service problems. Concern about this problem in Congress and in the Executive Branch prompted the FY 1985 legislation for non-repayable FMF for Egypt and Israel, and concessional (lower interest rate) loans for other selected countries. Security assistance is now being offered primarily on a grant basis, thus enabling recipient countries to devote scarce financial resources to economic development.

In FY 1992, \$3.99 billion out of \$4.34 billion in FMF took the form of grants. For FY 1993, Congress appropriated \$3.30 billion in grant FMF and an additional \$149.20 million in budget authority to support an \$855 million concessional loan program. For FY 94, the Administration is proposing \$3.232 billion in grants and \$120.5 million in budget authority to support a proposed \$855 million in concessional loans. The amount of loans available for country programs may vary according to the subsidy rating of recipient countries and cost of money to the U.S. Treasury when loan agreements are obligated.

Beginning in FY 1992, the Federal Credit Reform Act of 1990 (P.L. 101-508) changed the accounting and budgeting of all government loans, including FMF loans issued under the authority of the Arms Export Control Act. The purpose of the legislation is to portray more accurately the true cost of loan programs by providing new budget authority only for the subsidy element of the

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loan program. This legislation was the basis for the establishment of two new accounts and substantial changes in existing accounts within the FMF program, as discussed below.

**FOREIGN MILITARY FINANCING GRANTS (11-1082)**

In the past, budget authority for both the grant and loan programs was commingled in the FMF Account 11-1082. Beginning in FY 1992, the 11-1082 account contains only the FMF grant portion of the program and administrative costs. Outlays consist solely of grant financing and administrative costs.

**FOREIGN MILITARY FINANCING PROGRAM ACCOUNT (11-1085)**

The Foreign Military Financing Program Account provides the budget authority needed to fund the subsidy element of the proposed FMF concessional loan program. Budget authority provided to the 11-1085 account represents the subsidy element of the loan program and a small amount for administrative expenses. Disbursements finance the subsidy element of direct loan disbursements and are transferred to the Foreign Military Financing Direct Loan Financing Account 11-4122 to make the required expenditures for approved sales.

**FOREIGN MILITARY LOAN LIQUIDATING ACCOUNT (11-4121)**

The Foreign Military Loan Liquidating Account 11-4121, formerly titled the Guaranty Reserve Fund, is now used as the liquidating account for all FMF loans, direct or guaranteed, which were issued prior to FY 1992. This includes the disbursement of pre-FY 1992 direct and guaranteed loan funds and the payment and subsequent recoupment of guaranty claims on Federal Financing Bank or guaranteed commercial FMF loans. Account 11-4121 has standing, permanent, indefinite appropriation authority to cover guarantee claims when there are insufficient funds to pay them. Recoupments from borrowers of guaranty claims paid from the liquidating account will be used throughout the year to pay new guaranty claims. Excess funds at the end of the year will be returned to the Treasury.

**FOREIGN MILITARY FINANCING DIRECT LOAN FINANCING ACCOUNT (11-4122)**

The Foreign Military Financing Direct Loan Financing Account 11-4122 is related to the FMF Program Account 11-1085 and is the vehicle for making disbursements of FMF loan funds for approved procurements and for collection of debt service due under those loans. The subsidy element of concessional loan disbursements is transferred from the appropriated amount in Account 11-1085 to the Loan Financing Account 11-4122. These funds are augmented by permanent borrowing authority from the Treasury to make the required expenditures for FMS and commercial procurements. Receipts of debt service payments from FMF borrowers are used for repayment of the borrowing from the Treasury.

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**International Military Education and Training**

The International Military Education and Training (IMET) program provides military education and training on a grant basis to students from allied and friendly nations. It is recognized as one of the most cost effective components of U.S. security assistance. Since 1950, IMET and its predecessor programs have trained more than 500,000 foreign officers and enlisted personnel in areas ranging from professional military education to basic technical and nation building skills.

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This training has enabled U.S. friends and allies to establish and improve self-sufficiency in their military forces, as well as to strengthen their own training capabilities.

By bringing 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. Students are also exposed to U.S. military procedures and the manner in which our military functions under civilian control. A less formal, but nonetheless significant, part of the program exposes students to the civilian community and its important democratic institutions. In addition, English language training, essential to attending courses in the United States, increases rapport between students and their U.S. counterparts.

Significant numbers of IMET students go on to hold prominent military and civilian positions in their own countries. The rapport they establish with U.S. counterparts while IMET students, and the favorable impressions they receive of the United States, frequently create opportunities for future access to these leaders. The valuable friendships and improved channels of communication between foreign military and United States personnel is one of the major, long-term benefits of the IMET program.

The Foreign Operations, Export Financing and Related Programs Appropriations Act, 1991, expanded the scope and purposes of the IMET program. Expanded IMET's principal objectives are: fostering greater respect for, and understanding of, the principle of civilian control of the military; improving military justice systems and procedures in accordance with internationally accepted standards of human rights; and increasing professionalism and responsibility in defense management and resource allocation. In addition to training Ministry of Defense personnel, Expanded IMET provides training for foreign military and civilian officials from ministries other than Defense, such as the Foreign Ministry and equivalents of the Department of the Treasury and Office of Management and Budget. The Expanded IMET initiative was further broadened by the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1993, to authorize the training of members of national legislatures responsible for oversight and management of the military.

The U.S. Government spent over \$3.36 million in IMET funds in FY 1992 to provide training under the expanded IMET program. Officials in the initial target areas for the training—including the emerging democracies of Central Europe—have responded enthusiastically. Congress earmarked \$3.66 million to continue this effort in FY 1993, and the Administration estimates the same amount for expanded IMET in FY 1994 out of the total proposed program of \$42.5 million.

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### **Economic Support Fund**

The Economic Support Fund (ESF) provides economic as well as counter-narcotics assistance to allies and strategically important developing countries. The Agency for International Development (AID) implements the ESF program under the direction of the Administrator of AID with overall foreign policy guidance from the Secretary of State.

ESF provides balance of payments support directly through cash transfers, or through financing of commodity imports from the United States for acquisition of critical raw materials and capital goods when foreign exchange is not readily available. Where longer-term political and economic stability is the primary concern, ESF finances infrastructure or other capital projects, and developmental projects that benefit the poor.

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Economic dislocation and political strife continue to place great strains on many countries. Depending on the recipient country's economic situation, ESF's fast-disbursing balance of payments or budgetary support may create leverage to bring about the adoption of more rational economic and fiscal policies required to sustain economic growth. In the short term, however, measures to create more rational and efficient economic structures and practices often exacerbate social and political tensions unless buffered by external assistance. In these circumstances, ESF can help to prevent or diminish economic and political dislocation that may threaten the security and independence of key allies and friends.

The Administration's FY 1994 request for \$2.53 billion reflects a firm U.S. commitment to assist others to achieve economic growth and development. Funding will help safeguard important mutual security interests of the United States and its friends and allies.

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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 (PKO) which further U.S. national security interests. Funding under this statute has for the most part been limited to support of the United Nations Force in Cyprus (UNFICYP) and the Multinational Force and Observers in the Sinai (MFO), although assistance has episodically been provided to other peacekeeping activities.

The number of situations requiring peacekeeping operations has risen dramatically in the past two years, and can be expected to increase further in the years ahead. Potential flash points exist in Central and East Asia, Europe, Africa, and Latin America. To meet this challenge, the Clinton Administration has decided upon an integrated government-wide approach to the issue. The total budget request for peacekeeping stands at over \$1 billion which, in addition to funding for non-assessed PKO operations, includes \$620 million for assessed contributions to UN peacekeeping as well as a new, separate DoD account of \$300 million.

The Administration proposes for FY 1994 to increase the PKO Account by \$50 million to a total of \$77.166 million. This amount will fund both long-standing operations in Cyprus and the Sinai and necessary new initiatives in the former Soviet Union, Haiti, and Africa.

#### **UNITED NATIONS FORCES IN CYPRUS**

The Administration requests \$9.0 million for UNFICYP for FY 1994, which represents a straightline from the FY 1993 submission. Erosion of UNFICYP's effectiveness risks renewed tensions on the island, which would increase tensions between Greece and Turkey. UNFICYP's current six-month mandate runs though June 15, 1993.

The Administration continues to seek a more secure financial footing for UNFICYP while restraining increases in costs and promoting progress toward a negotiated settlement of the Cyprus problem. The UN seeks approximately \$31 million in voluntary contributions for UNFICYP each year while troop contributing nations assert that they annually incur roughly \$65 million (70 percent) of UNFICYP's costs. UNFICYP's military contributors have strongly pressed for a downsizing and a change in the means of funding the force. They have withdrawn significant numbers of troops already and plan further withdrawals. As of March 1993, UNFICYP had 1513 military and civilian personnel stationed in Cyprus (down from 2100 in mid-1992). Austria,

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Canada, and the United Kingdom provide troop contingents. Finland, Ireland, and Sweden also provide some officers and military police, while Australia and Sweden provide civilian police.

### **MULTINATIONAL FORCE AND OBSERVERS**

The FY 1994 request for the MFO is \$18 million. An independent international organization, MFO implements the security arrangements originally envisioned for the United Nations in the 1979 Egyptian-Israeli Peace Treaty. The USG has made a firm commitment to Israel and Egypt to finance one-third of the MFO's annual costs, and Congress authorized U.S. participation in Public Law 97-132. The U.S. share reflects the MFO's anticipation of continued annual contributions from Japan and Germany, which are deducted from the total budget.

### **CSCE OPERATIONS**

The Conference on Security and Cooperation in Europe (CSCE) has emerged as a major agent for peacekeeping in the area from the Balkans to former Soviet Central Asia. Our FY 1994 request for 37 million will assist the CSCE in the following three operations: (1) A 300-man peacekeeping force for the enclave of Nagorno-Karabakh—to be deployed once a cease-fire is in place between Armenia and Azerbaijan; (2) Monitoring of sanctions enforcement against the former Yugoslavia; and (3) Conflict prevention missions in Kosovo, Serbia, Macedonia, Estonia, Georgia, and Moldova. The proposed U.S. contribution is approximately nine percent of total CSCE peacekeeping expenditures and supports U.S. policy goals of working for a peaceful settlement to the Nagorno-Karabakh dispute, tightening sanctions against Serbia/Montenegro, and avoiding violent and destabilizing conflicts in the former Soviet Union.

### **LIBERIA**

We are requesting \$12 million to support the peacekeeping effort in Liberia by the Economic Community of West African States (ECOWAS). That effort is entering a new and critical phase, with the successful counteroffensive by peacekeeping forces against attacks initiated by Liberian rebels in October 1992. Due to the high costs involved as well as domestic requirements, the West African states involved in the peacekeeping operation are coming under increasing pressure to scale down their presence. The entire effort could falter without additional outside assistance. Moreover, the UN will be looking for help for an initiative to underwrite the cost of demobilization, disarmament and elections, in addition to the cost of maintaining peacekeeping forces in the field.

### **HAITI**

We request 328 million to continue support of the UN/OAS civilian observer mission to Haiti. The mission will be key to establishing a stable climate for meaningful negotiations toward a political settlement and in maintaining compliance with the terms of any settlement which is reached. Observers will also monitor human rights in rural and urban areas to report on and limit political violence.

### **OAU PEACEKEEPING OPERATIONS**

The proposed FY 1994 funding level for the Organization of African Unity (OAU) is \$3.166 million. This would help to support recently-deployed neutral military observers to Rwanda to monitor the cease-fire between government and rebel forces during peace negotiations, and to assist during the transition period in the demobilization and integration of the two armies. Funds would also assist the OAU to establish a military secretariat as a permanent mechanism for conflict resolution in the region, and to acquire minimum stocks of essential equipment—including radios, field rations, mine detectors, mine clearance equipment, and possibly tactical wheeled vehicles—for use in future peacekeeping operations.

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## OTHER

In addition, funds from this account may be used for other unforeseen peacekeeping activities.

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### **Nonproliferation and Disarmament**

Nonproliferation has moved to the forefront of the national security agenda, and the U.S. must dedicate the resources necessary to address this problem. President Clinton has declared that the world is challenged by the proliferation of weapons of mass destruction. In his confirmation hearings, Secretary Christopher identified nonproliferation as one of the foremost security challenges confronting the United States.

The proposed FY 1994 Nonproliferation and Disarmament programs demonstrate the increased priority given to this issue and a desire to work toward an integrated government-wide approach. The Departments of State, Defense and Energy, and ACDA are all involved in implementing these programs, the objectives of which include the following:

- Reduce and restructure Russia's strategic nuclear force into a smaller and less destabilizing force, and support denuclearization of Ukraine, Belarus, and Kazakhstan during the seven year START implementation period, or sooner if possible;
- Support and expand U.S. and multilateral efforts to establish effective export controls for destabilizing weapons systems and materials in the states of the former Soviet Union (FSU), Eastern Europe, and elsewhere;
- Assist in dismantling existing systems of proliferation concern in the states of the former Soviet Union (FSU); and
- Increase the effectiveness of existing nonproliferation and arms control agreements and promote arms control and security in regions of tension.

Existing funding—including Nunn-Lugar—is addressing very significant, new nonproliferation and disarmament challenges in the four nuclear FSU states (Russia, Ukraine, Belarus, and Kazakhstan). But there are other proliferation challenges in the non-nuclear FSU states, and in Eastern Europe, South America, Africa, the Middle East, and Asia that are not receiving equal attention or appropriate funding.

To help meet these needs—and in concert with the Departments of Defense, Energy, and Commerce, ACDA, the Customs Service, and other Western countries—the Department of State proposes a \$50 million budget for a four-part nonproliferation assistance program of Education and Training, Destruction and Conversion, Enforcement and Interdiction, and Safeguards and Verification. Our principal role in all of these complementary programs is to serve as the initial diplomatic contact, conduct negotiations, and provide legal assistance, translation services, program start-up, and initial training costs. State will also facilitate the technical implementation of these programs, which may be carried out by other agencies.

Here follows a brief description of planned State Department activities in the area of nonproliferation and disarmament, as well as proposed funding.

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## I. EDUCATION/TRAINING/CONSULTATION PROGRAMS

These programs would help educate officials of the non-nuclear FSU states (those not currently covered by Nunn-Lugar), Eastern Europe, and other countries of proliferation concern about pursuing nonproliferation objectives and establishing effective export control systems.

- **Export Control Training:** (\$5 million) Patterned on the export control assistance program in Belarus funded under Nunn-Lugar, this program would support training for export control officials in targeted non-nuclear FSU states, Eastern Europe, and emerging supplier countries in South America and South Asia. Such a program, to be conducted with other U.S. agencies, would offer assistance in writing legislation for export control; implementing regulatory systems and export licensing systems; training enforcement personnel for customs inspection and investigation; and training managers about compliance with international export control regimes. Department of State funds will be used for initial diplomatic exchanges, negotiations, legal assistance, translation services, program start-up—to include setting up training centers—and initial training costs. Other agencies—DoD, DoE, Customs, and Commerce—would provide the technical expertise, ongoing support, and equipment necessary to maintain the support.
- **Regional Non-Proliferation Initiatives:** (\$2 million) A series of education/training activities, technical assistance, and diplomatic consultation would support ongoing U.S. nonproliferation and arms control diplomacy in regions of high proliferation concern. These include the Arms Control and Regional Security (ACRS) process in the Middle East (talks as part of the Middle East Process to promote face-to-face discussion of confidence-building measures), confidence building measures in South Asia, nonproliferation efforts in the Southern Cone, and the Korean Peninsula denuclearization accord (e.g., purchase of sensing/sampling equipment). Examples of activities supported would be conferences with official and non-official participants from key regional states to discuss confidence building verification, or material handling and control.
- **Nonproliferation Outreach Program:** (\$1 million) This program would educate officials in industries related to weapons of mass destruction (WMD) within targeted non-nuclear FSU states, Eastern Europe, and other states about U.S. nonproliferation policies and their effect on industry. These funds would support workshops in the U.S. and in the affected country, as well as training and the transfer of necessary equipment to increase compliance. This program would draw its expertise from U.S. industry and build upon existing nonproliferation training programs.
- **Technical Studies:** (11 million) These funds would support technical studies and international discussions to assist the work of the Nuclear Suppliers Group, Zangger Committee, MTCR, and the Australia Group. These would cover systems designs for computerized export control systems and studies on the effectiveness of the inclusion of individual items on control lists.

## II. DESTRUCTION/CONVERSION PROGRAMS

There are a number of countries willing to accept and implement our key non-proliferation objectives—implementation of the Nuclear Nonproliferation Treaty (NPT), the Chemical Weapons Convention (CWC), and the Missile Technology Control Regime (MTCR), for example—but do not have the expertise to do so. This program would make available U.S. expertise—drawn from other U.S. agencies and from industry—and direct funding where necessary to help make these objectives reality. These programs are modest, and would be utilized where a small amount could

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make a difference, or where initial State funding could pave the way for further potential assistance by DoD, DoE, or another agency.

- **WMD/Conventional Destruction** (\$11 million) These funds will provide for the transportation and small-scale destruction of chemical biological, and missile stockpiles and facilities in targeted states.
- **WMD Material Buyback:** (\$5.5 million) These funds will provide for the transfer of WMD-related material to the U.S. from proliferation countries of concern where programs have been terminated or otherwise reduced. Examples of materials which could be purchased include chemical weapons precursor chemicals and ballistic missile propellants and technologies. These funds could also assist countries helping U.S. efforts to interdict WMD-related shipments. This program is independent of the agreement with Russia in the sale of highly enriched uranium.
- **Spent Fuel Storage** (\$2 million) These funds would begin negotiations to discuss the establishment, if necessary, of spent nuclear fuel storage facilities in Eastern European states that previously sent spent fuel to the Soviet Union. Such assistance would be directed to the IAEA or another U.S. agency on a case-by-case, as-needed basis and be part of broader diplomatic efforts.

### III. ENFORCEMENT/INTERDICTION PROGRAMS

The U.S. needs to place greater emphasis on policing and ultimately curtailing that black market trade in WMD-related materials.

- **Material Control and Accountability:** (\$5 million) These funds will provide training and diplomatic discussions needed to implement nuclear materials controls in East Europe and the FSU states not eligible for Nunn-Lugar. Depending on the country, funds will directly support programs undertaken by the targeted country by buying equipment, provide seed money for another U.S. agency's program, or help the IAEA's material control and accountability program expand to a targeted country.
- **Nuclear Smuggling:** (\$1 million) This would provide financial and technical assistance for working with Western and Eastern European countries to prevent the smuggling of nuclear materials, particularly out of the former Soviet Union. This could include setting up communications or computer networks within existing Eastern European enforcement agencies, as well as establishing cells within those organizations to target this dangerous trade.

### IV. SAFEGUARDS AND VERIFICATION PROGRAMS

The verification of international nonproliferation regimes is becoming increasingly complex. The U.S. will expand its role in assisting international agencies—especially the IAEA—to ensure compliance with these regimes.

- **Safeguards Implementation:** (\$5 million) Funds will support IAEA implementation of safeguards through the purchase of more sophisticated sampling and assessment equipment and the provision of U.S. assessment capabilities.
- **Special Inspection Mechanisms:** (\$11 million) Funds will provide for implementing and supporting special inspections under IAEA, UNSCOM, CWC, regional regimes, and

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other WMD-related activities. This will include the provision of administrative support, equipment, training, and non-government experts to support these activities.

- **Argentina-Brazil Agency for Accounting and Control of Nuclear Material:** (\$400,000) These funds will procure safeguards equipment to implement full-scope safeguards in Argentina and Brazil.

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### Arms Control Considerations

Security assistance has long been an indispensable instrument in United States policy to exert constructive leadership in building a more secure and peaceful world. Judiciously used, arms transfers can deter aggression, strengthen and revitalize mutual security relationships, demonstrate enduring interest in the security of friends and allies, and foster internal and regional stability and security. Other programs and initiatives, such as the Nonproliferation and Disarmament Fund, adopt a new approach to security assistance by promoting bilateral and multilateral efforts to control the spread of missiles, nuclear and chemical/biological weapons, and destabilizing conventional arms transfers (CAT), and by supporting defense industry conversions or dismantlements. These complimentary approaches to international security promote regional and global stability by enhancing the deterrent and defense capabilities of our friends and allies, and actively advancing nonproliferation and arms control objectives.

The security assistance program is consistent with U.S. arms control policy to promote international security through the negotiation of equitable and verifiable agreements, and assuring compliance with existing agreements. It also enhances our ability to limit the proliferation of potentially destabilizing weapons, especially in regions of tension and conflict. The United States addresses proliferation issues through the entire range of available tools, including political, diplomatic, economic, intelligence, and regional security.

United States' policy requires the careful, case-by-case evaluation of each request for arms in terms of its contributions to enhanced deterrence and defense. The arms control implications of each transfer are essential elements of this evaluation, and each transfer is specifically reviewed for its impact upon U.S. arms control and nonproliferation objectives. Such a review considers, *inter alia*, whether a proposed transfer: is consistent with U.S. interests in maintaining stability within the region; can be absorbed without overburdening the recipient's military support system or financial resources; adds or detracts from fulfilling our nonproliferation goals; and offsets possible adverse effects by its positive contributions to U.S. regional interests and objectives.

The Arms Control and Disarmament Agency (ACDA) exercises statutory authority for evaluating the arms control and nonproliferation implications of arms transfer proposals. As required by the Arms Export Control and Foreign Assistance Acts, ACDA assesses whether proposed military sales and assistance, and commercial arms exports, might contribute to an arms race, increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements. ACDA also takes into account factors such as regional stability and military balance; legitimate defense needs relative to the level of threat; the military force structure, strategy and doctrine of the proposed recipient and its neighbors, whether the transfer would constitute a "new" offensive, power-projection, or destabilizing capability; and proliferation implications.

Despite obstacles and new challenges, greater international cooperation in arms transfer restraint and nonproliferation has been achieved. Negotiations among the five major arms suppliers (the United States, United Kingdom, France, the former Soviet Union and China)

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resulted in agreement in October 1991 on common guidelines for conventional weapons exports. In May 1992 they agreed further on interim guidelines governing international transfers of goods and technologies that could be used to develop weapons of mass destruction.

These efforts will continue as the focus of arms control adapts to the post-Cold War multipolar world. Recent initiatives to promote regional arms control arrangements and to control the proliferation of weapons of mass destruction, missiles, and advanced weapon technologies will intensify as we now share many common objectives with former adversaries. The United States remains committed to helping its friends and allies maintain and enhance their security through prudent arms transfers and nonproliferation initiatives which promote regional stability and world peace.

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### Estimating Foreign Military Sales

Foreign Military Sales (FMS) policies derive from U.S. statutes, Presidential directives, and policies of the Departments of State and Defense. The U.S. offers to sell defense articles and services (including training) under FMS procedures only in response to specific requests from authorized representatives of foreign governments or eligible international organizations.

The following table is in two parts. The first part shows the total dollar value by country of government-to-government Foreign Military Sales agreements concluded in FY 1992. It represents the total dollar value of Letters of Offer and Acceptance (LOAs) signed in FY 1992, regardless of when the articles and services were or will be delivered.

The second part shows the estimated dollar values projected for FY 1993 and FY 1994. These estimates are derived through an analysis of each country's ongoing projects and potential new programs and, hence, are made under conditions of extreme uncertainty. Projections are based on: analysis of expectations of interests by potential purchasers which may not result in official requests; judgments of which requests may be approved and which may result in actual sales offers after completion of a thorough, and often lengthy, U.S. government review process; and a judgment of which final U.S. sales offers the country may actually accept. The latter requires estimates not only of how essential the military equipment is to the country's defense needs, but also of whether the purchase will be approved during the purchasing country's budget process. Projections include an estimate of potential requests for major increases in scope (amendments) to prior-year cases. These amendments are reflected as a sale in the current fiscal year. In some instances, training, publications, maps, medical supplies, technical assistance, and some spare parts are not included in these figures. (Further information is provided in the classified annex to this document.)

Each phase of the request/offer/acceptance process has many variables which make it difficult to determine exactly when—or even if—a particular sale may occur. A variance of one day in a purchasing country's acceptance of a single significant sales agreement could shift the recording of the transaction from one fiscal year to the next. In addition, U.S. agreements cannot always be segregated on a cash or financing basis when Letters of Acceptance are concluded by purchasing countries. Also, for countries eligible for U.S. financing, it is not always possible to determine until full payment has been made how much of that payment was U.S. financed.

**FOREIGN MILITARY SALES & CONSTRUCTION AGREEMENTS**  
(Dollars in Thousands)

	ACTUAL FY 1992			ESTIMATED FY 1993	ESTIMATED FY 1994
	TOTAL SALES	DEFENSE ART/SERV	CONSTR/DESIGN	TOTAL SALES	TOTAL SALES
<b>AFRICA:</b>					
BOTSWANA	910	716	194	2,000	1,500
BURUNDI	65	65	0	0	0
CAMEROON	629	546	83	2,500	600
CAPE VERDE	1,745	1,648	97	0	500
CENTRAL AFRICAN REPUBLIC	311	194	117	0	100
CHAD	2,584	2,584	0	2,500	4,500
CONGO	12	12	0	0	0
COTE D'IVOIRE	1,368	1,368	0	1,200	400
DJIBOUTI	1,152	1,152	0	600	0
EQUATORIAL GUINEA	0	0	0	200	100
GABON	95	3	92	200	0
GAMBIA, THE	381	381	0	200	200
GHANA	0	0	0	100	0
GUINEA	87	87	0	1,000	500
GUINEA-BISSAU	389	389	0	200	200
KENYA	736	736	0	0	0
LESOTHO	200	6	194	0	0
MADAGASCAR	0	0	0	200	400
MALAWI	463	463	0	1,400	1,000
MAURITIUS	0	0	0	600	0
NAMIBIA	115	115	0	3,000	1,400
NIGER	2,309	2,210	99	1,600	500
NIGERIA	0	0	0	500	0
RWANDA	303	293	10	600	**
SAO TOME & PRINCIPE	36	36	0	200	0
SENEGAL	4,360	4,091	269	3,000	2,000
SEYCHELLES	0	0	0	400	0
SIERRA LEONE	816	816	0	500	0
TOGO	110	3	107	300	0
ZIMBABWE	100	100	0	1,000	0
REGIONAL TOTAL	19,276	18,014	1,262	24,000	13,900
<b>AMERICAN REPUBLICS:</b>					
ANTIGUA-BARBUDA*	356	307	49	900	900
ARGENTINA	5,770	5,770	0	10,000	10,000
BARBADOS*	1,111	814	297	800	900
BELIZE	587	587	0	500	500
BOLIVIA	0	0	0	100	100
BOLIVIA - INTL. NARC.	22,209	17,160	5,049	20,000	25,000
BRAZIL	69,673	69,673	0	50,000	80,000
CHILE	5,482	5,482	0	20,000	15,000
COLOMBIA	1,625	1,625	0	15,000	20,000
COLOMBIA - INTL. NARC.	72,979	64,743	8,236	60,000	60,000
COSTA RICA	290	290	0	500	500
DOMINICA*	279	279	0	500	600
DOMINICAN REPUBLIC	1,626	1,626	0	2,000	1,500
ECUADOR	6,216	6,216	0	10,000	9,000
ECUADOR - INTL. NARC.	1,660	1,660	0	5,000	5,000
EL SALVADOR	36,238	34,296	1,942	12,000	10,000
GRENADA*	302	302	0	500	600
HONDURAS	19,578	14,801	4,777	10,000	10,000
JAMAICA	1,696	1,696	0	2,500	3,000
MEXICO	2,338	2,338	0	15,000	15,000
PANAMA	871	871	0	100	0
PARAGUAY	40	40	0	10,000	9,000
PERU	754	754	0	0	0
PERU - INTL. NARC.	5,080	5,080	0	1,000	0
ST. KITTS AND NEVIS*	86	86	0	500	600
ST. LUCIA*	401	401	0	500	600
ST. VINCENT & GRENADINES*	234	234	0	500	600
TRINIDAD & TOBAGO	260	260	0	500	600

**FOREIGN MILITARY SALES & CONSTRUCTION AGREEMENTS  
(Continued)**

	ACTUAL FY 1992			ESTIMATED FY 1993	ESTIMATED FY 1994
	TOTAL SALES	DEFENSE ART/SERV	CONSTR/DESIGN	TOTAL SALES	TOTAL SALES
<b>AMERICAN REPUBLICS (CONT):</b>					
URUGUAY	6,151	6,151	0	15,000	15,000
VENEZUELA	19,396	19,396	0	40,000	70,000
REGIONAL TOTAL	283,288	262,938	20,350	303,400	364,000
<b>EAST ASIA &amp; PACIFIC:</b>					
AUSTRALIA	148,616	148,616	0	125,000	50,000
FIJI	0	0	0	0	500
INDONESIA	11,063	11,063	0	11,000	15,000
JAPAN	354,952	354,952	0	235,000	150,000
KOREA	2,640,856	2,640,856	0	500,000	400,000
MALAYSIA	4,581	4,581	0	5,000	4,000
NEW ZEALAND	8,134	8,134	0	5,000	2,500
PHILIPPINES	47,537	47,537	0	80,000	50,000
SINGAPORE	85,400	85,400	0	400,000	40,000
TAIWAN	477,904	477,904	0	6,432,000	429,000
THAILAND	442,476	442,476	0	180,000	140,000
REGIONAL TOTAL	4,221,519	4,221,519	0	7,973,000	1,281,000
<b>EUROPE &amp; CANADA:</b>					
AUSTRIA	5,020	5,020	0	15,000	10,000
BELGIUM	35,096	35,096	0	50,000	40,000
CANADA	158,169	158,169	0	150,000	150,000
DENMARK	70,884	70,884	0	31,000	30,000
FINLAND	2,427,129	2,427,129	0	10,000	3,000
FRANCE	28,069	28,069	0	40,000	10,000
GERMANY	189,436	189,385	51	350,000	250,000
GREECE	624,966	624,966	0	1,500,000	180,000
HUNGARY	0	0	0	15,000	5,000
IRELAND	0	0	0	**	0
ITALY	206,355	206,355	0	30,000	30,000
LUXEMBOURG	438	438	0	100	100
MALTA	1	1	0	0	0
NETHERLANDS	313,939	313,939	0	100,000	140,000
NORWAY	43,789	43,789	0	120,000	30,000
POLAND	0	0	0	0	15,000
PORTUGAL	27,031	27,031	0	10,000	10,000
SPAIN	99,169	99,169	0	130,000	30,000
SWEDEN	41,104	41,104	0	10,000	15,000
SWITZERLAND	28,646	28,646	0	50,000	50,000
TURKEY	1,852,231	1,852,231	0	500,000	2,000,000
UNITED KINGDOM	252,029	252,029	0	120,000	70,000
REGIONAL TOTAL	6,403,501	6,403,450	51	3,231,100	3,068,100
<b>NEAR EAST &amp; SOUTH ASIA:</b>					
ALGERIA	0	0	0	1,000	1,000
BAHRAIN	14,027	14,027	0	60,000	15,000
EGYPT	967,602	860,117	107,485	350,000	220,000
INDIA	0	0	0	**	0
ISRAEL	98,001	98,001	0	250,000	2,900,000
JORDAN	7,928	7,928	0	70,000	60,000
KUWAIT	496,417	482,854	13,563	2,500,000	100,000
LEBANON	0	0	0	2,500	2,000
MOROCCO	13,591	13,591	0	25,000	25,000
OMAN	5,553	5,553	0	20,000	20,000
QATAR	1,458	1,458	0	5,000	5,000
SAUDI ARABIA	1,019,508	974,185	45,323	12,500,000	2,750,000
TUNISIA	7,783	7,783	0	30,000	10,000
UNITED ARAB EMIRATES	509,196	509,196	0	80,000	15,000
REGIONAL TOTAL	3,141,064	2,974,693	166,371	15,893,500	6,123,000

**FOREIGN MILITARY SALES & CONSTRUCTION AGREEMENTS  
(Continued)**

	ACTUAL FY 1992			ESTIMATED FY 1993	ESTIMATED FY 1994
	TOTAL SALES	DEFENSE ART/SERV	CONSTR/ DESIGN	TOTAL SALES	TOTAL SALES
<u>NON-REGIONAL:</u>					
CLASSIFIED TOTALS a/ INTERNATIONAL ORG.	1,012,250 <u>90,853</u>	1,012,250 <u>90,853</u>	0 <u>0</u>	475,000 <u>100,000</u>	1,100,000 <u>50,000</u>
NON-REGIONAL TOTAL	<u>1,103,103</u>	<u>1,103,103</u>	<u>0</u>	<u>575,000</u>	<u>1,150,000</u>
WORLDWIDE TOTAL	15,171,747	14,983,717	188,031	28,000,000	12,000,000

NOTE: Totals may not add due to rounding.

\* These countries comprise the Eastern Caribbean. See Eastern Caribbean narrative in Section III for a discussion of specific country programs.

\*\* Less than \$500.

a/ For further information, please see the Classified Annex to this document.

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**Foreign Military Sales Administrative Costs**

The Foreign Military Sales program is implemented, for the most part, by the same Department of Defense personnel who work in the military departments and defense agency procurement, logistic support and administrative organizations established to carry out DoD's requirements for procurement and support of weapons, equipment, supplies and services needed by the Army, Navy, Air Force and Marines. A small number of fully dedicated security assistance organizations and personnel are also employed by the military departments and defense agencies in accomplishing the FMS mission. This integration of FMS provides organizational efficiencies and procurement cost economies to both the U.S. and the FMS customer countries.

The Arms Export Control Act (AECA) requires that the costs of implementing FMS be paid by FMS customer countries. To satisfy this requirement, an "administrative surcharge" of 3 percent is applied to most FMS cases. A 5 percent rate is applied to non-standard articles and services and supply support arrangements. In addition, a "logistics support charge" of 3.1 percent is also applied on certain deliveries of spare parts, equipment modifications, secondary support equipment and supplies.

These administrative funds, collected from the FMS customer, are made available to the military departments and defense agencies to pay for their FMS administrative costs related to such functions as FMS case preparation (including preparation of price and availability estimates/information), sales negotiations, case implementation, procurement, program control, ADP operations, accounting, budgeting and other financial and program management. A majority of the operating costs of overseas security assistance organizations (SAOs) are also financed from FMS administrative funds. DSAA administers an annual budget process to develop estimated funding requirements and establish approved administrative funding levels.

The Foreign Operations, Export Financing and Related Programs Appropriations Act, 1993, (P.L. 102-391) included, for 1993 only, a ceiling of \$300 million on obligations of FMS administrative funds. All FMS administrative budget obligations and expenditures are from FMS customers' funds which have been collected into the U.S. Treasury in the Foreign Military Sales Trust Fund account. There is no net outlay impact on the U.S. budget from the operations of the FMS administrative budget.

The table which follows shows FMS administrative budget amounts for FYs 1992 through 1994. The FY 1993 estimated amounts are subject to change and may possibly increase above the \$300 million ceiling as a number of unresolved budget issues are settled. If this occurs, the current FY 1994 estimates would be similarly affected.

**FMS ADMINISTRATIVE COSTS/WORKYEARS**  
(Dollars in millions)

	<u>FY 92 Actual</u>		<u>FY 93 Estimated</u>		<u>FY 94 Estimated</u>	
	<u>dols</u>	<u>WY*</u>	<u>dols</u>	<u>WYs</u>	<u>dols</u>	<u>WYs</u>
Military Departments	224.7	4,367	240.0	4,448	243.3	4,448
Other Defense	38.2	508	38.1	482	38.6	432
SAOs (net)	<u>18.5</u>	<u>423</u>	<u>21.9</u>	<u>473</u>	<u>23.3</u>	<u>474</u>
<b>TOTAL</b>	281.4	5,298	300.0	5,403	305.2	5,354

WYs = Work Years