

The **DISAM** **Journal**

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FY 2008
INTERNATIONAL
AFFAIRS BUDGET

THE DISAM JOURNAL OF INTERNATIONAL SECURITY ASSISTANCE MANAGEMENT

It is hard to believe we are halfway through the fiscal year 2007. Normally, by this time we would have published our annual feature of the fiscal year Security Assistance Legislation and Funding Allocations. Since we are operating on a continuing resolution authority for the remainder of this fiscal year, we have provided excerpts of United States Secretary of State Rice's International Relations Budget for Fiscal Year 2008. In addition to Dr. Rice's testimony we have included a summary of the 2008 International Relations Budget.

Ms Donna Miles, a reporter for the American Forces Press Service, contributed an article entitled "Lebanon to Be Among the First Beneficiaries of New Department of Defense Funding Authority" which explains the "1206 funding". The 1206 funding is named for the section of the 2006 National Defense Authorization Act which allows the Department of Defense in consultation with the Department of State to spend up to \$200 million a year to help other countries become stronger partners in the Global War on Terror.

This Journal features many topics within the Education and Training section. The Office of Defense Cooperation-Malaysia has internally automated tracking of host country training, foreign military sales case data, reports and office contacts. They point out how the use of Microsoft Access© applications makes it relatively easy to supplement the Defense Security Assistance Management System, Security Cooperation Information Portal, and Training Management System 7. If you are assigned to another security assistance office, you might want to read this article. We extend a special thanks to Jaakumar Arasan for submitting this best practice article.

Mr. Rob Steffan discusses the numerous international financial programs used for several international training programs each year assisting more than 137 countries. These diverse programs help to train over 4,400 international students each year.

The youngest of the regional centers at the Defense Security Cooperation Agency is the Near East South Asia Center for Strategic Studies. The center has provided us an article that includes the history of the center. It also highlights the fact that the center covers one of the most diverse and volatile areas of the world.

Bob Van Horn, a Defense Institute of Security Assistance Management instructor, contributes an article entitled "Using Foreign Military Sales to Support Military-to-Military Cooperation." And our final article contributed by Tom Molloy provides a point of view on correcting our country's foreign language deficit. It is a particularly timely subject as the U.S. government and the Department of Defense cope with handling foreign language needs by both military and civilian personnel.

To be certain, the world of security assistance has broadened in the security cooperation environment. Our articles in this edition collectively demonstrate job enlargement.



RONALD H. REYNOLDS
Commandant



THE DISAM JOURNAL

of International Security Assistance Management

Volume 29 No. 2

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FEATURE ARTICLE

International Relations Budget for Fiscal Year 2008

**By
Dr. Condoleezza Rice**

[The following are excerpts of the statement presented to the House Committee on Foreign Affairs, Washington, D.C., February 7, 2007.]

I would define the objective of transformational diplomacy this way: to work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system... We must transform old diplomatic institutions to serve new diplomatic purposes, and we must empower our people to practice transformational diplomacy.

Dr. Condoleezza Rice
United States Secretary of State

I look forward to continue working with Congress, closely and across party lines, to ensure that America's diplomacy, and the courageous individuals who undertake it, have the necessary resources to protect our national security, advance our democratic ideals, and improve people's lives throughout the world. With these duties we also reaffirm our responsibility to the American people: to be the best possible stewards of their hard-earned dollars.

President Bush's fiscal year (FY) 2008 International Affairs Budget for the Department of State (DoS), United States Agency for International Development (USAID), and other foreign affairs agencies totals \$36.2 billion. The President's budget also requests \$6 billion in supplemental funding for FY 2007 to support urgent requirements that are not funded in the annual budget. This supplemental request includes \$1.18 billion for additional operating costs of the DoS and other agencies. It also includes \$4.81 billion to meet urgent new foreign assistance needs in Afghanistan, Iraq, and Lebanon, as well as peacekeeping and humanitarian assistance in Sudan, Somalia, and other countries in need. In addition, the Administration is requesting \$3.3 billion in war supplemental funding in FY 2008, \$1.37 for foreign assistance and \$1.93 billion for DoS operations, to support emergency requirements in Iraq and Afghanistan.

This money is a fundamental investment in our national security. More than five years after the September 11, 2001 attacks, America remains engaged in a Global War on Terrorism (GWOT), but it is a war of a totally new and different kind. We face a long confrontation, in which military strength is important to our success, but is not sufficient. The defining feature of our world today is its interdependence. The security of the American people depends on the stability and the success of foreign societies. If governments cannot, or choose not, to meet their responsibilities as sovereign states, then every country in the world is threatened. The President believes that, in today's world, the defense of our country depends on the close integration of our multilateral diplomacy, our development efforts, and our support for human rights and democratic institutions. That is why President Bush, in his budget, designates the DoS as a national security agency.

We must recognize that our foreign service, our civil service, and our foreign service nationals are performing a vital national security role; often in difficult and dangerous posts, far away from their friends and families, and in many cases, shoulder to shoulder with our men and women in uniform. We are asking our civilians to do far more than just manage an existing international order; we are charging them with helping foreign citizens and their governments to transform their countries to move them toward peace, freedom, prosperity, and social justice.

This is the national security mission of our DoS today, which we have referred to as transformational diplomacy. To succeed in this critical work for the American people, we are making important changes to our department's organization, both in terms of the roles our people are playing and how we are revolutionizing our approach to foreign assistance. This is the foundation of our budget, and I would like to briefly review these important changes.

Transforming the Department of State

Faced with new challenges to our country, President Bush has initiated major reforms to bring our institutions of national security into the 21st century. Now it is the DoS's turn. With the support of Congress, we are moving our people off the front lines of the last century, in the capitals of Europe and here in Washington, and into the critical posts of this new century in Asia, and Africa, and the Middle East, and here in the Americas. Last year, we reprogrammed 200 positions for this purpose; we are set to reposition 80 more. At the same time, we are moving more of our people out of our embassies and into the field, so they can engage and work not only with governments but with the people of the nations in which they serve. We are making every necessary change, giving our diplomatic corps better training, better tools and technology, and more language skills to empower them to meet this challenge.

We realize that resources are tight, so in all that we do, we seek to be good stewards of the taxpayers' money. That is why, last year, I created the position of Director of United States Foreign Assistance, which Randy Tobias now occupies. He serves concurrently as the Administrator of the United States Agency for International Development, and in these dual roles, helps to bring unified leadership to our foreign assistance resources. Our goal for this budget was unprecedented: the strategic alignment of our foreign assistance with our foreign policy goals.

The budget represents the first joint effort of the DoS and USAID, working together, to align resources strategically in order to accomplish key national security and development goals with maximum efficiency and fiscal responsibility. To that end, we allocated our resources on the basis of shared goals, established common definitions for our foreign assistance programs, and common indicators to evaluate their performance. Six strategic principles guided our efforts:

- Integrate our planning based on the totality of our government's resources, so we can make the smartest investments possible, without duplicative efforts or wasteful spending
- Assess where each country stands in its course of development, so we can tailor our assistance to the unique demands of each individual country and support its own efforts to combat poverty
- Invest in states critical to regional stability and prosperity, which are often those key to the global war on terror
- Focus our assistance on the most critical impediments to and catalysts for long-term country progress

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- Empower our Ambassadors and Missions Directors to oversee the complete range of foreign assistance programs in the countries in which they work
 - Align our account structure with the country conditions and goals that they are designed to address

The main idea that I want to stress is this:

Our new approach to foreign assistance ensures an efficient, effective, and strategic use of the American taxpayer's money. The adjustments you may see in one program are justified by what we have determined is an even greater need elsewhere, and for the first time, we are starting to measure the trade offs in order to make the best use of our limited resources. With the performance and accountability measures we are putting in place, we will better ensure that we are providing both the necessary tools and the right incentives for host governments to secure the conditions necessary for their citizens to reach their full human potential. This furthers our goal of helping developing nations to "graduate" from our assistance, not to grow dependent on it.

Empowering Our People

We are moving ahead on these actions with our existing authority. They are steps that need to be taken, and we are taking them. But we must do more, and to do it, we need more resources. We need the continued, indeed the increased, support of the Congress. That is why we are requesting \$7.2 billion for DoS administration.

As we transform our existing positions to serve new purposes, we must also create new positions that advance our strategic objective of getting more Americans onto the diplomatic frontlines of the 21st century. This year, we are requesting \$125 million to create 254 new positions in critical spots like India, China, Indonesia, Venezuela, Nigeria, South Africa, and Lebanon. This funding will also enable us to establish new American Presence Posts, reflecting our goal of moving more of our diplomats into the regions and provinces of our host countries. In addition, we request 57 positions and \$23 million for the Office of the Coordinator for Reconstruction and Stabilization and our Active Response Corps. This will strengthen our ability to develop a deployable cadre of civilian staff able to respond quickly to crises and stabilization missions overseas.

Our Department's new and evolving mission, which is vital to our national security, requires an increased investment in our people. They need the latest technology and the best training, both leadership and language skills. This budget meets those demands, including \$905 million for information technology. We must also continue to improve our security in a dangerous world. This budget allocates \$965 million to strengthen overall security for our posts, our people, and our information systems worldwide, including through the creation of 52 additional positions for security professionals.

At the same time, we must continue to modernize and improve our buildings across the world. We seek \$1.6 billion to address the major physical security and rehabilitation needs of our embassies and consulates worldwide so we can protect the men and women serving in our posts. In the fourth year of Capital Security Cost Sharing, other U.S. government agencies with personnel abroad will contribute \$362 million for the construction of new, secure diplomatic facilities.

To continue filling the ranks of the Foreign Service with our nation's best talent, we will continue our efforts to revamp the pay scale for our diplomatic corps. The DoS personnel are increasingly expected to serve in what we call "hardship posts", which now comprise nearly 20 percent of all department positions. We must fairly compensate our men and women serving abroad in difficult

locations, often far away from their families, and we must rectify a growing disparity between basic salary levels for employees in the United States and overseas. Our budget request includes \$35 million to begin transition to a performance-based pay system and a global rate of pay.

The DoS mission also extends to defending our borders and protecting our homeland. We must strive to remain a welcoming nation for tourists, students, and businesspeople, while at the same time increasing our security against terrorists and criminals who would exploit our open society to do us harm. For this purpose, our budget includes \$1.3 billion for the Border Security Program, and we seek to add 122 consular positions to address rising passport and visa demands. As good stewards of taxpayer dollars, we are using revenues from visa, passport surcharge, and visa fraud fees to fund improvements in our border security. In coordination with the Department of Homeland Security, we seek to fulfill the President's vision of secure borders and open doors.

Finally, we are requesting \$1.35 billion to meet our commitments to international organizations such as the United Nations. Over the past year, in particular, we have seen how important it is for the United States to provide principled leadership in institutions of multilateral diplomacy. Through the United Nations, we helped to negotiate a key resolution that ended a month of war in Lebanon and Israel, which was launched by the leaders of Hezbollah. We rallied the international community to oppose Iran and North Korea's nuclear weapons ambitions with tough Chapter 7 Security Council resolutions. And we worked to ease the suffering of the people of Darfur. International organizations are essential to our nation's key foreign policy goals, and we must continue to support them.

Securing Peace, Supporting Democracy

Our highest priority is to defend the American people and homeland by doing our part in the Global War on Terrorism. To succeed, we need the continued support of key partners, our historic allies in places like Europe, Asia, and the Americas, but also key developing countries, many of which have the will to fight terrorism but need help with the means. The FY 2008 request includes, among others, \$186 million for Indonesia, \$2.4 billion for Israel, \$540 million for Kenya, and \$513 million for Jordan. Our assistance helps those countries, and many others, to enforce their laws, secure their borders, gather and share intelligence, and take action against terrorists on their own or with us. This request also devotes \$90 million to Pakistan, supporting President Musharraf's five-year development plan to lead the country in a moderate and modern direction, to gain control of the border areas, and to advance prosperity there.

Across the border Middle East, we also look to new partners in embattled young democracies, who are working courageously to turn the tide against violent extremism in their countries. In the past several years, the efforts of reformers and responsible leaders have changed the strategic context of the region. Through programs like the Middle East Partnership Initiative, we have offered critical support for civil society groups seeking political openness, economic opportunity, education reform, and the empowerment of women. We will continue to support these important reform initiatives.

Democratic institutions now offer new hope for positive change in places like Iraq, Afghanistan, Lebanon, and the Palestinian territories. Yet these structures remain weak and fragile. And in many cases, they are under siege from violent extremists and their state supporters in the region. The Taliban in Afghanistan, Hamas in the Palestinian territories, Hezbollah in Lebanon, violent extremists in Iraq, both Sunni and Shi'a, all of these groups struck damaging blows last year to the cause of peace and freedom in the border Middle East. This year we must turn the tide, and we aim to do just that with a comprehensive strategy to help reformers and responsible leaders show their people that democracy can deliver the security, prosperity, opportunity, and dignity that they seek.

In Afghanistan, we support the efforts of the new democratic government in Kabul to lead the nation toward freedom and prosperity. To achieve that goal, we have taken a hard look at our overall policy and adopted a true counterinsurgency strategy, a complete approach that integrates military efforts with political support, counter-narcotics programs, development priorities, and regional diplomacy. If there is to be an offensive this spring, it will be our offensive, and it will be comprehensive.

Our goal is to help the Afghan government improve the quality of life for its people by extending security, providing good governance, and opening up new economic opportunity. Along with these goals, President Karzai has demonstrated his determination to lead a serious counter-narcotics effort, but he needs our assistance. We are increasing our funding in this key area, along with additional funding for reconstruction, local economic development, and law and order. The budget request is \$698 million in the FY 2007 supplemental and \$1.4 billion for FY 2008 to stimulate economic growth, establish peace and security, create jobs, help provide essential education and health care, and extend the reach of the democratic state.

To achieve these broad objectives, we will build roads and electricity grids, and support agricultural development. Working through Provincial Reconstruction Teams (PRTs), and in concert with the Afghan government, we will build government and justice centers at the provincial level. We will train government personnel, and we will help meet local needs for markets, schools, clinics, and other vital services. Most importantly, we will integrate all of these efforts to advance our overall strategic objective of empowering Afghanistan's democratic government.

In Iraq, President Bush adopted a new strategy, in recognition that the situation was unacceptable. There is a military component to that strategy, but success in Iraq depends on more than military efforts alone; it also requires robust political, economic, and diplomatic progress. Our military operations must be fully integrated with our civilian and diplomatic efforts, across the entire U.S. government, to advance the strategy of clear, hold, and build. The DoS is prepared to play its role in this mission. We are ready to strengthen, indeed to surge, our civilian efforts. To do so, we are requesting \$2.3 billion in the FY 2007 supplemental and \$1.4 billion in FY 2008 to fund our assistance efforts in Iraq.

The main focus of our support will continue to shift toward helping the Iraqi government expand its reach, its relevance, and its resources beyond the International Zone. We will help local leaders improve their capacity to govern and deliver public services. Our economic efforts will be targeted on local needs with proven strategies of success, like micro-credit programs. And we will engage with leading private sector enterprises and other local businesses, including the more promising state-owned firms, to break the obstacles to growth.

We must continue to get civilians and diplomats out of our embassy, out of the capital, and into the field, all across the country. The mechanism to do this is the PRT. We currently have ten PRTs deployed across Iraq, seven American and three coalition. Building on this existing presence, we plan to expand from two to twenty teams. For example, we will have seven PRTs in Baghdad, not just one. We will go from one team in Anbar province to four with PRTs in Fallujah, Ramadi, and al Qaim. These PRTs will closely share responsibilities and reflect an unprecedented unity of civilian and military effort.

Expanding our PRT presence will also enable us to diversify our assistance across Iraq. Iraq has a federal government. Much of the street-level authority, and much of the opportunity for positive change in Iraq, lies outside Baghdad, in local and provincial governments, with party leaders and tribal chiefs. By actively supporting these provincial groups and structures, we diversify our chances of success in Iraq. Our PRTs have had success working at the local level in towns like Mosul, Tikrit, and Tal Afar. Now we will invest in other parts of Iraq, like Anbar province, where local leaders are

showing their desire and building their capacity to confront violent extremists and build new sources of hope for their people.

The importance of these joint teams in Afghanistan and Iraq is clear, as is the need to increase our capacity to deploy civilians. The President has called on us to work together to develop a “civilian reserve” to provide the government with outside experts to augment our government teams. I look forward to working with you to address this challenge.

In Lebanon, we are requesting \$770 million in the FY 2007 supplemental for a new comprehensive package to support the Lebanese people’s aspirations for peace, stability, and economic development. I made this pledge last month at the Lebanon Donor’s Conference, which raised \$7.6 billion to support the Lebanese people and the democratic government of Prime Minister Siniora. Our new package includes both economic and security assistance. And let me add, most importantly:

Our assistance will support the Lebanese government’s own ambitious reform program, which demonstrates its commitment to reducing its debt and achieving economic and financial stability. In November 2006, we also signed a Trade and Investment Framework Agreement to help support Lebanon’s development through enhanced bilateral economic ties.

As we take steps forward in the reconstruction and development effort, we must not lose sight of the need to continue to implement fully all United Nations (U.N.) Security Council resolutions related to Lebanon, in particular Resolution 1701. We commend the Lebanese government for its efforts to deploy the Lebanese armed forces to the south of its country, and we applaud the international community for its successful deployment of the enhanced United Nations Interim Force in Lebanon (UNIFIL) forces to help Lebanon secure its sovereignty. Much more work remains to be done, however, and I look forward to the report of the U.N. Secretary General on what further steps must be taken to continue implementing Resolution 1701, so that we can move forward vigorously.

In the Palestinian territories, President Abbas’s desire to support a better life for his people and to make peace with Israel is being blocked by the radical leaders of Hamas. One year after this group’s legitimate election, the international community continues to stand together in our insistence that Hamas must meet the conditions set out by the Quartet, recognize Israel, renounce violence, and recognize all previous agreements between Israel and the Palestinian Authority. The leaders of Hamas now find themselves increasingly isolated and unable to govern.

Our goal with the Palestinians this year, working with Israel and responsible Arab governments, is to empower President Abbas, to help him reform Fatah, provide security in the Palestinian territories, provide essential services to his people, and strengthen the political and economic institutions of his state. We are requesting \$77 million for these objectives. At the same time, we seek to facilitate discussions between Prime Minister Olmert and President Abbas to meet the conditions of the Road Map and to discuss the possible political horizon for our ultimate goal: two democratic states, Israel and Palestine, living side by side in peace and security. This purpose will take me to the Middle East in the near future.

Our support for freedom and democratic reform is critical to our efforts in the war on terrorism, and it remains a central pillar of our foreign policy worldwide. President Bush remains fully committed to the goal he outlined two years ago in his second inaugural address: supporting democratic movements and institutions with the goal of ending tyranny in the world.

The hard work of democracy does not end with one free election; that is only the beginning. Lasting democratic reform must also encompass an independent media, pluralist political parties,

legal limits on state authority, and protections for human rights. We are funding programs in all of these fields of democratic reform, and thanks to our new budget process, we are improving the transparency of how our democracy funding is spent. To support democratic transitions, the budget provides \$460 million for programs that foster independent media sources, pluralist political parties, voter education, election monitoring, and human rights in non-democratic countries. We also request \$988 million to promote good governance and the rule of law in countries committed to reform.

As we work to expand freedom and prosperity, we must champion these ideals in our public diplomacy, for which we are requesting funding of \$359 million. Public diplomacy is a vital component of our national security strategy. We seek to reach out to the peoples of the world in respect and partnership, to explain our policies, and just as importantly, to express the power of our ideals freedom and equality, prosperity and justice. That is how we build new partnerships with foreign citizens and counter ideological support for terrorism. Public diplomacy is no longer the job of our experts alone; it is the responsibility of every member of the DoS family, and we are mobilizing the private sector and the American people to help. In addition, we seek \$668 million for the Broadcasting Board of Governors, to support radio, television, and internet broadcasting worldwide, including in countries like North Korea, Iran, and Cuba.

In turn, we recognize that public diplomacy is and must be a conversation, not a monologue, and we are eager to welcome foreign citizens here to America. People-to-people exchanges are a vital component of our national security strategy. Many exchange participants report that they are “forever changed” by their direct involvement with the American people. Last year, the total number of student and exchange visas reached an all-time high of 591,000, and we want to expand on this progress, working in partnership whenever and however possible with the private sector.

One audience with whom we are particularly eager to continuing building relationships is the Iranian people. The President has called for expanded people-to-people exchanges with Iran, and our Bureau of Educational and Cultural Affairs is assisting in setting up a broad range of exchange programs with the Iranian people. The DoS is now supporting academic and professional exchange programs for Iranians for the first time since 1979. Last year, we welcomed to America groups of Iranian teachers, doctors, and wrestlers. These visits, like all of our exchanges, help to further understanding and foster goodwill among foreign and domestic audiences alike. We are eager to do much more this year. So we are requesting \$486 million for educational and cultural exchanges.

Meeting Global Challenges

Combating violent extremism and supporting democracy below are examples of the new challenges that we face in today’s world.

- Global
- Transnational
- Cannot be resolved by any one nation acting alone
- Global responsibilities, requiring global partnerships

Another such challenge is the proliferation of weapons of mass destruction and the materials to produce them. The FY 2008 budget supports our key multilateral counter-proliferation activities including the following:

- Proliferation security initiative

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- G-8 global partnership
 - Global initiative to combat nuclear terror
 - U.N. Security Council Resolution 1540

The budget also supports our efforts to strengthen the global non-proliferation regime, by rallying the international community to hold accountable all who violate their responsibilities, governments like that of Iran and North Korea, both of which are now under Chapter 7 of U.N. Security Council sanctions. At the same time, we continue to keep open a path to a diplomatic solution. With regard to North Korea, the Six Party talks will reconvene this week. With Iran, if the leaders in Tehran fulfill their international obligation to suspend their enrichment and reprocessing activities, I have offered to reverse 28 years of U.S. foreign policy and meet with my Iranian counterpart anytime, anywhere.

We are also committed to confronting, as the President said in his State of the Union address, “the serious challenge of global climate change.” Our approach is rooted both in pragmatism and partnership. One of our main initiatives is the Asia-Pacific Partnership on Clean Development and Climate, which we launched in concert with Australia, South Korea, Japan, India, and China. Together, our countries represent more than half of the world’s economy, much of the world’s emissions, and a growing demand for energy that is vital to our economic development. The Partnership is accelerating investment and opening markets for cleaner, more efficient technologies, goods, and services, while fostering sustainable economic growth and poverty reduction.

The FY 2008 budget sustains our effort to combat the illicit narcotics trade, particularly in Afghanistan and here in our own hemisphere. The Andean Counterdrug Initiative remains a key priority, as does our strategic partnership with Colombia. We have had tremendous success in helping President Uribe to expand the reach of Colombia’s democratic state and to confront the country’s drug traffickers and terrorists. President Uribe has now unveiled his government’s strategy to build on the achievements thus far, while adjusting to Colombia’s new realities. This is a crucial time, and we need to help Colombia finish the job. At the same time, this budget recognizes key opportunities to nationalize eradication efforts, working in partnership with Colombia, Bolivia, and Peru.

Another global challenge is posed by pandemic disease. The FY 2008 budget request and FY 2007 supplemental supports our global strategy and partnership to rapidly address avian influenza outbreaks and support prevention strategies worldwide. The FY 2008 budget also advances the goals of the President’s historic Emergency Plan for acquired immunodeficiency syndrome relief. Thanks to the overwhelming support that this program has received from Congress, the Emergency Plan has now supported treatment for more than 822,000 people in the fifteen countries that are home to over half of the world’s infected population. This year we are requesting a total of \$5.4 billion for the Emergency Plan, including funds requested by the Department of Health and Human Services. This includes \$4.2 billion for prevention, treatment, and care in the fifteen focus countries. We are also seeking an additional \$1.2 billion for bilateral programs in other countries, human immunodeficiency virus and acquired immunodeficiency syndrome (HIV/AIDS) research, multilateral programs worldwide, and funding for tuberculosis programs.

No less historic than the Emergency Plan is the President’s Malaria Initiative, which has supported prevention and treatment for millions of people in Angola, Tanzania, and Uganda. Last year, President Bush added a total of twelve other sub-Saharan African countries. The FY 2008 budget dedicates \$388 million to fund our commitments under this initiative, as well as funding for other ongoing global efforts to fight malaria.

Helping Developing Countries and the Most Vulnerable Populations

Global partnerships are essential to meeting the global challenges that I have just described. But many weak and poorly governed states do not have the capacity to fulfill their responsibilities as sovereign states, their responsibilities both to the international community and to their own people. Our experience on September 11, 2001 showed us that, in today's world, weak and poorly governed states can pose not just humanitarian challenges, but national security threats. Hopelessness and oppression contribute to extremism and instability. Thus, helping developing states to transform themselves to govern justly, to advance economic freedom, to combat poverty, and to invest in their people is now a strategic imperative.

This has sparked a revolution in how we think about our foreign assistance, which we now view as one of our primary tools for helping countries to transform themselves. As a result, President Bush has made giant strides to increase our levels of foreign assistance. Since the Administration took office, we have doubled our assistance to countries in the Western Hemisphere. We have tripled our assistance to Africa, and if our FY 2008 request for assistance to Africa is enacted, we will nearly quadruple it.

With new money we have also taken new steps to use that money more effectively. We created the Office of the Director of Foreign Assistance to align our foreign assistance programs and our foreign policy goals. We are now approaching foreign assistance with the goal of helping to build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system. A new Strategic Framework for United States Foreign Assistance ensures that resources are targeted to that shared goal. To allocate our assistance most effectively, we have grouped every country to which we provide assistance by means of its internal characteristics. We have identified five main country categories:

- Restricted states are those countries with significant freedom and human rights issues, for which our assistance is geared to promote democratic reform and support for civil society.
- Rebuilding states are countries in or emerging from conflict, in which establishing security and the foundations for effective governance and economic growth are the highest priorities.
- Developing states are low or lower-middle income countries, in which poverty, governance, and investment in people are the greatest barriers to progress.
- Transforming states are low or lower-middle income, relatively stable and well governed, but for which poverty, disease, and human development remain impediments to progress.
- Sustaining Partnership states are countries with upper-middle levels of income or greater, for which our support is strategically targeted to sustain peace, prosperity, and partnership.

If a country's characteristics describe its overall demand for assistance, we now think of our foreign assistance in terms of supply the programs and resources we can supply to help countries advance along the path of their own development. In order to allocate our resources more strategically, we identified five broad purposes for our foreign aid programs.

First is humanitarian assistance. The United States is a compassionate nation, and we will always be moved to action when tragedy strikes, and when innocent people are in desperate need. The FY

2008 budget provides more than \$2 billion for the protection of refugees and for basic needs like food, water, and medicine for vulnerable populations. One of the major recipients is Sudan, for which we are requesting a total of \$359 million for humanitarian assistance, excluding funding for Sudanese refugees in neighboring countries. This year we are continuing our support for victims of war and genocide, especially the internally displaced people in Darfur and the refugees in eastern Chad.

The second purpose of our foreign assistance is to promote peace and security. In addition to humanitarian assistance, this is the other major form of support that we are providing in Sudan, because it is a major need right now. The same is true in other countries that are struggling to emerge from the shadow of conflict: Democratic Republic of the Congo, Liberia, Somalia, Haiti, Colombia, and Lebanon. In some of these countries, and in many others, U.N. peacekeeping missions are playing a vital role, so for FY 2008, \$1.1 billion of our peace and security assistance will support America's share of the costs of those deployments.

A third purpose is governing justly and democratically. For FY 2008, we are requesting a significant increase over last year's funding level. These resources will go to support programs, in every region of the world, to strengthen the rule of law, fight corruption, monitor elections, and other such demands. One region in which we are increasing our support for governing justly and democratically is here in our own hemisphere. The democracies of Latin America are now more capable of providing social services to their citizens on their own. As a result, we are reducing our direct provision of services and using our limited resources to strengthen the institutional capacity of Latin American democracies to deliver the benefits of development to their people.

Fourth is investing in people. Human capacity must be strengthened and poverty and disease addressed in order to promote and sustain development success. Our request for resources to combat disease and mitigate its impacts on vulnerable populations, to improve access to quality education, and to provide social services and protection to vulnerable populations represents a 40 percent increase over FY 2006 enacted levels. The President's Emergency Plan for AIDS Relief and Malaria Initiative are core components of this increase, as these diseases claim over five million lives annually in the developing world; and dramatically impact a country's workforce and development trajectory. Poor nations cannot hope to devote necessary resources to address the magnitude of these diseases, and development progress is therefore severely handicapped. Basic education is also necessary for progress and establishing a foundation for prosperity. The FY 2008 request for resources to support basic education programs is \$535 million, the largest request this Administration has ever made.

The final goal of our foreign assistance is alleviating poverty through economic growth. On this front, our flagship initiative is the Millennium Challenge Corporation (MCC). Since 2004, the MCC has signed development compacts with eleven countries worth a total of \$3 billion. MCC works with transforming countries that meet objective standards of progress for governing justly, advancing economic liberty, and investing in their people. This money is given in the form of grants, not loans, and the compacts are designed and managed by recipient countries themselves, reinforcing their ownership of their fight against poverty. These resources complement and amplify the impact of our investments in other foreign assistance accounts and provide a clear trajectory and incentive for countries to continue institutional improvement.

Ultimately, there are limits to what development assistance can achieve. For a country to unlock the potential of its people to increase economic productivity, create jobs, and combat poverty, it must integrate its economy into regional and global networks of free trade. The President remains committed to achieving a successful outcome to the World Trade Organization's Doha Development Agenda, one that opens markets, creates new trade, and strengthens the rules-based system. As a part of the President's robust trade agenda, we have negotiated ten free trade agreements (FTAs) with

fifteen countries worldwide, and Congress has already approved agreements with twelve of these countries. Most recently, we signed FTAs with Colombia and Peru, and we completed negotiations with Panama. We look to Congress to support these important agreements.

The DoS has assumed substantial new responsibilities as a national security agency in the war on terrorism. We are the lead agency on many of the tasks in the Administration's National Counterterrorism Strategy. Using our existing authority, we are taking dramatic steps to make our foreign assistance more effective and to enhance our ability to serve as responsible stewards of the American taxpayers' money.

Our role in advancing peace and security is growing. We need increased funding to push this agenda forward, but in recent years Congress has significantly reduced the Administration's requests for International Affairs. Without greater support for our request, we will fall short of our goal of protecting America and advancing our vision of a better world.

In this challenging time, the men and women of American diplomacy are doing all that we are asking of them and much more. They are nobly answering the call to service and shouldering their national security mission. I ask you to provide the resources we need to play our part.

The International Relations Budget for Fiscal Year 2008 Summary

[The following are excerpts of the International Relations Budget for Fiscal Year 2008. The report in its entirety is located at the following web site: <http://www.state.gov/documents/organization/80151.pdf>.

America stands committed to a bold mission supporting the growth of democratic movements and institutions in every nation and culture with the ultimate goal of ending tyranny in the world. Consistent with historic American ideals, this mission is also vital to U.S. national security. For democracy and freedom represent the best way to defeat ideologies that use terror as weapons and the surest means to build peaceful and stable societies.

The mission requires equally bold diplomacy. American diplomacy must be transformational seeking not just to report on the world as it is, but to change it for the better. Together with partners on every continent, the United States must work to promote effective democracy and responsible sovereignty. As a key national security institution, the Department of State (DoS) presses the mission globally. American diplomats engage governments and publics around the world to advance U.S. security interests, development efforts, and democratic values together.

The fiscal year (FY) 2008 budget identifies the resources required by the DoS to meet the mission, the resources necessary to reorient the DoS towards transformational diplomacy and position it to serve new national purposes.

Fiscal Year 2008 Budget Request

The FY 2008 budget request for all DoS appropriations totals \$10.014 billion, not including additional FY 2008 funding requested for the Global War on Terror (GWOT). These appropriations fund the programs, operations, and infrastructure essential to conduct U.S. diplomatic and consular relations in more than 180 countries. They also support vigorous U.S. engagement abroad through public diplomacy and international organizations.

The resources requested for these appropriations in FY 2008 will sustain ongoing initiatives for people, security, facilities, information technology, and management reform. They will also address new and increased requirements to advance transformational diplomacy. These include repositioning the U.S. global diplomatic presence, expanded roles for U.S. representatives on the ground, increasingly complex and dangerous missions, and coordinating U.S. government civilian efforts on reconstruction and stabilization.

The FY 2008 budget request will enable the Department to accomplish the following:

- Advance Transformational Diplomacy

The request provides \$125 million to strengthen the American diplomatic presence overseas. This funding will support 254 new positions to meet new realities in the international arena, where power is defined increasingly in economic and financial terms and where transnational threats like terrorism, disease, and drug trafficking are critical priorities. The new positions will support a multi-year global repositioning, adding expertise at overseas posts to deal with national security challenges and staff for new American Presence Posts. Positions in the request will also expand critical foreign language training and specific training modules for transformational diplomacy. Further, positions will strengthen coordination of civilian efforts to stabilize and reconstruct societies

in transition from conflict or civil strife, increasing management capacity for overall U.S. government strategy and constituting an Active Response Corps for immediate deployment.

- Support the Global War on Terror

The request provides \$965 million in worldwide security upgrades to strengthen security for diplomatic personnel, facilities, and information in the face of international terrorism. This funding will extend the core program to upgrade security equipment and technical support, information and systems security, perimeter security, and security training. Funding increases will help to meet new security demands in all regions, including those of American Presence Posts. Because people continue to be the single most important factor in deterrence and response to terrorist acts, the funding will add 52 security professionals.

- Secure borders and open doors

The FY 2008 budget provides \$1.306 billion for the Border Security Program. This program protects America's borders against the illegal entry of terrorists and others who threaten homeland security. At the same time, it facilitates the entry of legitimate foreign visitors and students. Revenue from machine readable visa (MRV) fees, Enhanced Border Security Program fees, the Western Hemisphere Travel Surcharge, and visa fraud fees will fund continuous improvements in systems, processes, and programs. The fees will also fund 122 additional consular positions required to address rising passport demand associated with the Western Hemisphere Travel Initiative and rising visa demand, including increases related to Border Crossing Card (BCC) renewals. In FY 2008, the BCC renewal program will have a major impact on consulates along the United States and Mexican border.

- Build and maintain secure diplomatic facilities

The request provides \$1.599 billion to continue security-driven construction projects and address the major physical security and rehabilitation needs of U.S. embassies and consulates. This total includes \$692 million for the Capital Security Construction Program to replace diplomatic facilities at the most vulnerable posts. In FY 2008, the Department will begin design and construction of eleven new facilities, including new embassy compounds in Kinshasa, Lusaka, and Tripoli. During the fourth year of Capital Security Cost Sharing (CSCS), U.S. government agencies with personnel abroad under Chief of Mission authority will contribute \$362 million to CSCS construction. The request total also includes \$115 million to upgrade compound security at high-risk posts and increase protection for soft targets such as schools and recreation facilities. In addition, the budget total includes \$793 million for ongoing programs, including operations and maintenance necessary to protect U.S. real estate assets valued at over \$14 billion and keep more than 15,000 properties functional.

- Invest in information technology

The request provides \$314 million, including revenue from fees, for Central Fund investments in information technology (IT). The ability of the DoS to support transformational diplomacy, information sharing, rightsizing efforts, and e-Government initiatives is dependent on robust, secure IT. The funding will support the DoS Messaging and Archive Retrieval Toolset (SMART) project, diplomacy through collaboration, and infrastructure that provides American diplomats with anywhere and anytime computing. The DoS's budget for IT in FY 2008 from all funding sources totals \$905 million.

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- Inform and influence through public diplomacy

The request provides \$359 million in appropriations for public diplomacy to inform foreign opinion and win support for U.S. foreign policy goals. In addition to advocating U.S. policies, public diplomacy communicates the principles that underpin them and creates a sense of common interests and values. To help win the war of ideas, funding increases in FY 2008 will support efforts to combat violent extremism in key countries. Objectives of the public diplomacy strategy include engaging Muslim communities, promoting democracy and good governance, de-legitimizing terror, and isolating terrorist leaders and organizations.

- Engage and educate through international exchanges

The request provides \$486 million for educational and cultural exchanges to increase mutual understanding and engage the leaders of tomorrow. Aligned with other public diplomacy efforts, these people-to-people programs are uniquely able to address complex and difficult issues and lay foundations for international cooperation. Funding increases in FY 2008 will raise the number of foreign and American participants in exchange programs of proven value and create new opportunities to educate and empower, particularly in the Muslim world. The funding will expand the President's National Security Language Initiative by promoting teaching and study by Americans of critical need foreign languages, particularly Arabic, Chinese, Farsi, Russian, and Turkic languages. The funding will also support new efforts to strengthen international education in the national interest under a state-education initiative. Further, the funding will expand professional and cultural programs to support the National Security Strategy, bringing to America journalists, teachers, religious educators, and others who influence their nations and the way young people think.

- Work through international organizations

The request provides \$1.354 billion to pay U.S. assessed contributions to 45 international organizations, including the United Nations. The request recognizes U.S. international obligations and reflects a commitment to maintain the financial stability and efficiency of those organizations. Membership in international organizations assists in building coalitions and gaining support for U.S. policies and interests. Further, multilateral diplomacy through such organizations serves key U.S. foreign policy goals which includes

- Advancing democratic principles and fundamental human rights
- Promoting economic growth through free trade and investment
- Settling disputes peacefully
- Encouraging non-proliferation and arms control
- Strengthening international cooperation in environment, agriculture, technology, science, education, and health

- Participate in international peacekeeping

The request provides \$1.107 billion to pay the U.S. share of costs for the United Nation (U.N.) peacekeeping missions. This funding will help support peacekeeping efforts worldwide, including critical missions in Sudan, Lebanon, Haiti, Liberia, and the Congo. Such peacekeeping activities further U.S. goals by ending conflicts, restoring peace, and strengthening regional stability. They also leverage U.S. political, military, and financial assets through the authority of the U.N.

Security Council and the participation of other states that provide funds and peacekeepers for conflicts around the world.

President's Management Agenda and Management Reform

In addition to the resources required for transformational diplomacy and foreign affairs programs, the FY 2008 budget includes resources for the DoS to work more effectively and efficiently. These resources are needed to further the government-wide initiatives of the President's Management Agenda (PMA) budget and performance integration, improved financial performance, strategic management of human capital, competitive sourcing, and expanded electronic government. The DoS is also the principal implementing partner with the Office of Management and Budget (OMB) as the lead of the PMA initiative on rightsizing the U.S. government's overseas presence and is one of fourteen agencies participating in the PMA initiative on federal real property asset management. In the fourth quarter of FY 2006, the DoS became the second agency since the PMA was launched to achieve green (the top rating) for status on all five government-wide initiatives. The DoS also reached green on both rightsizing and real property asset management. In addition, for three successive years, DoS has won President's Quality Awards, the highest awards given to Executive Branch agencies for management excellence in achieving the objectives of the PMA. As these outstanding scores and awards indicate, the DoS is not just changing at the margins, but rather transforming itself and its practices:

- State has fundamentally reorganized the way it budgets, plans, and manages foreign assistance. With establishment of a new foreign assistance strategy and framework, country programs have been refocused to respond to the goals of transformational diplomacy.
- State is becoming more flexible through multi-year repositioning of the American diplomatic presence overseas. By the end of 2008, the Department will have redirected 300 positions to meet priority transformational diplomacy issues such as non-proliferation, counter-terrorism, and getting the U.S. message out to local Muslim communities. These positions include staff for seventeen new American Presence Posts in cities where the United States currently has no diplomatic representation.
- Through the process established by National Security Decision Directive 38, State is working with other agencies to right size U.S. government presence overseas. As alternatives to putting new functions at individual posts, bureaus are energetically exploring alternatives such as regionalization and containing the costs of duplicative administrative support.
- State is aggressively pursuing a Department-wide restructuring aimed at consolidating functions, reducing organizational layers, and eliminating or outsourcing low-priority, non-core functions. Furthermore, bureaus are pursuing expansion of shared services and Centers of Excellence. Performance Evaluation and Integration Substantive discussions of program performance and results, including ratings by the Program Assessment Rating Tool (PART) for this budget cycle, can be found in the account justification sections of this volume. This volume also includes a pilot performance presentation in support of the PMA budget and performance integration initiative. The presentation substitutes for the traditional narrative under worldwide security upgrades in the state programs section.

Fiscal Year 2007 Supplemental and Additional Fiscal Year 2008 Funding

The President's budget also includes requests for supplemental funding in FY 2007 and additional FY 2008 funding to support the GWOT. For FY 2007, requirements for DoS appropriations total

\$1.168 billion. Of this total, \$824 million will address the personnel, logistical, security, and other costs associated with operating the U.S. Mission in Iraq, including expansion of Provincial Reconstruction Team (PRT) operations throughout Iraq. For FY 2008, State requirements total \$1.935 billion, including \$1.882 billion for the full year of the extraordinary costs associated with operating the U.S. Mission in Iraq, including continued expansion of the PRTs.

Budget Request Details

The following sections of this volume include details of the FY 2008 budget request for DoS appropriations, as well as details of the requests for FY 2007 supplemental funding and additional FY 2008 funding. The sections provide specific resource requirements for the programs, activities, and management initiatives highlighted above.

Summary of Funds (Dollars in Thousands)

Appropriations	Fiscal Year 2006 Actual	Fiscal Year 2007 Estimate	Fiscal Year 2008 Request
Administration of Foreign Affairs	7,984,648	6,363,058	7,317,096
State Programs	5,818,884	4,561,170	5,013,443
Diplomatic & Consular Programs	5,692,259	4,460,084	4,942,700
Ongoing Operations ^{1, 2, 3}	4,961,443	3,664,914	3,977,940
Worldwide Security Upgrades ⁴	730,816	795,170	964,760
Capital Investment Fund	58,143	34,319	70,743
Centralized IT Modernization Program	68,482	66,767	0
Embassy Security, Construction and Maintenance	1,489,726	1,182,585	1,599,434
Ongoing Operations	591,152	605,652	792,534
Worldwide Security Upgrades	898,574	576,933	806,900
Capital Security Construction	799,852	478,211	692,178
Compound Security	98,722	98,722	114,722
Office of Inspector General ⁵	30,945	29,645	32,508
Educational and Cultural Exchange Programs ⁶	431,275	425,162	486,400
Representation Allowances	8,175	8,175	8,175
Protection of Foreign Missions and Officials	9,270	9,270	18,000
Emergencies in the Diplomatic and Consular Service ^{7, 8}	43,872	4,940	19,000
Repatriation Loans Program Account	1,302	1,285	1,285
Payment to the American Institute in Taiwan	19,499	15,826	16,351
Foreign Service Retirement and Disability Fund (mandatory)	131,700	125,000	122,500
International Organizations	2,303,392	2,144,792	2,461,400
Contributions to International Organizations	1,151,317	1,122,318	1,354,400
Contributions for International Peacekeeping Activities ⁹	1,152,075	1,022,474	1,107,000
International Commissions	66,478	64,511	133,550
International Boundary and Water Commission (S&E)	27,642	27,642	30,430
International Boundary and Water Commission - Construction	5,232	6,631	71,725
International Fisheries Commissions	23,693	20,651	21,000
American Sections	9,911	9,587	10,395
Border Environment Cooperation Commission	2,083	2,175	2,100
International Joint Commission	6,417	6,127	6,765
International Boundary Commission	1,411	1,285	1,530

Summary of Funds (Continued)
(Dollars in Thousands)

Appropriations	Fiscal Year 2006 Actual	Fiscal Year 2007 Estimate	Fiscal Year 2008 Request
Related Appropriations	113,397	73,361	101,750
The Asia Foundation	13,821	13,821	10,000
National Endowment for Democracy	74,042	50,000	80,000
East-West Center	18,994	3,000	10,000
Center for Middle Eastern-Western Dialogue - Trust Fund	4,936	4,936	0
Center for Middle Eastern-Western Dialogue - Program	740	740	875
Eisenhower Exchange Fellowship Program	494	494	500
Israeli Arab Scholarship Program	370	370	375
<i>Total, State Department Appropriations Act</i>	10,467,915	8,645,722	10,013,796
Migration & Refugee Assistance ¹⁰	858,790	750,206	773,500
U.S. Emergency Refugee and Migration Assistance	29,700	30,000	55,000
<i>Other State Department Authorization Act</i>	11,356,405	9,425,928	10,842,296

Summary Table Footnotes:

All FY 2006 actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and *Related Agencies Appropriations Act, 2006* (P.L. 109-108) and the general rescission of 1.0 percent provided through the *Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006* (P.L. 109-148, Division B).

All FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

1 FY 2006 Actual includes \$16 million provided through the *Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006* (P.L. 109-148, Division B) and reflects the transfer of \$1.1 million to the Peace Corps.

2 FY 2006 Actual also includes \$1,333.525 million provided through the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006* (P.L. 109-234), of which \$1,328.275 million is for Iraq Operations, and reflects the transfer of \$1.0 million to the United States Institute of Peace for activities related to Iraq. Supplemental section of this volume includes requests for additional FY 2007 and FY 2008 funding for Iraq Operations.

3 FY 2006 Actual also reflects the transfer of \$19.0 million to the Emergencies in the Diplomatic and Consular Service appropriation.

4 FY 2006 Actual includes \$50.1 million provided through the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006* (P.L. 109-234).

5 FY 2006 Actual includes \$25.3 million provided through the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006* (P.L. 109-234) and reflects the transfer of \$24.0 million to the Special Inspector General for Iraq Reconstruction.

6 FY 2006 Actual includes \$5.0 million provided through the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006* (P.L. 109-234).

7 FY 2006 Actual includes \$15.0 million provided through the *Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006* (P.L. 109-148, Division B).

8 FY 2006 Actual also includes \$19.0 million transferred from the Diplomatic and Consular Programs Appropriation.

9 FY 2006 Actual includes \$129.8 million provided through the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006* (P.L. 109-234).

10 FY 2006 Actual includes \$75.7 million provided through the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006* (P.L. 109-234).

Supplemental Appropriations

Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B)
(Dollars in Thousands)

Appropriations	Fiscal Year 2006 Actual
Administration of Foreign Affairs	29,900
Diplomatic and Consular Programs – Ongoing Operations ¹	14,900
Emergencies in the Diplomatic and Consular Service	15,000
Total, Department of State	29,900
<p>¹ FY 2006 Actual reflects \$1.1 million transferred to the Peace Corps.</p>	

Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234)
(Dollars in Thousands)

Appropriations	Fiscal Year 2006 Actual
Administration of Foreign Affairs	1,388,925
Diplomatic and Consular Programs – Ongoing Operations ¹	1,332,525
Diplomatic and Consular Programs – Worldwide Security Upgrades	50,100
Office of Inspector General ²	1,300
Educational and Cultural Exchange Programs	5,000
International Organizations	129,800
Contributions for International Peacekeeping Activities	129,800
Total, Department of State	1,518,725
<p>¹ FY 2006 Actual reflects \$1.0 million transferred to the United States Institute of Peace for activities relating to Iraq.</p> <p>² FY 2006 Actual reflects \$24.0 million transferred to the Special Inspector General for Iraq Reconstruction.</p>	

Foreign Military Financing

(Dollars in Thousands)	Fiscal Year 2006 Actual	Fiscal Year 2007 Estimate	Fiscal Year 2008 Request
Foreign Military Financing	4,464,900	4,454,900	4,536,000

The Administration requests \$4.54 billion for foreign military financing (FMF) in FY 2008 to provide articles and services to support coalition partners and states critical to the GWOT. This program serves to strengthen the security of the United States and to promote peace in general. FMF is allocated strategically within regions with the largest proportion (54 percent) directed to our

sustaining partners and a significant proportion (41 percent) to developing countries to support their advancement to the transforming category.

Foreign Military Financing Summary

- \$3.9 billion for the Near East region, to include \$2.4 billion for Israel; \$1.3 billion for Egypt to foster a modern, well-trained Egyptian military; and \$200 million to support Jordan’s force modernization, border surveillance and counterterrorism efforts.
- \$300.0 million to support the armed forces of Pakistan, to include equipment and training to enhance its counterterrorism capabilities and provide for its defense needs.
- \$129.3 million for ongoing efforts to incorporate the most recent North Atlantic Treaty Organization (NATO) members into the Alliance, support prospective NATO members and coalition partners, and assist critical coalition partners in Iraq and Afghanistan.
- \$78.0 million for operational support and specialized equipment to the Colombian armed forces, focusing on specialized and mobile units of the Colombian Army.
- \$43.5 million for FMF administrative costs.
- \$27.2 million for Poland to maximize Poland’s capability to deploy and sustain professional forces in close support of U.S. security operations.
- \$18.4 million for Romania to assistance in the continued integration into NATO, expand its capabilities, and support continued contributions to NATO and coalition operations, including in Iraq and Afghanistan.
- \$15.7 million for Indonesia to promote defense reform and to improve maritime security, counterterrorism, mobility, and disaster relief capabilities.

Statement of Changes

The FY 2008 FMF request is overall a slight increase from FY 2006 levels. The increases are reflected in Israel, Egypt, Lebanon, Bulgaria, Romania, and Indonesia, and are consistent with requesting the funds necessary to fight the GWOT and to secure Middle East peace.

International Military Education and Training

The administration requests \$89.5 million for international military education and training (IMET) for FY 2008. The IMET program addresses U.S. peace and security challenges by strengthening military alliances around the globe and building a robust international coalition to fight the GWOT. IMET increases the capability of countries to cooperate with the U.S. and its allies by developing professional militaries and exposes foreign military and civilian personnel to democratic values and human rights. As such, IMET programs are focused in both sustaining partnership and developing countries to build and maintain strategic security partnerships and strengthen political rights.

(Dollars in Thousands)	Fiscal Year 2006 Actual	Fiscal Year 2007 Estimate	Fiscal Year 2008 Request
International Military Education and Training	85,877	85,237	89,500

International Military Education and Training Funding Summary

- 26.0 million for new NATO members and major coalition partners, in order to promote regional security and integration among U.S. NATO, and European armed forces. Funds also support a new IMET program for Kosovo, a country whose continued stability is key to the region.
- \$15.7 million for programs in the Near east region, with a focus on Jordan, Iraq, Egypt, Morocco, Tunisia, Lebanon, and Oman. New IMET programs will be launched in Sustaining Partnership countries, the United Arab Emirates, and Qatar.
- \$13.7 million for programs in Africa, including \$1.5 million to restart IMET programs in Kenya and South Africa, states critical to long term regional peace and stability.
- 12.0 million for IMET programs across the Western Hemisphere, to include \$1.7 million for El Salvador, \$1.5 million for Colombia, and \$2.8 million for Argentina, Dominican Republic, and Honduras.

Summary of Changes

The FY 2008 IMET request represents an overall increase from FY 2006 levels, with a particular increase in allocations to rebuilding countries, e.g., Afghanistan, Sudan, Liberia, Kosovo, and new requests for key countries including Iraq, Kenya, South Africa, and Libya. Increases and decreases in other countries are based on the projected student training requirements and available schoolhouse quotas.

LEGISLATION AND POLICY

Conventional Arms Transfers to Developing Nations, 1998-2005

By

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[The following are excerpts from the *Conventional Arms Transfers to Developing Nations, 1998-2005*. Note: Not all sections, tables, and figures are included. Those that are included will keep their original section, footnote, table, chart, and figure number. The report in its entirety can be viewed at the following web site: <http://www.fas.org/sgp/crs/weapons/RL33696.pdf>.]

Introduction and Overview

This report provides the Congress with official, unclassified background data from U.S. government sources on transfers of conventional arms to developing nations by major suppliers for the period 1998 through 2005. It also includes some data on worldwide supplier transactions. It updates and revises the report entitled *Conventional Arms Transfers to Developing Nations, 1997-2004*, published by the Congressional Research Service on August 29, 2005.

The data in this report provide a means for Congress to identify existing supplier purchaser relationships in conventional weapons acquisitions. Use of these data can assist Congress in its oversight role of assessing whether the current nature of the international weapons trade affects U.S. national interests. Maintaining regional stability, and ensuring the security of U.S. allies and friendly nations throughout the world, for most of recent American history have been important elements of U.S. foreign policy. Knowing the degree to which individual arms suppliers are making arms transfers to individual nations or regions provides Congress with a context for evaluating policy questions it may confront. Such policy questions may include, for example, whether or not to support specific U.S. arms sales to given countries or regions or to support or oppose such arms transfers by other nations. The data in this report may also assist Congress in evaluating whether multilateral arms control arrangements or other U.S. foreign policy initiatives are being supported or undermined by the actions of foreign arms suppliers.

The principal focus of this report is the level of arms transfers by major weapons suppliers to nations in the developing world where most of the potential for the outbreak of regional military conflicts currently exists. For decades, during the height of the Cold War, providing conventional weapons to friendly states was an instrument of foreign policy utilized by the United States and its allies. This was equally true for the Soviet Union and its allies. The underlying rationale for U.S. arms transfer policy then was to help ensure that friendly states were not placed at risk through a military disadvantage created by arms transfers by the Soviet Union or its allies.

The data in this report illustrate how global patterns of conventional arms transfers have changed in the post-Cold War and post-Persian Gulf War years. Relationships between arms suppliers and recipients continue to evolve in response to changing political, military, and economic circumstances. Where before the principal motivation for arms sales by foreign suppliers might have been to support

a foreign policy objective, today that motivation may be based as much on economic considerations as those of foreign or national security policy.

In this context, the developing world continues to be the primary focus of foreign arms sales activity by conventional weapons suppliers. During the period of this report, 1998-2005, conventional arms transfer agreements (which represent orders for future delivery) to developing nations have comprised 66.8 percent of the value of all international arms transfer agreements. The portion of agreements with developing countries constituted 64.3 percent of all agreements globally from 2001-2005. In 2005, arms transfer agreements with developing countries accounted for 68.4 percent of the value of all such agreements globally. Deliveries of conventional arms to developing nations, from 2002-2005, constituted 67.8 percent of all international arms deliveries. In 2005, arms deliveries to developing nations constituted 69.9 percent of the value of all such arms deliveries worldwide.

The data in this new report supersede all data published in previous editions. Since these new data for 1998-2005 reflect potentially significant updates to and revisions in the underlying databases utilized for this report, only the data in this most recent edition should be used. The data are expressed in U.S. dollars for the calendar years indicated, and adjusted for inflation. U.S. commercially licensed arms export delivery values are excluded. Also excluded are arms transfers by any supplier to sub-national groups. The definition of developing nations, as used in this report, and the specific classes of items included in its values totals are found in the following pages.

Calendar Year Data Used

All arms transfer and arms delivery data in this report are for the calendar year or calendar year period given. This applies to U.S. and foreign data alike. The United States government departments and agencies publish data on U.S. arms transfers and deliveries but generally use the United States fiscal year as the computational time period for these data. As a consequence, there are likely to be distinct differences noted in those published totals using a fiscal year basis and those provided in this report which use a calendar year basis. Details on data used are outlined in footnotes at the bottom of the tables.

Constant 2005 Dollars

Throughout this report values of arms transfer agreements and values of arms deliveries for all suppliers are expressed in U.S. dollars. Values for any given year generally reflect the exchange rates that prevailed during that specific year. The report converts these dollar amounts (current dollars) into constant 2005 dollars. Although this helps to eliminate the distorting effects of U.S. inflation to permit a more accurate comparison of various dollar levels over time, the effects of fluctuating exchange rates are not neutralized. The deflators used for the constant dollar calculations in this report are those provided by the U.S. Department of Defense (DoD). Unless otherwise noted in the report, all dollar values are stated in constant terms. The exceptions to this rule are all regional data tables that are composed of four-year aggregate dollar totals (1998-2001 and 2002-2005). These tables are expressed in current dollar terms. And where tables rank leading arms suppliers to developing nations or leading developing nation recipients using four-year aggregate dollar totals, these values are expressed in current dollars.

Definition of Developing Nations and Regions

As used in this report, the developing nations category includes all countries except the United States, Russia, European nations, Canada, Japan, Australia, and New Zealand. A listing of countries located in the regions defined for the purpose of this analysis Asia, Near East, Latin America, and Africa is provided at the end of the report.

Arms Transfer Values

The values of arms transfer agreements or deliveries in this report refer to the total values of conventional arms orders or deliveries as the case may be which include all categories of weapons

and ammunition, military spare parts, military construction, military assistance and training programs, and all associated services.

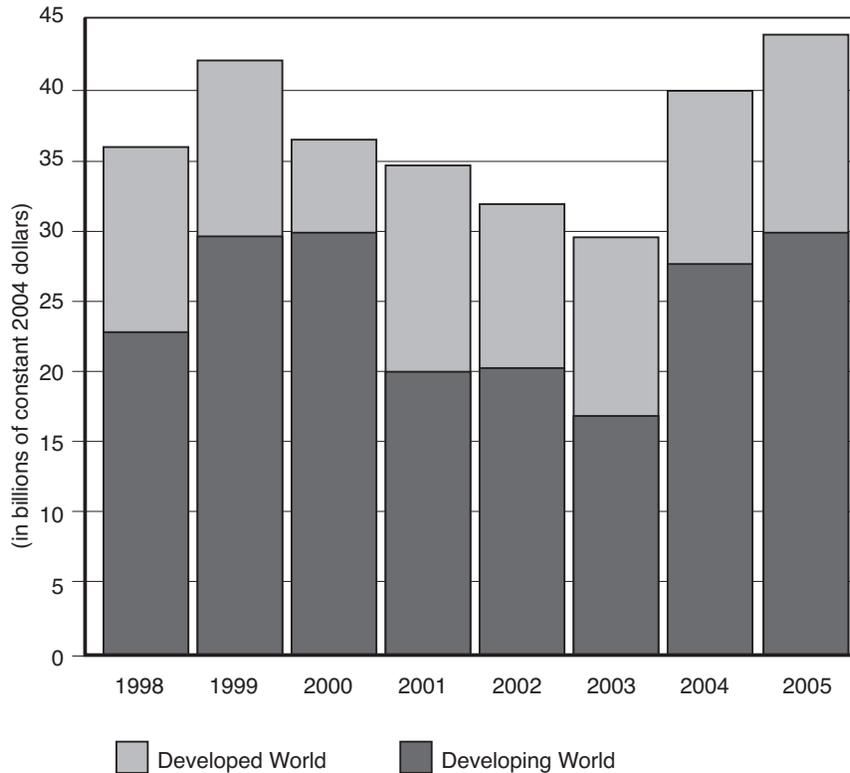
Major Findings

General Trends in Arms Transfers Worldwide

The value of all arms transfer agreements worldwide (to both developed and developing nations) in 2005 was nearly \$44.2 billion. This is a notable increase in arms agreements values over 2004, and is the highest total for arms agreements during the last eight years. (Chart 1).

In 2005, the United States led in arms transfer agreements worldwide, making agreements valued at nearly \$12.8 billion (28.9 percent of all such agreements), down from \$13.2 billion in 2004. France ranked second with \$7.9 billion in agreements (16.8 percent of these agreements globally), up substantially from \$2.2 billion in 2004. Russia ranked third, its arms transfer agreements worldwide standing at \$7.4 billion in 2005, up significantly from \$5.6 billion in 2004. The United States, France, and Russia collectively made agreements in 2005 valued at nearly \$28.1 billion, 63.5 percent of all international arms transfer agreements made by all suppliers. (Figure 1 on page 50 of this text.)

**Chart 1. Arms Transfer Agreements Worldwide, 1998-2005
Developed and Developing Worlds Compared**



For the period 2002-2005, the total value of all international arms transfer agreements (\$145.3 billion) was lower than the worldwide value during 1998-2001 (\$148.8 billion), a decrease of 2.4 percent. During the period 1998-2001, developing world nations accounted for 69.3 percent of the value of all arms transfer agreements made worldwide. During 2002-2005, developing world nations accounted for 64.3 percent of all arms transfer agreements made globally. In 2005, developing nations accounted for 68.4 percent of all arms transfer agreements made worldwide. (Figure 1)

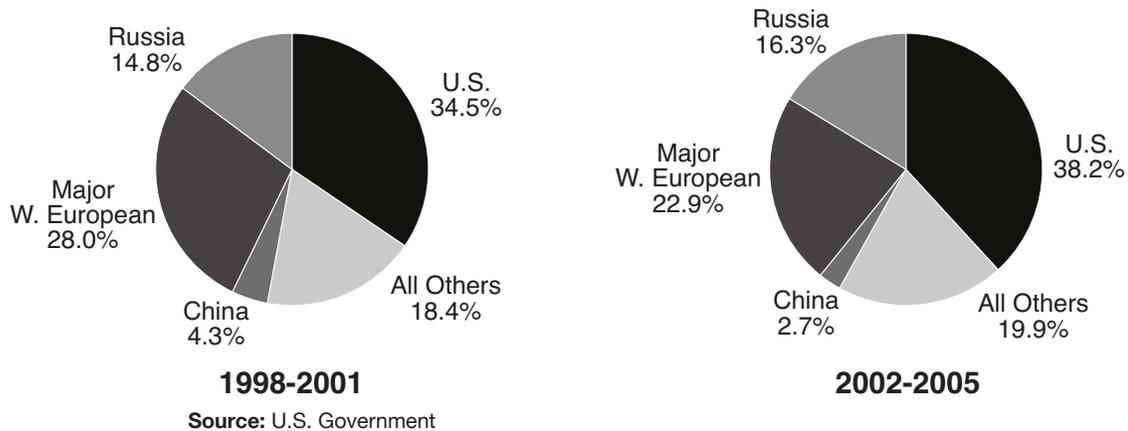
Table 1. Arms Transfer Agreements With Developing Nations, by Supplier, 1998-2005

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2005
United States	6,504	8,814	12,731	7,413	9,362	6,988	9,097	6,182	67,091
Russia	1,800	3,600	6,300	5,300	5,300	4,300	5,200	7,000	38,800
France	5,500	1,100	2,200	900	400	900	1,000	6,300	18,300
United Kingdom	1,000	1,200	0	200	700	0	4,000	800	9,900
China	500	2,500	500	1,100	400	500	700	2,100	8,300
Germany	1,400	1,600	1,000	100	100	0	100	700	5,000
Italy	0	500	100	200	0	300	600	500	2,200
All Other European	1,400	4,000	1,200	1,000	1,400	1,200	2,400	3,300	15,900
All Others	1,000	1,700	1,900	1,700	1,100	1,100	2,500	1,300	12,300
Total	19,104	25,014	25,931	17,913	18,72	15,288	25,597	30,182	177,791

Note: Developing nations category excludes the U.S., Europe, Canada, Japan, Australia, and New Zealand. All data are for the calendar year given except for U.S. Military Assistance Program (MAP), International Military Education and Training (IMET), and Excess Defense Article data which are included for the particular fiscal year. All amounts given include the values of all categories of weapons, spare parts, construction, all associated services, military assistance, excess defense articles, and training programs. Statistics for foreign countries are based upon estimated selling prices. All foreign data are rounded to the nearest \$100 million. The United States total in 2000 includes a \$6,432 billion licensed commercial agreement with the United Arab Emirates for 80 F-16 aircraft.

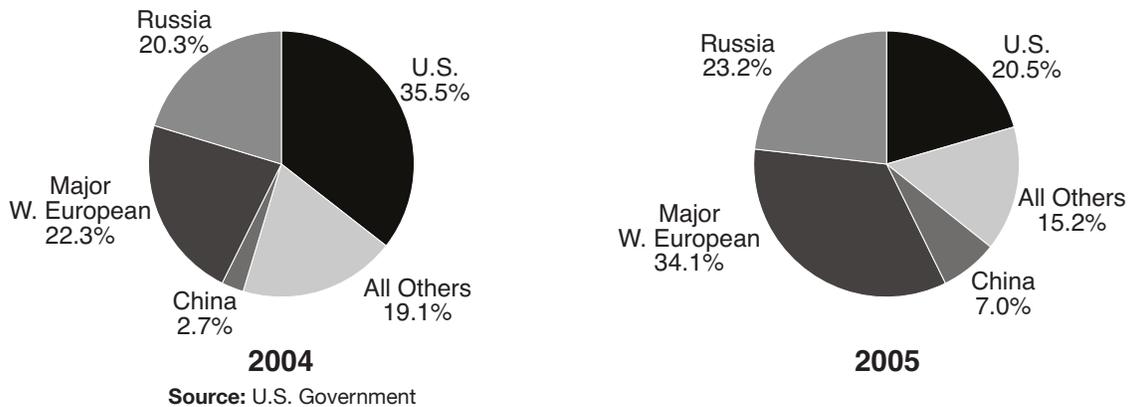
Source: U.S. Government

**Chart 2. Arms Transfer Agreements Worldwide
(Supplier Percentage of Value)**



In 2005, the United States ranked first in the value of all arms deliveries worldwide, making nearly \$11.6 billion in such deliveries or 45.6 percent. This is the eighth year in a row that the United States has led in global arms deliveries. The United Kingdom ranked second in worldwide arms deliveries in 2005, making \$3.1 billion in such deliveries. Russia ranked third in 2005, making \$2.8 billion in such deliveries. These top three suppliers of arms in 2005 collectively delivered nearly \$17.5 billion, 68.8 percent of all arms delivered worldwide by all suppliers in that year. (Figure 2 on page 56.)

**Chart 3. Arms Transfer Agreements With Developing Nations
(Supplier Percentage of Value)**



The value of all international arms deliveries in 2005 was \$25.4 billion. This is a notable decrease in the total value of arms deliveries from the previous year (a fall of \$7.3 billion), and the lowest deliveries total for the 1998-2005 period. Moreover, the total value of such arms deliveries worldwide in 2002-2005 (\$124.1 billion) was substantially lower in the value of arms deliveries by all suppliers worldwide from 1998-2001 (\$162.3 billion, a decline of over \$38 billion). (Figure 2, Charts 7, and 8).

Developing nations from 2002-2005 accounted for 67.8 percent of the value of all international arms deliveries. In the earlier period, 1998-2001, developing nations accounted for 68.6 percent of the value of all arms deliveries worldwide. In 2005, developing nations collectively accounted for 69.9 percent of the value of all international arms deliveries. (Figure 2)

Table 1C. Regional Arms Transfer Agreements, by Supplier, 1998-2005
(In Millions of Current U.S. Dollars)

	Asia		Near East		Latin America		Africa	
	1998-2001	2002-2005	1998-2001	2002-2005	1998-2001	2002-2005	1998-2001	2002-2005
United States	8,066	11,562	26,156	17,623	1,146	2,288	94	157
Russia	13,100	16,000	2,500	4,300	300	600	1,200	700
France	3,100	5,000	5,900	2,600	200	00	600	900
United Kingdom	1,300	2,200	400	4,900	0	400	700	0
China	2,700	2,000	900	1,000	100	100	1,000	600
Germany	2,400	500	100	500	0	0	1,600	0
Italy	100	300	100	700	200	100	300	300
All Other European	1,100	2,600	2,600	1,900	600	3,000	3,300	800
All Others	2,500	3,400	1,700	1,600	1,100	600	1,000	500
[Major West European*]	6,900	8,000	6,500	8,700	400	800	3,200	1,200
Total	34,366	43,562	40,356	35,123	3,646	7,388	9,794	3,957

Note: All foreign data are rounded to the nearest \$100 million. The United States total for Near East in 1998-2001 includes a \$6.432 billion licensed commercial agreement with the United Arab Emirates in 2000 for 80 F-16 aircraft.

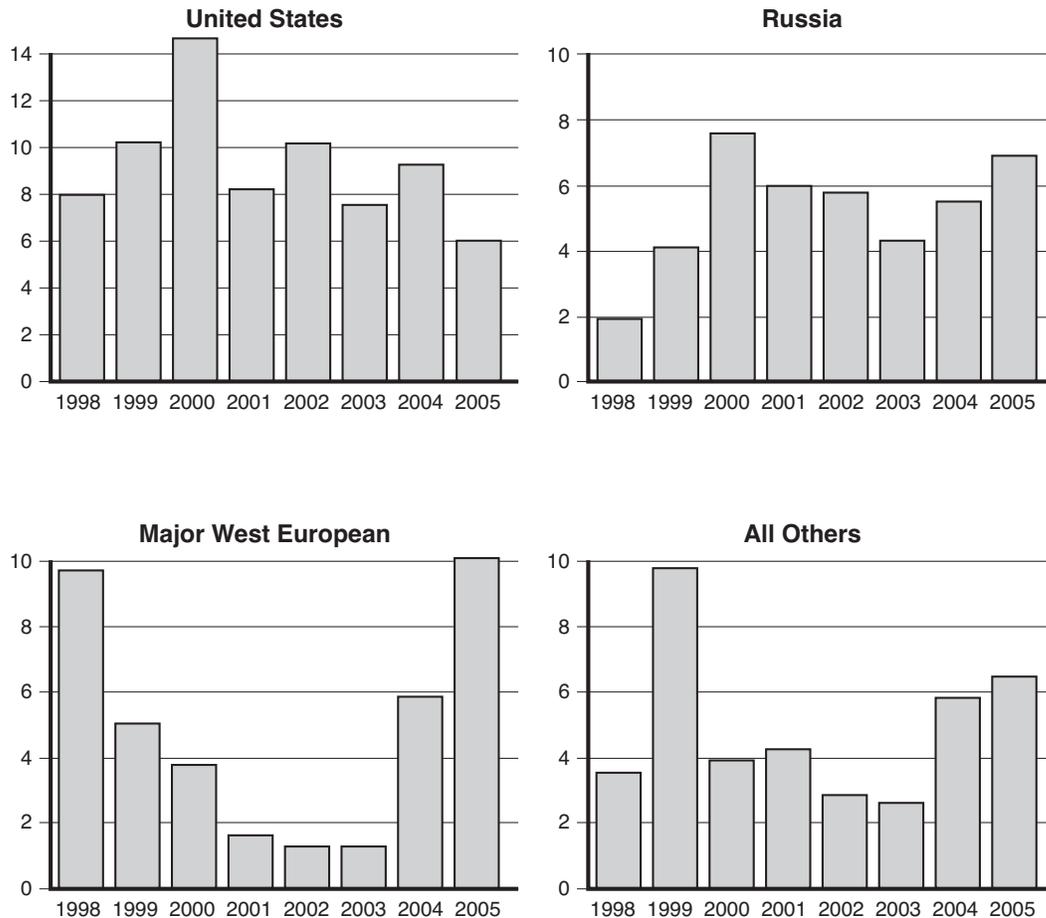
*Major or West European category included France, United Kingdom, Germany, Italy.

Source: U.S. Government

The increase in weapons orders worldwide in 2005 was significant. The total of \$44.2 billion was the largest for the entire period from 1998-2005. Global arms agreement values for the years other than 2005 ranged from \$41.8 billion in 1999 to \$29.3 billion in 2003. Various arms orders placed in 2005 include not only the sales by the traditional major suppliers, but also those of less noted suppliers in Eastern, as well as Western Europe. Some of the major weapons orders in 2005 reflect deferred purchases that were finally consummated by several nations.

Increasingly, developed nations have sought to protect important elements of their national military industrial bases by limiting arms purchases from other developed nations. However, several key suppliers have placed additional emphasis on joint production of various weapons systems with other developed nations as a more effective way to preserve a domestic weapons production capability, while sharing the costs of new weapons development. The consolidation of certain sectors of the domestic defense industries of key weapons producing nations continues, in the face of intense foreign competition. Meanwhile, a number of supplying nations has chosen to manufacture items for niche weapons where their specialized production capabilities give them important advantages in the evolving international arms marketplace.

**Chart 4. Arms Transfer Agreements With Developing Nations by Major Supplier, 1998-2005
(In Billions of Constant 2005 Dollars)**



The intensely competitive weapons marketplace has led several producing countries to focus sales efforts on prospective clients in nations and regions where individual suppliers have had competitive advantages resulting from well established military support relationships. Within Europe, arms

**Table 1F. Arms Transfer Agreements with Developing Nations, 1998-2005
Leading Suppliers Compared
(In Millions of Current U.S. Dollars)**

Rank	Supplier	Agreements 1998-2001
1	United States*	35,462
2	Russia	17,000
3	France	9,700
4	China	4,600
5	Germany	4,100
6	United Kingdom	2,400
7	Israel	2,200
8	Sweden	2,100
9	Ukraine	1,100
10	Belarus	1,000
11	North Korea	1,000

Rank	Supplier	Agreements 2002-2005
1	United States*	31,629
2	Russia	21,800
3	France	8,600
4	United Kingdom	7,500
5	China	3,700
6	Israel	2,500
7	Spain	2,300
8	Ukraine	1,700
9	Italy	1,400
10	Netherlands	1,400
11	Poland	1,000

Rank	Supplier	Agreements 1998-2005
1	United States*	67,091
2	Russia	38,800
3	France	18,300
4	United Kingdom	9,900
5	China	8,300
6	Germany	5,000
7	Israel	4,700
8	Ukraine	2,800
9	Spain	2,700
10	Italy	2,200
11	Sweden	2,200

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

*The United States total includes a \$6.432 billion licensed commercial agreement with the United Arab Emirates in 2000 for 80 F-16 aircraft.

sales to new North Atlantic Treaty Organization (NATO) member nations to support their military modernization programs have created new business for arms suppliers, while allowing these NATO states to sell some of their older generation military equipment, in refurbished form, to other less-developed countries. While there are inherent limitations on these European sales due to the smaller defense budgets of many of the purchasing countries, creative seller financing options, as well as the use of coassembly, co-production, and counter-trade to offset costs to the buyers, have continued to facilitate new arms agreements here. The United States and European countries or consortia seem likely to compete vigorously for prospective arms contracts within the European region in the foreseeable future. These sales seem particularly important to European suppliers, as they can potentially compensate, in part, for lost weapons deals elsewhere in the developing world that result from reduced demand for new weapons.

**Table 1G. Arms Transfer Agreements With Developing Nations in 2005
Leading Suppliers Compared
(In Millions of Current U.S. Dollars)**

Rank	Supplier	Agreements 2005
1	Russia	7,000
2	France	6,300
3	United States	6,182
4	United Kingdom	2,800
5	Spain	2,200
6	China	2,100
7	Germany	700
8	Italy	500
9	Turkey	300
10	Brazil	300
11	Netherlands	200

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

Various developing nations have reduced their weapons purchases in recent years primarily due to their limited financial resources to pay for such equipment. Other prospective arms purchasers in the developing world with significant financial assets continue to exercise caution in launching new and costly weapons procurement programs. The general rise in the price of oil, while an advantage for significant oil producing states in funding their arms purchases, has, at the same time, caused economic difficulties for many oil consuming states, contributing to their decisions to defer or curtail new weapons procurements. The state of the world economy has induced a number of developing nations to choose to upgrade existing weapons systems in their inventories, while reducing their purchases of new ones. While such an approach may dampen sales of new weapons systems for a time, the weapons upgrade market can be very lucrative for some arms producers, thus partially offsetting the effect of loss of major new sales.

Finally, during recent years, new weapons sales have been limited, in part, by the practical need for some purchasing nations to absorb and integrated major weapons systems they have already purchased into their force structures. This requirement may increase the number of arms contracts related to training and for support services, even as it reduces the number of large orders for new military equipment.

More recently, although overall there appear to be fewer large weapons purchases being made by developing nations in the Near East and in Asia, when contrasted with sales activity over a decade

ago, some major purchases continue to be made by a select few developing nations in these regions. These purchases have been made principally by China and India in Asia, and Saudi Arabia in the Near East. Although these apparent trends are subject to abrupt change based on the strength of either the regional or international economies, or the threat assessments of individual states, the strength of individual economies of a wide range of nations in the developing world continues to be a significant factor in the timing of many of their arms purchasing decisions.

**Table 11. Arms Transfer Agreements of Developing Nations, 1998-2005:
Agreements by the Leading Recipients
(In Millions of Current U.S. Dollars)**

Rank	Recipient	Agreements Value 1998-2001
1	United Arab Emirates*	13,800
2	India	7,800
3	Egypt	7,500
4	Israel	6,600
5	China	6,500
6	Saudi Arabia	5,700
7	South Africa	5,100
8	Taiwan	4,000
9	South Korea	3,700
10	Singapore	3,200

Rank	Recipient	Agreements Value 2002-2005
1	India	12,900
2	China	10,200
3	Saudi Arabia	8,900
4	Egypt	6,100
5	Taiwan	4,900
6	United Arab Emirates	3,800
7	Pakistan	3,300
8	South Korea	3,200
9	Israel	2,900
10	Malaysia	2,800

Rank	Recipient	Agreements Value 1998-2005
1	India	20,700
2	United Arab Emirates	17,600
3	China	16,700
4	Saudi Arabia	14,600
5	Egypt	13,600
6	Israel	9,500
7	Taiwan	8,900
8	South Korea	6,900
9	South Africa	6,100
10	Pakistan	5,900

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

* The United Arab Emirates total includes a \$6.432 billion licensed commercial agreement with the United States in 2000 for 80 F-16 aircraft.

**Table 1J. Arms Transfer Agreements of Developing Nations in 2005
Agreements Leading Recipients
(In Millions of Current U.S. Dollars)**

Rank	Recipient	Agreement Value 2005
1	India	5,400
2	Saudia Arabia	3,400
3	China	2,800
4	United Arab Emirates	2,200
5	Venezuela	1,900
6	Pakistan	1,700
7	Iran	1,500
8	Egypt	1,300
9	Brazil	900
10	South Africa	800
11	Netherlands	200

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

In Latin America, and, to a much lesser extent, in Africa, some nations continue to express interest in modernizing important sectors of their military forces. Despite some large arms orders (by regional standards) by a few states in Latin America and Africa, most nations in these areas of the developing world are constrained in their weapons purchases by their limited financial resources. So long as there is limited availability of seller-supplied credit and financing for weapons purchases, and national budgets for military purchases remain relatively low, it seems likely that major arms sales in these regions of the developing world will continue to be limited.

General Trends in Arms Transfers to Developing Nations

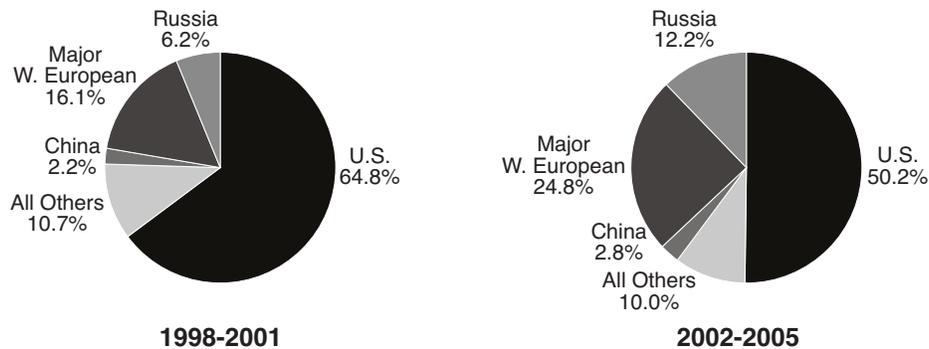
The value of all arms transfer agreements with developing nations in 2005 was nearly \$30.2 billion, a notable increase over the \$26.4 billion total in 2004. This was the highest annual total, in real terms, for the eight year period since 1998. In 2005, the value of all arms deliveries to developing nations (\$17.7 billion) was substantially lower than the value of 2004 deliveries (over \$23.6 billion), and the lowest total for the 1998-2005 period. (Charts 1, 7 and 8, Figures 1 and 2)

Recently, from 2002-2005, the United States and Russia have dominated the arms market in the developing world. The United States ranked first for 3 out of 4 years during this period, while Russia ranked second for 3 out of 4 these years in the value of arms transfer agreements. From 2002-2005, the United States made \$33.3 billion in arms transfer agreements with developing nations, 35.2 percent of all such agreements. Russia, the second leading supplier during this period, made \$21.8 billion in arms transfer agreements or 24.3 percent. France, the third leading supplier, from 2002-2005 made \$8.7 billion or 9.3 percent of all such agreements with developing nations during these years. In the earlier period (1998-2001) the United States ranked first with \$41.5 billion in arms transfer agreements with developing nations or 40.2 percent; Russia made \$19.7 billion in arms transfer agreements during this period or 19.1 percent. France made \$11.6 billion in agreements or 11.2 percent.

During the years from 1998-2005, most arms transfers to developing nations were made by two to three major suppliers in any given year. The United States has ranked first among these suppliers for seven of the last eight years during this period, falling to third place in 2005. Russia has been a continuing strong competitor for the lead in arms transfer agreements with developing nations, ranking second every year from 1999 through 2004, and first in 2005. Despite its lack of the larger traditional client base for armaments held by the United States and the major West European suppliers, Russia's

successes in obtaining new arms orders suggests that Russia is likely to continue to be, for the short term at least, a significant leader in new arms agreements with developing nations. Although, Russia's most significant high value arms transfer agreements continue to be with two Asian countries, China and India, Russia has had some recent success in securing arms agreements with clients beyond its principal two. In this regard, Russia has sought to expand its prospects in North Africa, the Middle East, and Southeast Asia. It even has increased sales efforts in Latin America, despite having essentially abandoned that region in the period following the Cold War's end. The Russian government has further stated that it has adopted more flexible payment arrangements for its prospective customers in the developing world, including a willingness in specific cases to forgive outstanding debts owed to it by a prospective client in order to secure new arms purchases. At the same time, Russia is seeking to enhance the quality of its follow-on support services to make Russian products more attractive and competitive, and to assure its potential clients that it can effectively service the weapons systems that it sells.

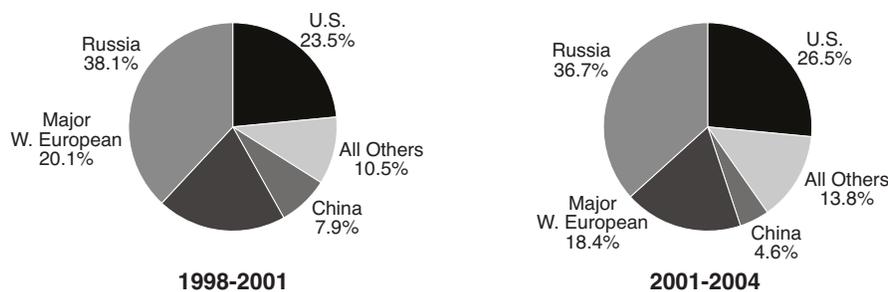
**Chart 5. Arms Transfer Agreements With Near East
(Supplier Percentage of Value)**



Source: U.S. government

Major West European arms suppliers such as France and the United Kingdom, in particular, have concluded large orders with developing countries over the last eight years, based on either long-term supply relationships or their having specialized weapons systems they can readily provide. While, there is notably increased competition between the United States and the other major arms suppliers, the U.S. seems likely to hold its position as the principal supplier to key developing world nations that are most able to afford major new weapons purchases. Even when it does not conclude major new weapons systems agreements in a given year, the fact that the U.S. has such a wide base of arms equipment clients globally means that it still will be able to conclude a notable number of agreements annually to provide support, upgrades, and ordnance for the large variety of weapons systems it has sold to its clients for decades.

**Chart 6. Arms Transfer Agreements With Developing Nations in Asia
(Supplier Percentage of Value)
(Excludes: Japan, Australia, and New Zealand)**



Source: U.S. government

Table 2. Arms Transfer Agreements with the World, by Supplier, 1998-2005
(In Millions of Current U.S. Dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	1998-2005
United States	9,457	11,673	11,158	11,573	13,129	14,576	12,820	12,758	97,144
Russia	2,200	4,600	6,500	5,500	5,600	4,400	5,400	7,400	41,600
France	6,300	1,700	4,600	4,200	1,,200	2,000	2,100	7,900	30,000
United Kingdom	2,000	1,500	600	600	700	300	6,400	2,800	14,900
China	700	3,100	500	1,100	400	500	700	2,100	9,100
Germany	5,000	4,000	1,200	1,200	1,000	1,500	1,600	1,500	17,000
Italy	600	700	200	1,200	300	600	600	1,400	5,600
All Other European	1,900	5,800	4,100	3,000	4,400	2,000	6,700	5,900	33,800
All Others	1,300	2,100	2,500	2,600	2,200	1,600	2,600	2,400	17,300
Total	29,457	35,173	31,358	30,973	28,929	27,476	38,920	44,158	266,444

Note: All data are for the calendar year given except for U.S. Military Assistance Program (MAP), International Military Education and Training (IMET), and Excess Defense Article data which are included for the particular fiscal year. All amounts given include the values of all categories of weapons, spare parts, construction, all associated services, military assistance, excess defense articles, and training programs. Statistics for foreign countries are based upon estimated selling prices. All foreign data are rounded to the nearest \$100 million. The United States total in 2000 includes a \$6.432 billion licensed commercial agreement with the United Arab Emirates for 80 F-16 aircraft.

Source: U.S. government

The prospects for purchases of new and highly expensive weapons appear to be on the increase most recently with the wealthier developing countries. Yet the unsettled state of the international economy, and the scarcity of funds in their defense budgets, continues to constrain such arms purchases by the less affluent developing nations. The overall level of the arms trade with developing nations was on the decline in the period from 2001 until 2004. The significant rise in agreements in 2004, and the notable increase in the level of arms transfer agreements in 2005, might indicate that such sales are beginning to trend upward again. But a significant increase in the total value of arms agreements in one or two years is not necessarily predictive of the immediate years to come.

Those arms suppliers who ranked well below the major ones, such as China, other European, and non-European suppliers, do appear to have increased their participation in the arms trade with the developing world in recent years, albeit at a much lower level. Nonetheless, these non-major arms suppliers have proven capable, on occasion, of making arms deals of consequence. Most of their annual arms transfer agreement values during 1998-2005 have been comparatively low, although larger when they are aggregated together as a group. In various cases they have been successful in selling older generation equipment, even while they procure newer weaponry to update their own military forces. These arms suppliers also are more likely to be sources of small arms and light weapons, and associated ordnance, rather than sellers of major military equipment. Thus it is unlikely that most of these countries will routinely rank with the traditional major suppliers of advanced weaponry in the value of their arms agreements and deliveries. (Tables 1F, 1G, 2F, and 2G).

United States

The total value in real terms of United States arms transfer agreements with developing nations fell significantly from \$9.4 billion in 2004 to about \$6.2 billion in 2005. The U.S. share of the value of all such agreements was 20.5 percent in 2005, down from a 35.4 percent share in 2004. (Charts 1, 3, and 4, Figure 1)

In 2005, the value of U.S. arms transfer agreements with developing nations was attributable to a substantial number of smaller valued purchases by a wide variety of U.S. clients in the Near East and in Asia, rather than by the conclusion of a few very expensive contracts with a small number of traditional clients. These arms agreement totals illustrate the continuing U.S. advantage of having well established defense support arrangements with weapons purchasers worldwide, based upon the existing variety of U.S. weapons systems their militaries utilize. U.S. agreements with all of its clients in 2005 include not only sales of major weapons systems, but also the upgrading of systems previously provided. The U.S. totals also include agreements for a wide variety of spare parts, ammunition, ordnance, training, and support services which, in the aggregate, have very significant value.

Among the larger valued arms transfer agreements the United States concluded in 2005 with developing nations were: with the United Arab Emirates (U.A.E.) for the upgrade of its AH-64A Apache helicopters to the AH-64D model, together with associated weapons for over \$740 million. Other U.S. arms agreements in 2005 were with the following:

- Egypt for 25 Avenger fire units for \$110 million, and for 50 turbine engines to upgrade CH-47 Chinook helicopters for \$73 million
- Kuwait for upgrade support of its FA-18 fighter aircraft for \$195 million
- Saudi Arabia for \$110 million in F-15 fighter engine overhauls
- Pakistan for 60 AGM-84L HARPOON missiles for \$160 million
- 6 PHALANX close-in-weapons systems for \$79 million
- 2000 TOW-2A missiles for \$65 million, and for a package of HF/VHF radio systems for \$77 million

**Table 2F. Arms Deliveries to Developing Nations, 1998-2005
Leading Suppliers Compared
(In Millions of Current U.S. Dollars)**

Rank	Recipient	Agreements Value 1998-2001
1	United States	35,554
2	United Kingdom	15,600
3	France	13,300
4	Russia	12,500
5	Sweden	2,800
6	China	2,500
7	Ukraine	1,600
8	Germany	1,500
9	Israel	1,300
10	Belarus	1,000
11	Italy	1,000

Rank	Recipient	Agreements Value 2002-2005
1	United States	27,625
2	Russia	15,500
3	United Kingdom	12,100
4	France	9,700
5	China	3,100
6	Israel	1,900
7	Germany	1,500
8	Sweden	1,400
9	Ukraine	1,000
10	Brazil	700
11	Spain	500

Rank	Recipient	Agreements Value 1998-2005
1	United States	63,179
2	Russia	28,000
3	United Kingdom	27,700
4	France	23,000
5	China	5,600
6	Sweden	4,200
7	Israel	3,200
8	Germany	3,000
9	Ukraine	2,600
10	Italy	1,400
11	Belarus	1,100

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

Source: U. S. government.

Russia

The total value of Russia's arms transfer agreements with developing nations in 2005 was \$7 billion, a notable increase from \$5.4 billion in 2004, placing Russia first in such agreements with the developing world. Russia's share of all developing world arms transfer agreements increased, rising from 20.3 percent in 2004 to 23.2 percent in 2005. (Charts 1, 3 and 4, Figure 1, and Table 1G)

**Table 2G. Arms Deliveries to Developing Nations in 2005
Leading Suppliers Compared
(In Millions of Current U.S. Dollars)**

Rank	Supplier	Deliveries Value 2005
1	United States	8,111
2	Russia	2,700
3	United Kingdom	2,400
4	France	1,300
5	China	800
6	Israel	400
7	Germany	200
8	Brazil	200
9	Ukraine	200
10	Poland	200

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

Source: U.S. government

Russian arms transfer agreement totals with developing nations have been notable during the last four years. During the 2002-2005 period, Russia ranked second among all suppliers to developing countries, making \$21.8 billion in agreements (in current 2005 dollars). (Table 1F). Russia's status as a leading supplier of arms to developing nations stems from an increasingly successful effort to overcome the significant economic and political problems associated with the dissolution of the former Soviet Union. The traditional arms clients of the former Soviet Union were generally less wealthy developing countries valued as much for their political support in the Cold War, as for their desire for Soviet weaponry. Many of these traditional Soviet client states received substantial military aid grants and significant discounts on their arms purchases. The Russia that emerged in 1991 consistently placed a premium on obtaining hard currency for the weapons it sold. Faced with stiff competition from Western arms suppliers in the 1990s, Russia gradually adapted its selling practices in an effort to regain and sustain an important share of the developing world arms market.

In recent years, Russian leaders have made major strides in providing more creative financing and payment options for prospective arms clients. They have also agreed to engage in counter-trade, offsets, debt-swapping, and, in key cases, to make significant licensed production agreements in order to sell its weapons. The willingness to license production has been a central element in several cases involving Russia's principal arms clients, China and India. Russia's efforts to expand its arms customer base have met with mixed results. Russia's arms sales efforts, beyond those with China and India, are focused on Southeast Asia. It has had some success in securing arms agreements with Malaysia, Vietnam, and Indonesia even though recurring financial problems of some clients in this region have hampered significant growth in Russian sales there. Russia has also made combat fighter aircraft sales in recent years to Algeria and Yemen. Elsewhere in the developing world Russian military equipment is competitive because it ranges from the most basic to the highly advanced, and can be less expensive than similar arms available from other major suppliers.

Although Russia's sale of military aircraft continues to be a significant portion of its arms exports, the absence of major new research and development efforts in this and other military equipment areas may jeopardize long-term Russian foreign arms sales prospects. Although military weapons research and development (R&D) programs exist in Russia, other major arms suppliers in the West are currently well advanced in the process of developing and producing weaponry that is much more advanced than that in existing Russian R&D programs.

Despite these potential difficulties, Russia continues to have very significant arms development and sales programs involving China and India, which should provide it with sustained business throughout this decade. Through agreements concluded in the mid-1990s, Russia has sold major combat fighter aircraft, and main battle tanks to India, and has provided other major weapons systems though lease or licensed production. And it continues to provide support services and items for these various weapons systems. In 2005, Russia agreed to sell India twenty-four SA-19 air defense systems for \$400 million and a number of Smerch multiple-launch rocket systems (MLRS) for about \$500 million. Russian also agreed to overhaul an Indian diesel submarine for about \$100 million, and to provide India with a number of BrahMos anti-ship missiles.

Russian arms sales of advanced weaponry in South Asia have been a matter of ongoing concern to the United States, because of long-standing tensions between India and Pakistan. The acquisition of a new weapon system by India has usually led Pakistan to seek comparable weapons or those with offsetting capabilities. Keeping a potentially destabilizing arms race in this region within check is a U.S. policy objective.¹

China has remained a central client for Russia's arms especially for aircraft and naval systems. Since 1996, Russia has sold China Su-27 fighter aircraft and agreed to licensed production of them. It has sold the Chinese quantities of Su-30 multi-role fighter aircraft, Sovremenny-class destroyers equipped with Sunburn anti-ship missiles, and Kilo-class Project 636 submarines. Russia has also sold the Chinese a variety of other weapons systems and missiles. In 2005, Russia agreed to sell China 30 IL-76TD military transport aircraft and 8 IL-78M aerial refueling tanker aircraft for more than \$1 billion. Russia also signed new arms transfer agreements with China for a number of AL-31F military aircraft engines for \$1 billion, and agreed to sell jet engines for China's FC-1 fighter aircraft at a cost in excess of \$250 million. These arms acquisitions by China are apparently aimed at enhancing its military projection capabilities in Asia, and its ability to influence events throughout the region. Such acquisitions, in particular those of advanced military equipment from Russia, continue to be monitored by U.S. policy makers. The U.S. policy interest is, among other things, ensuring that it provides appropriate military equipment to U.S. allies and friendly states in Asia to help offset any prospective threat China may pose to such nations, while keeping the U.S. military aware of any threat it may face in any confrontation with China.²

Elsewhere in 2005, Russia made an agreement with Iran for 29 TOR-M 1(SA-15 Gauntlet) surface-to-air defense systems for over \$700 million. Russia also agreed to upgrade Iran's Su-24 and MIG-29 aircraft, as well as their T-72 main battle tanks. Sales of advanced military equipment to Iran by Russia and others has been an issue of intense interest to U.S. policy makers for some time, given the hostile relations the U.S. and Iran have had since the overthrow of the Shah of Iran, and the rise to power of an anti-American government in Tehran. For a period of time, in the mid-1990s, the Russian government agreed not to make new advanced weapons sales to the Iranian government.

1. For detailed background see CRS Report RL33515, *Combat Aircraft Sales to South Asia: Potential Implications*; CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia*; CRS Report RL30427, *Missile Survey: Ballistic and Cruise Missiles of Selected Foreign Countries*.

2. For detailed background see CRS Report RL30700, *China's Foreign Conventional Arms Acquisitions: Background and Analysis*; CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities-Background and Issues for Congress*.

That agreement has since been rescinded by Russia. As the U.S. focuses increasing attention on Iran's efforts to enhance its nuclear as well as conventional military capabilities, major arms transfers to Iran continue to be a matter of concern.³

**Table 2I. Arms Deliveries to Developing Nations, 1998-2005
The Leading Recipients
(In Millions of Current U.S. Dollars)**

Rank	Recipient	Agreements Value 1998-2001
1	Saudi Arabia	30,400
2	Taiwan	9,800
3	China	6,600
4	South Korea	5,200
5	Israel	4,700
6	United Arab Emirates	4,300
7	Egypt	3,800
8	Pakistan	2,900
9	Kuwait	2,400
10	Malaysia	2,100

Rank	Recipient	Agreements Value 2002-2005
1	Saudi Arabia	19,700
2	China	7,700
3	India	7,500
4	United Arab Emirates	7,100
5	Egypt	6,500
6	Israel	4,500
7	Taiwan	4,100
8	Pakistan	2,500
9	South Korea	2,400
10	Malaysia	1,400

Rank	Recipient	Agreements Value 1998-2005
1	Saudi Arabia	50,100
2	China	14,300
3	Taiwan	13,900
4	United Arab Emirates	11,400
5	Egypt	10,300
6	India	9,500
7	Israel	9,200
8	South Korea	7,600
9	Pakistan	5,400
10	Malaysia	3,400

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

Source: U. S. government.

Russia in 2005 sold Venezuela 10 Mi-17 and Mi-35 helicopters for about \$100 million. Recently, Venezuela's populist President, Hugo Chavez, has taken a hostile approach to relations with the United States. Among the actions he has taken that have raised concerns in the U.S. is his decision to seek advanced military equipment from Russia. Since Venezuela has major oil reserves, Chavez has

3. For detailed background see CRS Report RL 30551, *Iran: Arms and Weapons of Mass Destruction Suppliers*.

the financial resources to pay for such equipment. He has made clear that he plans to obtain significant new weapons systems from Russia.⁴

**Table 2J. Arms Deliveries to Developing Nations, 1998-2005
The Leading Recipients
(In Millions of Current U.S. Dollars)**

Rank	Recipient	Deliveries Value 2005
1	Saudi Arabia	3,500
2	Israel	1,700
3	India	1,600
4	Egypt	1,500
5	China	1,400
6	Taiwan	1,300
7	United Arab Emirates	1,200
8	South Korea	600
9	Pakistan	500
10	Afghanistan	500

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the rank order is maintained.

Source: U. S. government.

China

The Iran-Iraq war of the 1980s provided the opportunity for China to become an important supplier of less expensive weapons to certain developing nations. In that conflict China demonstrated that it was willing to provide arms to both combatants in the war, in quantity and without conditions. From 2002-2005, the value of China's arms transfer agreements with developing nations averaged about \$950 million annually, a figure inflated by a very large agreements total in 2005. During the period of this report, the value of China's arms transfer agreements with developing nations peaked in 1999 at \$3 billion. Its sales figures that year resulted generally from several smaller valued weapons deals in Asia, Africa, and the Near East, rather than one or two especially large sales of major weapons systems. Similar arms deals with small scale purchasers in these regions are continuing. In 2005, China's arms transfer agreements total was \$2.1 billion, with an important portion of that total attributable to the sale of frigates and jet aircraft to Pakistan, a client of long standing. (Table 1G and Chart 3)

There are few clients with financial resources that have sought to purchase Chinese military equipment during the eight year period of this report, because most Chinese weapons for export are less advanced and sophisticated than weaponry available from Western suppliers or Russia. Thus, China does not appear likely to be a major supplier of conventional weapons in the international arms market in the foreseeable future. Its likely clients are states in Asia and Africa seeking quantities of small arms and light weapons, rather than major combat systems. At the same time, China has been an important source of missiles in the developing world arms market. China supplied Silkworm anti-ship missiles to Iran. Credible reports persist in various publications that China has sold surface-to-surface missiles to Pakistan, a traditional client. Iran and North Korea have also reportedly received

4. For detailed background on Chavez's policy initiatives in Venezuela, and U.S. concerns see CRS Report RL32488, Venezuela: Political Conditions and U.S. Policy.

Chinese missile technology, which has increased their capabilities to threaten other countries in their respective neighborhoods. The continued reporting of such activities by credible sources raise important questions about China's stated commitment to the restrictions on missile transfers set out in the Missile Technology Control Regime (MTCR), including its pledge not to assist others in building missiles that could deliver nuclear weapons. Given the fact that it has some military products particularly missiles that some developing countries would like to acquire, China can present an obstacle to efforts to stem proliferation of advanced missile systems to some areas of the developing world where political and military tensions are significant, and where some nations are seeking to develop asymmetric military capabilities.⁵

China, among others, has been a key source of a variety of small arms and light weapons transferred to African states. While the prospects for significant revenue earnings from these arms sales is small, China views this as one means of enhancing its status as an international political power, and especially to obtain access to significant natural resources, especially oil. Controlling the sales of small arms and light weapons to regions of conflict, in particular to some African nations, has been a matter of concern to the United States. Efforts to do so have also been a topic of focus by the United Nations (U.N.).⁶

Major West European Suppliers

Apart from the United States and Russia, the four major West European arms suppliers France, the United Kingdom, Germany, and Italy are the states that can supply a wide variety of more highly sophisticated weapons to would-be purchasers. They can serve as alternative sources of armaments that the United States chooses not to supply for policy reasons. As an example, the United Kingdom sold major combat fighter aircraft to Saudi Arabia in the mid-1980s, when the U.S. chose not to sell a comparable aircraft for policy reasons. These nations have been close allies of the United States especially during the Cold War, and all are members of NATO. However, in the post-Cold War era, their national defense export policies have not been fully coordinated with the United States as likely would have been the case at the Cold War's height.

These arms supplying states, particularly France, view arms sales foremost as a matter for national decision. France has also frequently used foreign military sales as an important means for underwriting development and procurement of weapons systems for its own military forces. So the potential exists for policy differences between the United States and major West European supplying states over conventional weapons transfers to specific countries. A recent example of such a conflict was the effort led by France and Germany to lift the arms embargo on arms sales to China currently adhered to by members of the European Union (E.U.). The United States viewed this as a misguided effort, and vigorously opposed it. The proposal to lift the embargo was ultimately not adopted, but it proved to be a source of significant tension between the U.S. and the E.U. Thus, arms sales activities of major European suppliers continue to be of interest to U.S. policy makers, given their capability to make sales of advanced military equipment to countries of concern to U.S. national security policy.⁷

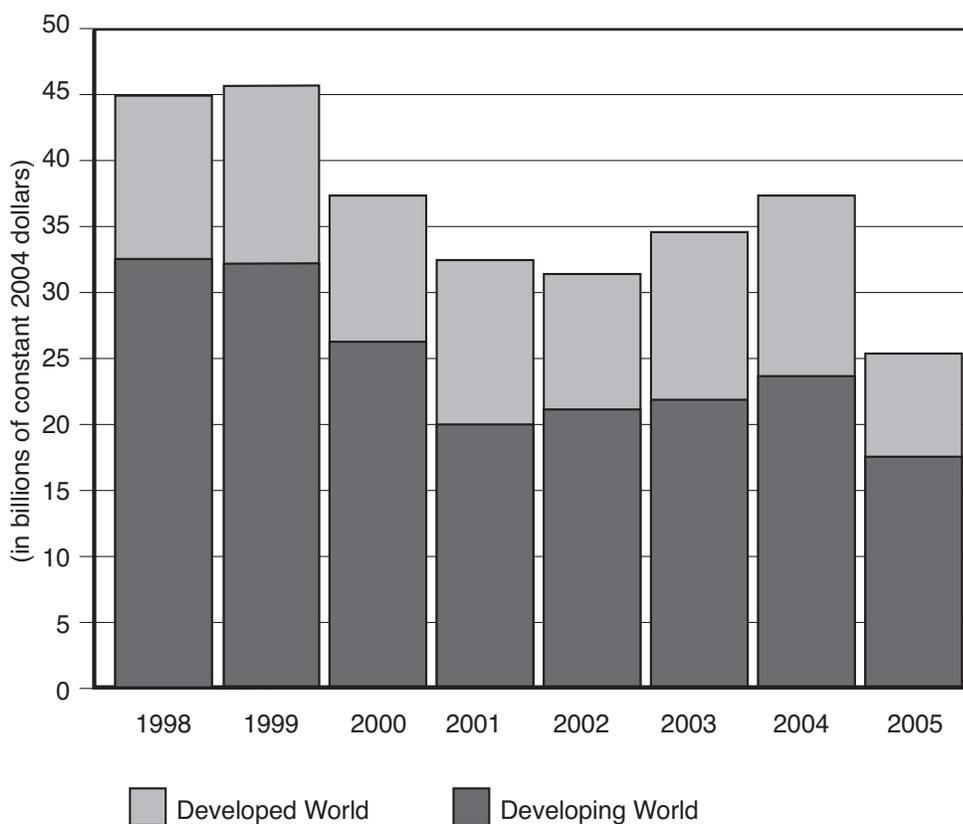
5. For detailed background on the MTCR and proliferation control regimes and related policy issues see CRS Report RL31559, *Proliferation Control Regimes: Background and Status*, and CRS Report RL31848, *Missile Technology Control Regime (MTCR) and International Code of Conduct Against Ballistic Missile Proliferation (ICOC): Background and Issues for Congress*.

6. For background on China's actions and motivations for increased activities in Africa see CRS Report RL33055, *China and Sub-Saharan Africa*. For background on U.S. policy concerns regarding small arms and light weapons transfers see CRS Report RS20958, *International Small Arms and Light Weapons Transfers: U.S. Policy*.

7. For detailed background see CRS Report RL32870, *European Union's Arms Embargo on China: Implications and Options for U.S. Policy*. It should be noted that members of the European Union, and others, have agreed to a common effort to attempt some degree of control on the transfer of certain weapons systems, but the principal vehicle for this cooperation, the Wassenaar Arrangement lacks a mechanism to enforce its rules. For detailed background see CRS Report RS20517, *Military Technology and Conventional Weapons Exports Controls: The Wassenaar Arrangement*.

The four major West European suppliers are France, the United Kingdom, Germany, and Italy. The four major Western European suppliers registered a significant increase in their collective share of all arms transfer agreements with developing nations between 2004 and 2005. This group's share rose from 22.3 percent in 2004 to 34.1 percent in 2005. The collective value of this group's arms transfer agreements with developing nations in 2005 was \$10.3 billion compared with a total of about \$5.9 billion in 2004. Of these four nations, France was the leading supplier with \$6.3 billion in agreements in 2005, a substantial increase from \$1 billion in agreements in 2004. A portion of France's total in 2005 was attributable to a \$3.5 billion agreement with India for 6 Scorpene diesel attack submarines. The United Kingdom registered \$2.8 billion in arms agreements in 2005, a significant portion reflects orders placed under the Al Yamamah military procurement arrangement with Saudi Arabia. Germany registered \$700 million in arms agreements in 2005 based on a number of smaller contracts for a variety of naval and ground forces equipment, increasing its agreements' total notably from \$100 million in 2004. Italy registered \$500 million in arms transfer agreements in 2005, based primarily on sales of helicopters to several established clients. (Charts 3 and 4)

**Chart 7. Arms Deliveries Worldwide 1998-2005
Developed and Developing Worlds Compared**

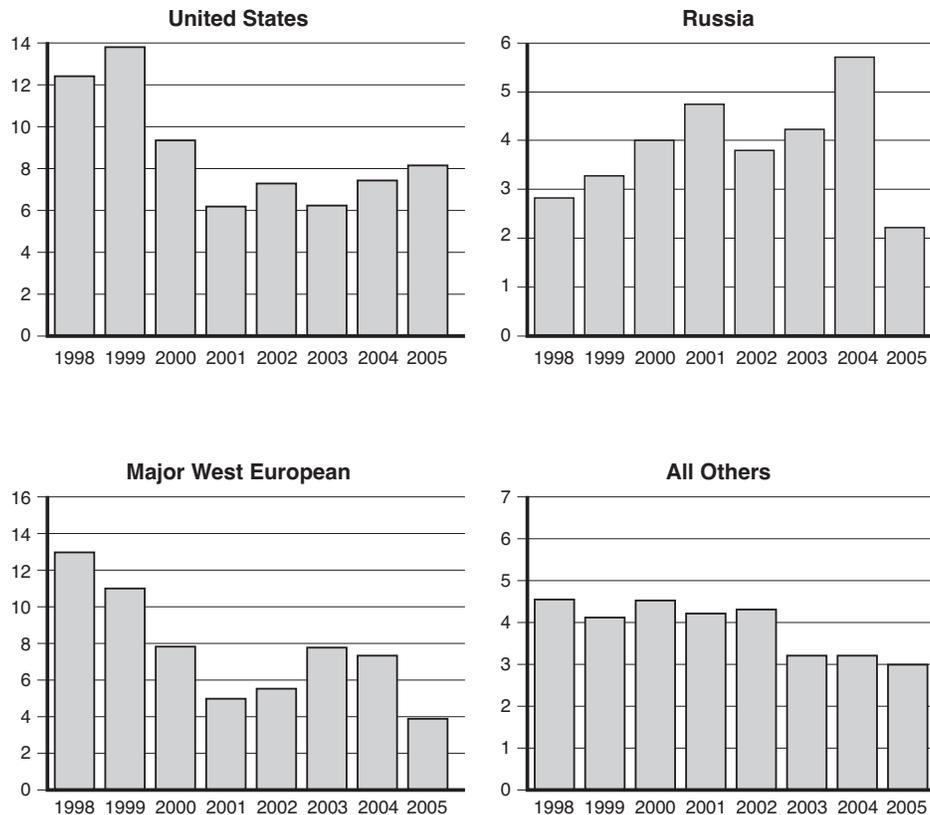


Source: U.S. Government

The four major West European suppliers collectively held a 34.1 percent share of all arms transfer agreements with developing nations during 2005. For several years after 1998, the major West European suppliers generally lost a share of arms transfer agreements. More recently this decline was halted, and the 2005 market share of arms agreements (34.1 percent) is the highest share the four major West European suppliers have held since 1998, when they held 41.4 percent of all arms agreements with developing nations. During the 2002-2005 period, they collectively held 20.1 percent of all arms transfer agreements with developing nations (\$18.8 billion). Individual suppliers within the

major West European group have had notable years for arms agreements, especially France in 1998 and 2005 (\$6.7 billion and \$6.3 billion respectively). The United Kingdom also had large agreement years in 2004 (\$4.1 billion), and \$2.8 billion in 2005. Germany concluded arms agreements totaling \$1.7 billion in 1998, with its highest total at \$1.9 billion in 1999. For each of these three nations, large agreement totals in one year have usually reflected the conclusion of very large arms contracts with one or more major purchasers in that particular year.

**Chart 8. Arms Deliveries to Developing Countries by Major Supplier, 1998-2005
(In Billions of Constant 2005 Dollars)**



Source: U.S. government

Major West European suppliers have had their competitive position in weapons exports strengthened over the years through strong government marketing support for their foreign arms sales. Since they can produce both advanced and basic air, ground, and naval weapons systems, the four major West European suppliers have competed successfully for arms sales contracts with developing nations against both the United States, which has tended to sell to several of the same clients, and with Russia, which has sold to nations not traditional customers of either the West Europeans or the U.S. However, the demand for U.S. weapons in the global arms marketplace, from a large established client base, has created a more difficult environment for individual West European suppliers to secure large new contracts with developing nations on a sustained basis.

The prospect of continuing strong demand for U.S. defense equipment as well as concern for maintaining their market share of the arms trade has led E.U. member states to adopt a new code of conduct for defense procurement practices. This code was agreed to on November 21, 2005 at the European Defense Agency's (EDA) steering board meeting. Currently voluntary, the E.U. hopes it

will become mandatory, and through its mechanisms foster greater competition within the European defense equipment sector in the awarding of contracts for defense items. The larger hope is that by fostering greater intra-European cooperation and collaboration in defense contracting, and the resulting programs, that the defense industrial bases of individual E.U. states will be preserved, and the ability of European defense firms to compete for arms sales in the international arms marketplace will be substantially enhanced.

This development coincides with a period when some European arms suppliers have begun to phase out production of certain types of weapons systems. Such suppliers have increasingly engaged in joint production ventures with other key European weapons suppliers or even client countries in an effort to sustain major sectors of their individual defense industrial bases; even if a substantial portion of the weapons produced are for their own armed forces. The Eurofighter project is one example; Eurocopter is another. Other European suppliers have also adopted the strategy of cooperating in defense production ventures with the United States such as the Joint Strike Fighter (JSF), rather than attempting to compete directly, thereby meeting their own requirements for advanced combat aircraft, while positioning themselves to share in profits resulting from future sales of this new fighter aircraft.⁸

Regional Arms Transfer Agreements

The markets for arms in regions of the developing world have traditionally been dominated by the Near East and by Asia. Nations in the Latin America and Africa regions, by contrast, have not been major purchasers of weapons. The regional arms agreement data tables in this report demonstrate this. United States policy makers have placed emphasis on helping to maintain stability throughout the regions of the developing world. Thus, the U.S. has made and supported arms sales and transfers it has believed would advance that goal, while discouraging significant sales by other suppliers to states and regions where military threats to nations in the area are minimal. Other arms suppliers do not necessarily share the U.S. perspective on what constitutes an appropriate arms sale. For in some instances the financial benefit of the sale to the supplier trumps other considerations. The regional and country specific arms transfer data in this report provide an indication of where various arms suppliers are focusing their attention, and who their principal clients are. By reviewing these data, policy makers can identify potential developments which may be of concern, and use this information to assist their review of options they may choose to consider given the circumstances. What follows below is a review of data on arms transfer agreement activities in the two regions that lead in arms acquisitions, the Near East and Asia. This is followed, in turn, by a review of data regarding the leading arms purchasers in the developing world.

Near East⁹

The principal catalyst for new weapons procurements in the Near East region in the last decade was the Persian Gulf crisis of August 1990 through February 1991. This crisis, culminating in a war to expel Iraq from Kuwait, created new demands by key purchasers such as Saudi Arabia, Kuwait, the United Arab Emirates, and other members of the Gulf Cooperation Council (GCC), for a variety of advanced weapons systems. Egypt and Israel continued their modernization and increased their weapons purchases from the United States. The Gulf states' arms purchase demands were not only a response to Iraq's aggression against Kuwait, but a reflection of concerns regarding perceived threats from a potentially hostile Iran. Since the fall of Saddam Hussein, for many the conventional ground

8. For detailed background on issues relating to the Joint Strike Fighter program see CRS Report RL30563, F-35 *Joint Strike Fighter Program: Background, Status, and Issues*.

9. In this report the Near East region includes the following nations: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen. The countries included in the other geographic regions are listed at the end of the report.

threat from Iraq has diminished and the perceived threat from Iran has increased. This has led the GCC states to emphasize acquisition of air and naval defense capabilities over major ground combat systems.¹⁰

In recent years, the position of Saudi Arabia as principal arms purchaser in the Persian Gulf region has declined from the extraordinarily high levels of the late 1980s and early 1990s. In the period from 1998-2001, Saudi Arabia's total arms agreements were valued at \$5.7 billion (in current dollars), less than the levels of the U.A.E., Egypt, and Israel. For the period from 2002-2005, Saudi Arabia's total arms agreements were \$8.9 billion (in current dollars), making it the leading Near East purchaser once again.

The Near East has historically been the largest arms market in the developing world. In 1998-2001, it accounted for 45.8 percent of the total value of all developing nations arms transfer agreements (about \$40.4 billion in current dollars), ranking it first ahead of Asia which was second with about 39 percent of these agreements. However, during 2002-2005, the Asia region accounted for 48.4 percent of all such agreements (about \$43.6 billion in current dollars), placing it first in arms agreements with the developing world. The Near East region ranked second with \$35.1 billion in agreements or 39 percent. (Table 1C)

The United States dominated arms transfer agreements with the Near East during the 1998-2001 period with 64.8 percent of their total value, \$26.2 billion in current dollars. France was second during these years with 14.6 percent, \$5.9 billion in current dollars. Recently, from 2002-2005, the United States accounted for 50.2 percent of arms agreements with this region, \$17.6 billion in current dollars, while the United Kingdom accounted for 14 percent of the region's agreements, \$4.9 billion in current dollars. Russia accounted for 12.2 percent of the region's agreements in the most recent period, \$4.3 billion in current dollars. (Chart 5 and Table 1E)

Asia

In Asia, efforts in several developing nations have been focused on upgrading and modernizing defense forces, and this has led to new conventional weapons sales in that region. Since the mid-1990s, Russia has become the principal supplier of advanced conventional weaponry to China, selling fighters, submarines, destroyers, and missiles, while maintaining its position as principal arms supplier to India. Russia has also made progress in expanding its client base in Asia, receiving aircraft orders from Malaysia, Vietnam, and Indonesia. India has also expanded its weapons supplier base, purchasing the Phalcon early warning defense system aircraft in 2004 from Israel for \$1.1 billion, and a myriad of items from France in 2005, in particular six Scorpene diesel attack submarines for \$3.5 billion. The data on regional arms transfer agreements from 1998-2005 continue to reflect that Near East and Asian nations are the primary sources of orders for conventional weaponry in the developing world.

Asia has historically been the second largest developing world arms market. Yet in 2002-2005, Asia ranked first, accounting for 48.4 percent of the total value of all arms transfer agreements with developing nations, \$43.6 billion in current dollars. In the earlier period, 1998-2001, the region accounted for 39 percent of all such agreements (\$34.4 billion in current dollars), ranking second.

In the earlier period (1998-2001), Russia ranked first in the value of arms transfer agreements with Asia with 38.1 percent (\$13.1 billion in current dollars). The United States ranked second with 23.5 percent (\$8.1 billion in current dollars). The major West European suppliers, as a group, made 20.1 percent of this region's agreements in 1998-2001. In the later period (2002-2005), Russia ranked

10. For detailed background see CRS Report RL31533, *The Persian Gulf States: Issues for U.S. Policy*, 2006.

first in Asian agreements with 36.7 percent (\$16 billion in current dollars), primarily due to major combat aircraft, and naval system sales to India and China. The United States ranked second with 26.5 percent (\$11.6 billion in current dollars). The major West European suppliers, as a group, made 18.4 percent of this region's agreements in 2002-2005. (Chart 6)

Leading Developing Nations Arms Purchasers

India was the leading developing world arms purchaser from 1998-2005, making arms transfer agreements totaling \$20.7 billion during these years (in current dollars). In the 1998-2001 period, the U.A.E. ranked first in arms transfer agreements at \$13.8 billion (in current dollars). In 2002-2005 India ranked first in arms transfer agreements, with a substantial increase to \$12.9 billion from \$7.8 billion in the earlier 1998-2001 period (in current dollars). This increase reflects the continuation of a military modernization effort by India, underway since the 1990s, and based primarily on major arms agreements with Russia. The total value of all arms transfer agreements with developing nations from 1998-2005 was \$177.8 billion in current dollars. Thus India alone accounted for 11.6 percent of all developing world arms transfer agreements during these eight years. In the most recent period, 2002-2005, India made \$12.9 billion in arms transfer agreements (in current dollars). This total constituted 14.4 percent of all arm transfer agreements with developing nations during these four years (\$89.8 billion in current dollars). China ranked second in arms transfer agreements during 2002-2005 with \$10.2 billion (in current dollars), or 11.4 percent of the value of all developing world arms transfer agreements. (Tables 1, 1I and 1J)

During 1998-2001, the top ten recipients collectively accounted for 69 percent of all developing world arms transfer agreements. During 2002-2005, the top ten recipients collectively accounted for 67.1 percent of all such agreements. Arms transfer agreements with the top ten developing world recipients, as a group, totaled \$21.9 billion in 2005 or 72.6 percent of all arms transfer agreements with developing nations in that year. These percentages reflect the continued concentration of major arms purchases by developing nations among a few countries (Tables 1, 1I and 1J)

India ranked first among all developing world recipients in the value of arms transfer agreements in 2005, concluding \$5.4 billion in such agreements. Saudi Arabia ranked second in agreements at \$3.4 billion. China ranked third with \$2.8 billion in agreements. Four of the top ten recipients were in the Near East region; three were in the Asian region; two were in the Latin American region. (Table 1J).¹¹

Saudi Arabia was the leading recipient of arms deliveries among developing world recipients in 2005, receiving \$3.5 billion in such deliveries. Israel ranked second in arms deliveries in 2005 with \$1.7 billion. India ranked third with \$1.6 billion (Table 2J).

Arms deliveries to the top ten developing nation recipients, as a group, were valued at \$13.8 billion, or 77.9 percent of all arms deliveries to developing nations in 2005. Six of these top ten recipients were in Asia; four were in the Near East (Tables 2 and 2J).

Weapons Types Recently Delivered to Near East Nations

Regional weapons delivery data reflect the diverse sources of supply and type of conventional weaponry actually transferred to developing nations. Even though the United States, Russia, and the four major West European suppliers dominate in the delivery of the fourteen classes of weapons examined, it is also evident that the other European suppliers and some non-European suppliers, including China, are capable of being leading suppliers of selected types of conventional armaments to developing nations. (Table 3).

11. For countries included in the Asia region and the Latin American region see the listings of nations by regions given at the end of this report.

Weapons deliveries to the Near East, historically the largest purchasing region in the developing world, reflect the substantial quantities and types delivered by both major and lesser suppliers. The next page is an illustrative summary of weapons deliveries to this region for the period 2001-2005:

United States

- 375 tanks and self-propelled guns
- 34 APCs and armored cars
- 2 major surface combatants
- 4 minor surface combatants
- 65 supersonic combat aircraft
- 20 helicopters
- 519 surface-to-air missiles
- 132 anti-ship missiles

Russia

- 10 tanks and self-propelled guns
- 120 APCs and armored cars
- 30 supersonic combat aircraft
- 40 helicopters
- 1,170 surface-to-air missiles

China

- 20 artillery pieces
- 5 minor surface combatants
- 60 anti-ship missiles

Major West European Suppliers

- 140 tanks and self-propelled guns
- 60 APCs and armored cars
- 5 major surface combatants
- 35 minor surface combatants
- 11 guided missile boats
- 30 supersonic combat aircraft
- 30 helicopters
- 40 anti-ship missiles

All Other European Suppliers

- 320 tanks and self-propelled guns
- 270 APCs and armored cars
- 1 major surface combatant
- 32 minor surface combatants
- 10 supersonic combat aircraft
- 20 helicopters
- 260 surface-to-air missiles

All Other Suppliers

- 500 APCs and armored cars
- 116 minor surface combatants
- 20 helicopters
- 40 surface-to-surface missiles
- 20 anti-ship missiles

Large numbers of major combat systems were delivered to the Near East region from 2002-2005, specifically, tanks and self-propelled guns, armored vehicles, major and minor surface combatants, supersonic combat aircraft, helicopters, air defense and anti-ship missiles. The United States and Russia made significant deliveries of supersonic combat aircraft and anti-ship missiles to the region. The United States, Russia, and European suppliers in general were principal suppliers of tanks and self-propelled guns, APCs and armored cars, surface-to-air missiles, as well as helicopters. Three of these weapons categories supersonic combat aircraft, helicopters, and tanks and self-propelled guns are especially costly and are a large portion of the dollar values of arms deliveries by the United States, Russia, and European suppliers to the Near East region during the 2002-2005 period.

The cost of naval combatants is also generally high, and the suppliers of such systems during this period had their delivery value totals notably increased due to these transfers. Some of the less expensive weapons systems delivered to the Near East are deadly and can create important security threats within the region. In particular, from 2002-2005, the United States delivered 132 anti-ship missiles to the Near East region, China delivered sixth, and the four major West European suppliers delivered forty. The United States delivered two major surface combatants and four minor surface combatants to the Near East, while the major West European suppliers collectively delivered five major surface combatants, thirty-five minor surface combatants and eleven guided missile boats. Other non-European suppliers collectively delivered 116 minor surface combatants, as well as forty surface-to-surface missiles, a weapons category not delivered by any of the other major weapons suppliers during this period to any region.

United States Commercial Arms Exports

United States commercially licensed arms deliveries data are not included in this report. The United States is the only major arms supplier that has two distinct systems for the export of weapons: the government-to-government foreign military sales (FMS) system, and the licensed commercial export system. It should be noted that data maintained on U.S. commercial sales agreements and deliveries are incomplete, and are not collected or revised on an on-going basis, making them significantly less precise than those for the U.S. FMS program which accounts for the overwhelming portion of U.S. conventional arms transfer agreements and deliveries involving weapons systems. There are no official compilations of commercial agreement data comparable to that for the FMS program maintained on an annual basis. Once an exporter receives from the Department of State (DoS) a commercial license authorization to sell valid for four years there is no current requirement that the exporter provide to the DoS, on a systematic and on-going basis, comprehensive details regarding any sales contract that results from the license authorization, including if any such contract is reduced in scope or cancelled. Nor is the exporter required to report that no contract with the prospective buyer resulted.

Annual commercially licensed arms deliveries data are obtained from shipper's export documents and completed licenses from ports of exit by the U.S. Customs and Border Protection Agency which are then provided to the U.S. Census Bureau. The Census Bureau takes these arms export data, and, following a minimal review of them, submits them to the Directorate of Defense Trade Controls in the Political-Military Bureau (PM/DDTC) of the DoS, which makes the final compilation of such data details of which are not publicly available. Once compiled by the Directorate of Defense Trade Controls at the DoS, these commercially licensed arms deliveries data are not revised. By contrast, the U.S. FMS program data, for both agreements and deliveries, maintained by the DoD, are systematically collected, reviewed for accuracy on an on-going basis, and are revised from year-to-year as needed to reflect any changes or to correct any errors in the information. This report includes all FMS deliveries data. By excluding U.S. commercial licensed arms deliveries data, the U.S. arms delivery totals will be understated.

Some have suggested that a systematic data collection and reporting system for commercial licensed exports, comparable to the one which exists now in the DoD, should be established by the DoS. Having current and comprehensive agreement and delivery data on commercially licensed exports would provide a more complete picture of the U.S. arms export trade, and thus facilitate Congressional oversight of this sector of U.S. exports.

Table 3. Numbers of Weapons Delivered by Major Suppliers to Developing Nations

Weapons Category	U.S.	Russia	China	Major West European*	All Other European	All Others
1998-2001						
Tanks and Self-Propelled Guns	462	360	290	480	1,560	160
Artillery	229	540	460	50	670	1,010
APCs and Armored Cars	439	870	400	250	960	700
Major Surface Combatants	6	3	0	7	9	4
Minor Surface Combatants	2	2	37	34	124	73
Guided Missile Boats	0	0	1	14	0	0
Submarines	0	4	0	8	1	3
Supersonic Combat Aircraft	328	220	60	70	90	90
Subsonic Combat Aircraft	2	10	0	40	10	20
Other Aircraft	47	40	80	160	150	90
Helicopters	152	330	0	70	140	50
Surface-to-Air Missiles	1,560	1,380	430	1,740	1,240	820
Surface-to-Surface Missiles	0	0	0	0	0	20
Anti-Ship Missiles	301	180	120	320	0	10
2002-2005						
Tanks and Self-Propelled Guns	375	300	150	140	520	60
Artillery	177	20	450	80	1,370	160
APCs and Armored Cars	34	360	40	120	880	750
Major Surface Combatants	10	3	0	13	2	1
Minor Surface Combatants	19	6	53	45	64	147
Guided Missile Boats	0	0	0	11	0	0
Submarines	0	5	0	1	4	0
Supersonic Combat Aircraft	81	240	40	50	30	40
Subsonic Combat Aircraft	17	0	0	0	0	0
Other Aircraft	37	0	110	40	120	180
Helicopters	58	180	0	80	40	90
Surface-to-Air Missiles	2,099	1,630	510	0	80	620
Surface-to-Surface Missiles	0	0	10	0	0	40
Anti-Ship Missiles	338	180	80	70	10	50

Note: Developing nations category excludes the U.S., Russia, Europe, Canada, Japan, Australia and New Zealand. All data are for calendar years given.

*Major West European includes France, United Kingdom, Germany, and Italy totals as an aggregate figure. Data relating to surface-to-surface and anti-ship missiles by foreign suppliers are estimates based on a variety of sources having a wide range of accuracy. As such, individual data entries in these two weapons delivery categories are not necessarily definitive.

Source: U. S. government.

Summary of Data Trends, 1998-2005

The tables present data on arms transfer agreements with developing nations by major suppliers from 1998-2005. These data show the most recent trends in arms contract activity by major suppliers. Delivery data, which reflect implementation of sales decisions taken earlier. To use data regarding agreements for purposes other than assessing general trends in seller and buyer activity is to risk drawing conclusions that can be readily invalidated by future events precise values and comparisons, for example, may change due to cancellations or modifications of major arms transfer agreements. These data sets reflect the comparative magnitude of arms transactions by arms suppliers with recipient nations expressed in constant dollar terms, unless otherwise noted.

What follows is a detailed summary of data trends from the tables in the report. The summary statements also reference tables and/or charts pertinent to the point(s) noted. Where graphic representations of some major points are made in individual charts, their underlying data are taken from the pertinent tables of this report.

Total Developing Nations Arms Transfer Agreement Values

Table 1 shows the annual current dollar values of arms transfer agreements with developing nations. Since these figures do not allow for the effects of inflation, they are, by themselves, of somewhat limited use. Some of the more noteworthy facts reflected by these data are summarized below.

- The value of all arms transfer agreements with developing nations in 2005 was \$30.2 billion. This was a substantial increase over 2004, and the highest total, in real terms, for arms transfer agreements with developing nations during the 1998-2005 period. (Chart 1 and Table 1)
- The total value of United States agreements with developing nations fell significantly from \$9.4 billion in 2004 to \$6.2 billion in 2005. The United States' share of all developing world arms transfer agreements also fell significantly from 35.5 percent in 2004 to 20.5 percent in 2005. (Chart 3).
- In 2005, the total value, in real terms, of Russian arms transfer agreements with developing nations increased notably from the previous year, rising from \$5.4 billion in 2004 to \$7 billion in 2005. The Russian share of all such agreements increased from 20.3 percent in 2004 to 23.2 percent in 2005. (Charts 3 and 4)
- The four major West European suppliers, as a group (France, United Kingdom, Germany, Italy), registered a significant increase in their collective share of all arms transfer agreements with developing nations between 2004 and 2005. This group's share rose significantly from 22.3 percent in 2004 to 34.1 percent in 2005. The collective value of this group's arms transfer agreements with developing nations in 2005 was \$10.3 billion compared with a total of \$5.9 billion in 2004. (Charts 3 and 4).
- France registered a substantial increase in its share of all arms transfer agreements with developing nations, rising from 3.9 percent in 2004 to 20.9 percent in 2005. The value of its agreements with developing nations rose dramatically from \$1 billion in 2004 to \$6.3 billion in 2005.
- In 2005, Russia ranked first in arms transfer agreements with developing nations at \$7 billion. France ranked second at \$6.3 billion. The United States ranked third with nearly \$6.2 billion. (Charts 3 and 4)

**Figure 1 Worldwide Arms Transfer Agreements
1998-2005 and Suppliers' Share with Developing World
(in Millions of Constant 2005 U.S. Dollars)**

Supplier Supplier	Worldwide Agreements Value 1998-2001	Percentage of Total Developing World
United States	51,335	80.80
Russia	21,863	90.20
France	19,744	58.60
United Kingdom	5,589	51.30
China	6,354	96.60
Germany	13,583	35.90
Italy	3,144	29.80
All other European	17,334	51.80
All Others	9,901	74.20
Total	148,847	69.30

Supplier Supplier	Worldwide Agreements Value 2002-2005	Percentage of Total Developing World
United States	55,887	59.50
Russia	23,791	95.60
France	13,511	64.60
United Kingdom	10,497	73.33
China	3,793	100.00
Germany	5,844	15.60
Italy	2,987	48.20
All other European	19,765	43.50
All Others	9,197	68.00
Total	145,272	64.30

Supplier Supplier	Worldwide Agreements Value 2005	Percentage of Total Developing World
United States	12,758	48.50
Russia	7,400	94.60
France	7,900	79.70
United Kingdom	2,800	100.00
China	2,100	100.00
Germany	1,500	46.70
Italy	1,400	35.70
All other European	5,900	55.90
All Others	2,400	54.20
Total	44,158	68.40

Regional Arms Transfer Agreements, 1998-2005

The values of arms transfer agreements between suppliers and individual regions of the developing world for the periods 1998-2001 and 2002-2005. These values are expressed in current U.S. dollars¹² gives the percentage distribution of each supplier's agreement values within the regions for the two time periods.

Near East

The Near East has historically been the largest arms market in the developing world. In 1998-2001, it accounted for nearly 45.8 percent of the total value of all developing nations arms transfer agreements (about \$40.4 billion in current dollars), ranking it first ahead of Asia which was second with about 39 percent of these agreements. However, during 2002-2005, the Asia region accounted for 48.4 percent of all such agreements (\$43.6 billion in current dollars), placing it first in arms agreements with the developing world. The Near East region ranked second with \$35.1 billion in agreements or 39 percent during 2002-2005.

The United States dominated arms transfer agreements with the Near East during the 1998-2001 period with 64.8 percent of their total value (\$26.2 billion in current dollars). France was second during these years with 14.6 percent (\$5.9 billion). Recently, from 2002-2005, the United States accounted for 50.2 percent of the value of arms agreements with this region (\$17.6 billion), while the United Kingdom accounted for 14 percent of the value of the region's agreements (\$4.9 billion). Russia accounted for 12.2 percent of the value of the region's arms agreements from 2002-2005 (\$4.3 billion). (Chart 5)

For the period 1998-2001, the United States maintained 73.8 percent of the value of its developing world arms transfer agreements with the Near East. In 2002-2005, the U.S. had 55.7 percent of the value of its agreements with this region.

For the period 1998-2001, the four major West European suppliers collectively made 38.2 percent of the value of their developing world arms transfer agreements with the Near East. In 2002-2005, the major West Europeans made 46.5 percent of their arms agreements with the Near East (Table 1D). For the period 1998-2001, France concluded 60.2 percent of the value of its developing world arms transfer agreements with the Near East. In 2002-2005, France made 29.6 percent of its agreements with the Near East. (Table 1D)

For the period 1998-2001, the United Kingdom concluded 16.7 percent of the value of its developing world arms transfer agreements with the Near East. In 2002-2005, the United Kingdom made 65.3 percent of its agreements with the Near East.

For the period 1998-2001, China concluded 19.2 percent of the value of its developing world arms transfer agreements with the Near East. In 2002-2005, China made 27 percent of its agreements with the Near East.

For the period 1998-2001, Russia concluded 14.6 percent of the value of its developing world arms transfer agreements with the Near East. In 2002-2005, Russia made 19.9 percent of its agreements with the Near East.

In the earlier period (1998-2001), by value, the United States ranked first in arms transfer agreements with the Near East with 64.8 percent. France ranked second with 14.6 percent. Russia ranked third with 6.2 percent. The major West European suppliers, as a group, made 16.1 percent of

12. Because these regional data are composed of four-year aggregate dollar totals, they are expressed in current dollar terms.

this region's agreements in 1998-2001. In the later period (2002-2005), by value, the United States again ranked first in Near East agreements with 50.2 percent. The United Kingdom ranked second with 14 percent. Russia ranked third with 12.2 percent. The major West European suppliers, as a group, made 24.8 percent of this region's agreements in 2002-2005. (Chart 5 and Table 1E)

Asia

Asia has historically been the second largest market for arms in the developing world. Yet in 2002-2005, Asia ranked first, with 48.4 percent of the total value of all arms transfer agreements with developing nations (\$43.6 billion in current dollars). In the earlier period, 1998-2001, the region accounted for 39 percent of all such agreements (\$34.4 billion in current dollars), ranking second.

In the earlier period (1998-2001), Russia ranked first in the value of arms transfer agreements with Asia with 38.1 percent (\$13.1 billion). The United States ranked second with 23.5 percent (\$8.1 billion). The major West European suppliers, as a group, made 20.1 percent of this region's agreements in 1998-2001. In the later period (2002-2005), Russia ranked first in Asian agreements with 36.7 percent (\$16 billion), primarily due to major combat aircraft and naval craft sales to India and China. The United States ranked second with 26.5 percent (\$11.6 billion). The major West European suppliers, as a group, made 18.4 percent of this region's agreements in 2002-2005. (Chart 6)

Latin America

In the earlier period, 1998-2001, the United States ranked first in arms transfer agreements with Latin America with 31.4 percent. Russia ranked second with 8.2 percent. The major West European suppliers, as a group, made 11 percent of this region's agreements in 1998-2001. In the later period, 2002-2005, the United States ranked first with 31 percent. Russia ranked second with 8.1 percent. All other non-European suppliers collectively made 40.6 percent of the region's agreements in 2002-2005. Latin America registered an enormous increase in the total value of its arms transfer agreements from 1998-2001 to 2002-2005 rising from \$3.6 billion in the earlier period to \$7.4 billion in the latter, more than doubling the value of their arms agreements. (Table 1E)

Africa

In the earlier period, 1998-2001, Germany ranked first in agreements with Africa with 16.3 percent (\$1.6 billion). Russia was second with 12.3 percent (\$1.2 billion). China was third with 10.2 percent. The non-major European suppliers, as a group, made 33.7 percent of the region's agreements in 1998-2001. The United States made 1 percent. In the later period, 2002-2005, France was first in agreements with 22.7 percent (\$900 million). Russia was second with 17.7 percent (\$700 million). China ranked third with 15.2 percent (\$600 million). The major West European suppliers, as a group, made 30.3 percent of this region's agreements in 2002-2005 (\$1.2 billion). All other European suppliers collectively made 20.2 percent (\$800 million). The United States made 4 percent (\$157 million). Africa registered a notable decline in the total value of its arms transfer agreements from 1998-2001 to 2002-2005, falling from \$9.8 billion in the earlier period to about \$4 billion in the latter. This decline is attributable to the completion of large arms orders of South Africa during 1998-2001, as part of its defense modernization program. (Table 1E)

Arms Transfer Agreements With Developing Nations, 1998-2005: Leading Suppliers Compared

Table 1F gives the values of arms transfer agreements with the developing nations from 1998-2005 by the top eleven suppliers. The table ranks these suppliers on the basis of the total current

dollar values of their respective agreements with the developing world for each of three periods - 1998-2001, 2002-2005 and 1998-2005. Among the facts reflected in this table are the following:

- The United States ranked first among all suppliers to developing nations in the value of arms transfer agreements from 2002-2005 (\$31.6 billion), and first for the entire period from 1998-2005 (\$67.1 billion).
- Russia ranked second among all suppliers to developing nations in the value of arms transfer agreements from 2002-2005 (\$21.8 billion), and second from 1998-2005 (\$38.8 billion).
- France ranked third among all suppliers to developing nations in the value of arms transfer agreements from 2002-2005 (\$8.6 billion), and third from 1998-2005 (\$18.3 billion).
- The United Kingdom ranked fourth among all suppliers to developing nations in the value of arms transfer agreements from 2002-2005 (\$7.5 billion), and fourth from 1998-2005 (\$9.9 billion).
- China ranked fifth among all suppliers to developing nations in the value of arms transfer agreements from 2002-2005 (\$3.7 billion), and fifth from 1998-2005 (\$8.3 billion).

Arms Transfer Agreements With Developing Nations in 2005: Leading Suppliers Compared

Table 1G ranks and gives for 2005 the values of arms transfer agreements with developing nations of the top eleven suppliers in current U.S. dollars. Among the facts reflected in this table are the following:

- Russia, France, and the United States, the top three arms suppliers - ranked by the value of their arms transfer agreements - in 2005 collectively made agreements valued at nearly \$19.5 billion, 64.5 percent of all arms transfer agreements made with developing nations by all suppliers in that year (\$30.2 billion).
- In 2005, Russia ranked first in arms transfer agreements with developing nations, making \$7 billion in such agreements, or 23.2 percent of them.
- France ranked second and the United States third in arms transfer agreements with developing nations in 2005, making \$6.3 billion and \$6.2 billion in such agreements respectively.
- The United Kingdom ranked fourth in arms transfer agreements with developing nations in 2005, making \$2.8 billion in such agreements, while Spain ranked fifth with \$2.2 billion.

Arms Transfers to Developing Nations, 1998-2005: Agreements With Leading Recipients

Table 11 gives the values of arms transfer agreements made by the top ten recipients of arms in the developing world from 1998-2005 with all suppliers collectively. The table ranks recipients on the basis of the total current dollar values of their respective agreements with all suppliers for each of three periods - 1998-2001, 2002-2005 and 1998-2005. Among the facts reflected in this table are the following:

- India was the leading developing world arms purchaser from 1998-2005, making arms transfer agreements totaling \$20.7 billion during these years (in current dollars). In the earlier 1998-2001 period, the United Arab Emirates (U.A.E.) ranked first in arms transfer agreements at \$13.8 billion (in current dollars). In 2002-2005, India ranked first in arms

transfer agreements, with a substantial increase to \$12.9 billion from \$7.8 billion in the earlier period (in current dollars). This increase reflects the continuation of a military modernization effort of India, beginning in the 1990s, and based primarily on major arms agreements with Russia. The total value of all arms transfer agreements with developing nations from 1998-2005 was \$177.8 billion in current dollars. Thus India alone accounted for 11.6 percent of all developing world arms transfer agreements during these eight years. In the most recent period, 2002-2005, India made \$12.9 billion in arms transfer agreements (in current dollars). This total constituted 14.4 percent of all arm transfer agreements with developing nations during 2002-2005, which totaled \$89.8 billion. China ranked second in arms transfer agreements during 2002-2005 with \$10.2 billion (in current dollars), or 11.4 percent of the value of all developing world arms transfer agreements. (Tables 1, 1H, 1I and 1J)

- During 1998-2001, the top ten recipients collectively accounted for 69 percent of all developing world arms transfer agreements. During 2002-2005, the top ten recipients collectively accounted for 67.1 percent of all such agreements. (Tables 1 and 1I)

Arms Transfers to Developing Nations in 2005: Agreements With Leading Recipients

Table 1J names the top ten developing world recipients of arms transfer agreements in 2005. The table ranks these recipients on the basis of the total current dollar values of their respective agreements with all suppliers in 2005. Among the facts reflected in this table are the following:

- India ranked first among all developing nations recipients in the value of arms transfer agreements in 2005, concluding \$5.4 billion in such agreements. Saudi Arabia ranked second with \$3.4 billion. China ranked third with \$2.8 billion.
- Four of the top ten developing world recipients of arms transfer agreements in 2005 were in the Near East. Three were in Asia. Two were in Latin America.
- Arms transfer agreements with the top ten developing world recipients, as a group, in 2005 totaled \$21.9 billion or 72.6 percent of all such agreements with the developing world. These percentages reflect the continuing concentration of arms purchases by developing world states in a few such states. (Tables 1 and 1J)

Developing Nations Arms Delivery Values

The annual current dollar values of arms deliveries (items actually transferred) to developing nations by major suppliers from 1998-2005. The utility of these particular data is that they reflect transfers that have occurred. They provide the data from which (constant dollars) and (supplier percentages) are derived. Some of the more notable facts illustrated by these data are summarized below.

- In 2005 the value of all arms deliveries to developing nations (\$17.7 billion) was a notable decrease in deliveries values from the previous year, (\$23.6 billion), and the lowest annual deliveries total for the entire period from 1998-2005. (Charts 7 and 8)
- The U.S. share of all deliveries to developing nations in 2005 was 45.8 percent, a substantial increase from 31.4 percent in 2004. In 2005, the United States, for the eighth year in a row, ranked first in the value of arms deliveries to developing nations (\$8.16 billion). The second leading supplier in 2005 was Russia at \$2.7 billion. Russia's share of all deliveries to developing nations in 2005 was 15.2 percent, a notable decline from 22.7 percent in 2004. The United Kingdom, the third leading supplier in 2005, made \$2.4 billion in deliveries. The United Kingdom's share of all arms deliveries to developing nations in 2005 was

13.6 percent, up from 10.1 percent in 2004. The share of major West European suppliers deliveries to developing nations in 2005 was 22 percent, down from 31.9 percent in 2004.

- The total value of all arms deliveries by all suppliers to developing nations from 1002-005 (\$84.1 billion in constant 2005 dollars) was dramatically lower than the value of arms deliveries by all suppliers to developing nations from 1998-2001 (\$111.3 billion in constant 2005 dollars).

During the years 1998-2005, arms deliveries to developing nations comprised 68.2 percent of all arms deliveries worldwide. In 2005, the percentage of arms deliveries to developing nations was 69.9 percent of all arms deliveries worldwide. (Table 2A and Figure 2)

Regional Arms Delivery Values, 1998-2005

The values of arms deliveries by suppliers to individual regions of the developing world for the periods 1998-2001 and 2002-2005 are expressed in current U.S. dollars.¹³ The percentage distribution of each supplier's deliveries values within the regions for the two time periods. This illustrates what percentage share of each developing world region's total arms delivery values was held by specific suppliers during the years 1998-2001 and 2002-2005. Among the facts are reflected in the following:

Near East

The Near East has generally led in the value of arms deliveries received by the developing world. In 1998-2001, it accounted for 55.4 percent of the total value of all developing nations deliveries (\$52.3 billion in current dollars). During 2002-2005 the region accounted for 54.5 percent of all such deliveries (\$43.8 billion in current dollars).

For the period 1998-2001, the United States made 62.4 percent of its developing world arms deliveries to the Near East region. In 2002-2005, the United States made 61.6 percent of its developing world arms deliveries to the Near East region.

For the period 1998-2001, the United Kingdom made 85.9 percent of its developing world arms deliveries to the Near East region. In 2002-2005, the United Kingdom made 97.5 of its developing world arms deliveries to the Near East region.

For the period 1998-2001, 52.6 percent of France's arms deliveries to the developing world were to the Near East region. In the more recent period, 2002-2005, 84.5 percent of France's developing world deliveries were to nations of the Near East region.

For the period 1998-2001, Russia made 16.7 percent of its developing world arms deliveries to the Near East region. In 2002-2005, Russia made 10.9 percent of such deliveries to the Near East.

In the earlier period, 1998-2001, the United States ranked first in the value of arms deliveries to the Near East with 42.4 percent (\$22.2 billion). The United Kingdom ranked second with 25.6 percent (\$13.4 billion). France ranked third with 13.4 percent (\$7 billion). The major West European suppliers, as a group, held 41.1 percent of this region's delivery values in 1998-2001. In the later period (2002-2005), the United States ranked first in Near East delivery values with 38.84 percent (\$17 billion). The United Kingdom ranked second with 27.2 percent (\$11.9 billion). France

13. Because these regional data are composed of four-year aggregate dollar totals, they are expressed in current dollar terms.

ranked third with 18.7 percent (\$8.2 billion). The major West European suppliers, as a group, held 46.3 percent of this region's delivery values in 2002-2005.

**Figure 2. Worldwide Arms Deliveries, 1998-2005 and Suppliers' Share with Developing World
(In Millions of Constant 2005 U.S. Dollars)**

Supplier	Worldwide Agreements Value 1998-2001	Percentage of Total Developing World
United States	63,993	65.60
Russia	16,891	86.20
France	19,514	81.40
United Kingdom	22,367	81.80
China	3,503	83.40
Germany	6,616	26.70
Italy	1,984	59.40
All other European	16,826	57.90
All Others	10,637	47.20
Total	162,331	68.60

Supplier	Worldwide Agreements Value 2002-2005	Percentage of Total Developing World
United States	4,550	63.60
Russia	16,787	96.90
France	11,844	85.70
United Kingdom	16,881	75.60
China	3,456	93.90
Germany	5,480	28.60
Italy	1,279	33.50
All other European	11,717	45.10
All Others	11,331	49.00
Total	124,125	67.80

Supplier	Worldwide Agreements Value 2005	Percentage of Total Developing World
United States	11,552	70.20
Russia	2,800	96.40
France	1,600	81.20
United Kingdom	3,100	77.40
China	900	88.90
Germany	600	33.30
Italy	200	0.00
All other European	2,100	47.60
All Others	2,500	48.00
Total	25,352	69.90

Source: U.S. government

Asia

The Asia region has historically ranked second in the value of arms deliveries. In the earlier period, 1998-2001, 37.1 percent of all arms deliveries to developing nations were to those in Asia (\$35 billion). In the later period, 2002-2005, Asia accounted for 38.1 percent of such arms

deliveries (\$30.7 billion). For the period 2002-2005, Russia made 84.6 percent of its developing world arms deliveries to Asia. China made 56.7 percent of its developing world deliveries to Asia. Germany made 46.7 percent of its developing world deliveries to Asia., while the United States made 33.6 percent.

In the period from 1998-2001, the United States ranked first in the value of arms deliveries to Asia with 34.5 percent (\$12.1 billion). Russia ranked second with 26.6 percent (\$9.3 billion in current dollars). France ranked third with 17.4 percent (\$6.1 billion in current dollars). The major West European suppliers, as a group, held 25.7 percent of this region's delivery values in 1998-2001 (\$9 billion). In the period from 2002-2005, Russia ranked first in Asian delivery values with 43 percent (\$13.2 billion). The United States ranked second with 30.2 percent (\$9.3 billion).

Latin America

In the earlier period, 1998-2001, the value of all arms deliveries to Latin America was \$3.1 billion. The United States ranked first in the value of arms deliveries to Latin America with 39.2 percent (\$1.2 billion). Germany was second with 9.6 percent (\$300 million). The major West European suppliers, as a group, held 19.2 percent of this region's delivery values in 1998-2001. In the later period, 2002-2005, the United States ranked first in Latin American delivery values with 37.9 percent (\$1.2 billion). France was second with 9.3 percent (\$300 million). The major West European suppliers, as a group, held 15.5 percent of this region's delivery values in 2002-2005. All other non-European suppliers combined held 24.8 percent (\$800 million). During 2002-2005, the value of all arms deliveries to Latin America was \$3.2 billion, nearly the same as the \$3.1 billion deliveries total for 1998-2001.

Africa

In the earlier period, 1998-2001, the value of all arms deliveries to Africa was nearly \$4 billion. Russia ranked first in the value of arms deliveries to Africa with 25.1 percent (\$1 billion). China ranked second with 15.1 percent (\$600 million). The non-major West European suppliers, as a group, held 35.1 percent of this region's delivery values in 1998-2001 (\$1.4 billion). The United States held 2.1 percent. In the later period, 2002-2005, Germany ranked first in African delivery values with 22 percent (\$600 million). Russia and China tied for second with 18.4 percent each (\$500 million each). The United States held 4.9 percent in this later period. The major West European suppliers collectively held 29.4 percent (\$800 million). All other European suppliers collectively held 18.4 percent (\$500 million). During the 2002-2005 period, the value of all arms deliveries to Africa decreased notably from \$4 billion in 1998-2001 to \$2.7 billion.

Arms Deliveries to Developing Nations, 1998-2005: Leading Suppliers Compared

Table 2F gives the values of arms deliveries to developing nations from 1998-2005 by the top eleven suppliers. The table ranks these suppliers on the basis of the total current dollar values of their respective deliveries to the developing world for each of three periods - 1998-2001, 2002-2005 and 1998-2005. Among the facts reflected in this table are the following:

- The United States ranked first among all suppliers to developing nations in the value of arms deliveries from 2002-2005 (\$27.6 billion), and first for the entire period from 1998-2005 (\$63.2 billion).
- Russia ranked second among all suppliers to developing nations in the value of arms deliveries from 2002-2005 (\$15.5 billion), and fourth for the entire period from 1996-2003 (\$28 billion).

- The United Kingdom ranked third among all suppliers to developing nations in the value of arms deliveries from 2002-2005 (\$12.1 billion), and third for the entire period from 1998-2005 (\$27.7 billion).

Arms Deliveries With Developing Nations in 2005: Leading Suppliers Compared

Table 2G ranks and gives for 2005 the values of arms deliveries to developing nations of the top ten suppliers in current U.S. dollars. Among the facts reflected in this table are the following:

- The United States, Russia, and the United Kingdom - 2005's top three arms suppliers - ranked by the value of their arms deliveries - collectively made deliveries in 2005 valued at \$13.2 billion, 74.6 percent of all arms deliveries made to developing nations by all suppliers.
- In 2005, the United States ranked first in the value of arms deliveries to developing nations, making \$8.1 billion in such deliveries, or 45.8 percent of them.
- Russia ranked second and the United Kingdom third in deliveries to developing nations in 2005, making \$2.7 billion and \$2.4 billion in such deliveries respectively.
- France ranked fourth in arms deliveries to developing nations in 2005, making \$1.3 billion in such deliveries, while China ranked fifth with \$800 million in deliveries.

Arms Deliveries to Developing Nations, 1998-2005: The Leading Recipients

Table 21 gives the values of arms deliveries made to the top ten recipients of arms in the developing world from 1998-2005 by all suppliers collectively. The table ranks recipients on the basis of the total current dollar values of their respective deliveries from all suppliers for each of three periods - 1998-2001, 2002-2005 and 1998-2005. Among the facts reflected in this table are the following:

- Saudi Arabia and China were the top two developing world recipients of arms from 1998-2005, receiving deliveries valued at \$50.1 billion and \$14.3 billion, respectively, during these years. The total value of all arms deliveries to developing nations from 1998-2005 was \$174.8 billion in current dollars (see Table 2). Thus, Saudi Arabia and Taiwan accounted for 28.7 percent and 8.2 percent, respectively, of all developing world deliveries during these eight years - together 36.8 percent of the total. In the most recent period - 2002-2005 - Saudi Arabia and China ranked first and second in the value of arms received by developing nations (\$19.7 billion and \$7.7 billion, respectively, in current dollars). Together, Saudi Arabia and China accounted for 34.2 percent of all developing world arms deliveries (\$27.4 billion out of \$80.2 billion - the value of all deliveries to developing nations in 2002-2005 (in current dollars).
- For the 2002-2005 period, Saudi Arabia alone received \$19.7 billion in arms deliveries (in current dollars), or 24.6 percent of all deliveries to developing nations during this period.
- During 1998-2001, the top ten recipients collectively accounted for 76.4 percent of all developing world arms deliveries. During 2002-2005, the top ten recipients collectively accounted for 79 percent of all such deliveries. (Tables 2 and 21)

Arms Transfers to Developing Nations in 2005: Agreements With Leading Recipients

Table 2J names the top ten developing world recipients of arms transfer agreements in 2005. The table ranks these recipients on the basis of the total current dollar values of their respective agreements with all suppliers in 2005. Among the facts reflected in this table are the following:

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-
- Saudi Arabia was the leading recipient of arms deliveries in 2005 among developing nations, receiving \$3.5 billion in such deliveries. Israel ranked second with \$1.7 billion. India ranked third with \$1.6 billion. (Tables 2 and 2J)
 - Arms deliveries in 2005 to the top ten developing nation recipients, collectively, constituted \$13.8 billion, or 77.9 percent of all developing nations deliveries. Six of the top ten arms recipients in the developing world in 2005 were in the Near East region; four were in the Asia region. (Tables 2 and 2J)

Selected Weapons Deliveries to Developing Nations, 1998-2005

Other useful data for assessing arms transfers are those that indicate *who* has actually *delivered* specific numbers of *specific classes* of military items to *a region*. These data are relatively “hard” in that they reflect actual transfers of military equipment. They have the limitation of not giving detailed information regarding either the sophistication or the specific name of the equipment delivered. However, these data show *relative trends* in the delivery of important classes of military equipment and indicate *who* the leading suppliers are from region to region over time. Data in the following tables set out actual deliveries of fourteen categories of weaponry to developing nations from 1998-2005 by the United States, Russia, China, the four major West European suppliers as a group, all other European suppliers as a group, and all other suppliers as a group. (Tables 3-7)

Caution is warranted in using the quantitative data within these specific tables. Aggregate data on weapons categories delivered by suppliers do not provide precise indices of the quality and/or quantity of the weaponry delivered. The history of recent conventional conflicts suggests that quality and/or sophistication of weapons can offset quantitative advantage. Further, these data do not provide an indication of the relative capabilities of the recipient nations to use effectively the weapons delivered to them. Superior training - coupled with good equipment, tactical and operational proficiency, and sound logistics - may, in the last analysis, be a more important factor in a nation’s ability to engage successfully in conventional warfare than the size of its weapons inventory.

Regional Weapons Deliveries Summary, 2002-2005

The regional weapons delivery data collectively show that the United States was a leading supplier of several major classes of conventional weaponry from 2002-2005. Russia also transferred significant quantities of certain weapons classes during these years.

The major West European suppliers were serious competitors in weapons deliveries from 2002-2005 making notable deliveries of certain categories of armaments to every region of the developing world - most particularly to the Near East, Asia, and to Latin America. In Africa, all European suppliers, China and all other non-European suppliers were major sources of weapons delivered.

Regional weapons delivery data reflect the diverse sources of supply of conventional weaponry available to developing nations. Even though the United States, Russia, and the four major West European suppliers tend to dominate the delivery of the fourteen classes of weapons examined, it is also evident that the other European suppliers, and non-European suppliers, including China, are fully capable of providing specific classes of conventional armaments, such as tanks, missiles, armored vehicles, aircraft, artillery pieces, and the various missile categories, surface-to-surface, surface-to-air and anti-ship, to developing nations, should their systems prove attractive to prospective purchasers.

Noteworthy deliveries of specific categories of weapons to regions of the developing world by specific suppliers from **2002-2005** included the following:

Asia

Russia delivered 290 tanks and self-propelled guns, 180 APCs and armored cars, 3 major surface combatants, 4 minor surface combatants, 5 submarines, 180 supersonic combat aircraft, 90 helicopters, 410 surface-to-air missiles, and 180 antiship missiles.

The **United States** delivered 105 artillery pieces, 6 major surface combatants, 6 minor surface combatants; 8 supersonic combat aircraft, 38 helicopters, 1,558 surface-to-air missiles, and 182 antiship missiles.

China delivered 150 tanks and self-propelled guns, 270 artillery pieces, 9 minor surface combatants, 40 supersonic combat aircraft, and 510 surface-to-air missiles, and 20 anti-ship missiles.

The four **major West European suppliers** as a group delivered 1 major surface combatant, 7 minor surface combatants, 20 supersonic combat aircraft; and 20 helicopters.

All other European suppliers collectively delivered 80 tanks and self-propelled guns, 290 APCs and armored cars, 140 artillery pieces, 1 major surface combatant, 25 minor surface combatants, 3 submarines, and 100 surface-to-air missiles.

All other non-European suppliers collectively delivered 70 artillery pieces, 30 APCs and armored cars, 23 minor surface combatants, 20 supersonic combat aircraft, and 580 surface-to-air missiles.

Near East

Russia delivered 120 APCs and armored cars, 30 supersonic combat aircraft, 40 helicopters, and 1,170 surface-to-air missiles.

The **United States** delivered 375 tanks and self-propelled guns, 34 APCs and armored cars, 2 major surface combatants, 4 minor surface combatants, 65 supersonic combat aircraft, 20 helicopters, 519 surface-to-air missiles, and 132 anti-ship missiles.

China delivered 20 artillery pieces, 5 minor surface combatants, and 60 anti-ship missiles.

The four **major West European suppliers** collectively delivered 140 tanks and self-propelled guns, 60 APCs and armored cars; 5 major surface combatants, 35 minor surface combatants, 11 guided missile boats, 30 supersonic combat aircraft, 30 helicopters, and 40 anti-ship missiles.

All other European suppliers as a group delivered 320 tanks and self-propelled guns, 270 APCs and armored cars, 1 major surface combatant, 32 minor surface combatants, 10 supersonic combat aircraft, 20 helicopters, and 260 surface-to-air missiles.

All other suppliers collectively delivered 500 APCs and armored cars, 116 minor surface combatants, 20 helicopters, 40 surface-to-surface missiles, and 20 anti-ship missiles.

Latin America

Russia delivered 10 helicopters, and 30 surface-to-air missiles.

The **United States** delivered 2 major surface combatants, 9 minor surface combatants; 8 supersonic combat aircraft, 22 surface-to-air missiles, and 24 anti-ship missiles.

China delivered 6 minor surface combatants.

The four **major West European suppliers** collectively delivered 3 major surface combatants, 1 submarine, 10 helicopters, and 10 anti-ship missiles.

All other European suppliers collectively delivered 2 minor surface combatants, and 1 submarine.

All other non-European suppliers as a group delivered 20 tanks and self-propelled guns, 2 minor surface combatants, 10 supersonic combat aircraft, 10 helicopters, 40 surface-to-air missiles, and 30 anti-ship missiles.

Africa

Russia delivered 20 artillery pieces, 60 APCs and armored cars; 2 minor surface combatants, 30 supersonic combat aircraft, 40 helicopters, and 20 surface-to-air missiles.

China delivered 150 artillery pieces, 30 APCs and armored cars, and 33 minor surface combatants.

The four **major West European suppliers** collectively delivered 60 APCs and armored cars; 4 major surface combatants, 3 minor surface combatants, 20 helicopters, and 10 anti-ship missiles.

All other **European suppliers** collectively delivered 120 tanks and self-propelled guns, 1,180 artillery pieces, 320 APCs and armored cars, 5 minor surface combatants, 20 supersonic combat aircraft, 20 helicopters, and 20 surface-to-air missiles.

All other non-European suppliers as a group delivered 40 tanks and self-propelled guns, 50 artillery pieces, 220 APCs and armored cars, 1 major surface combatant; 6 minor surface combatants, 10 supersonic combat aircraft, and 60 helicopters.

Description of Items Counted in Weapons Categories, 1998-2005

Tanks and Self-propelled Guns. This category includes light, medium, and heavy tanks; self-propelled artillery; self-propelled assault guns.

Artillery. This category includes field and air defense artillery, mortars, rocket launchers and recoilless rifles – 100 mm and over; FROG launchers – 100mm and over.

Armored Personnel Carriers (APCs) and Armored Cars. This category includes personnel carriers, armored and amphibious; armored infantry fighting vehicles; armored reconnaissance and command vehicles.

Major Surface Combatants. This category includes aircraft carriers, cruisers, destroyers, frigates.

Minor Surface Combatants. This category includes minesweepers, subchasers, motor torpedo boats, patrol craft, motor gunboats.

Submarines. This category includes all submarines, including midget submarines.

Guided Missile Patrol Boats. This category includes all boats in this class.

Supersonic Combat Aircraft. This category includes all fighter and bomber aircraft designed to function operationally at speeds above mach 1.

Subsonic Combat Aircraft. This category includes all fighter and bomber aircraft designed to function operationally at speeds below mach 1.

Other Aircraft. This category includes all other fixed-wing aircraft, including trainers, transports, reconnaissance aircraft, and communications/utility aircraft.

Helicopters. This category includes all helicopters, including combat and transport.

Surface-to-air Missiles. This category includes all ground-based air defense missiles.

Surface-to-surface Missiles. This category includes all surface-surface missiles without regard to range, such as Scuds and CSS-2s. It excludes all anti-tank missiles. It also excludes all anti-ship missiles, which are counted in a separate listing.

Anti-Ship Missiles. This category includes all missiles in this class such as the Harpoon, Silkworm, Styx, and Exocet.

Regions Identified in Arms Transfer Tables and Charts

Asia	Near East	Europe	Africa	Latin America
Afghanistan	Algeria	Albania	Angola	Antigua
Australia	Bahrain	Armenia	Benin	Argentina
Bangladesh	Egypt	Austria	Botswana	Bahamas
Brunei	Iran	Azerbaijan	Burkina Faso	Barbados
Burma (Myanmar)	Iraq	Belarus	Burundi	Belize
China	Israel	Bosnia/Herzegovina	Cameroon	Bermuda
Fiji	Jordan	Bulgaria	Cape Verde	Bolivia
India	Kuwait	Belgium	Central African Republic	Brazil
Indonesia	Lebanon	Canada	Chad	British Virgin Island
Japan	Libya	Croatia	Congo	Cayman Islands
Cambodia	Morocco	Czechoslovakia/ Czech Republic	Côte d'Ivoire	Chile
Kazakhstan	Oman	Cyprus	Djibouti	Colombia
Kyrgyzstan	Qatar	Denmark	Equatorial Guinea	Costa Rica
Laos	Saudi Arabia	Estonia	Ethiopia	Cuba
Malaysia	Syria	Finland	Gabon	Dominica
Nepal	Tunisia	France	Gambia	Dominican Republic
New Zealand	United Arab Emirates	FRY/Macedonia	Ghana	Ecuador
North Korea	Yemen	Georgia	Guinea	El Salvador
Pakistan		Germany	Guinea-Bissau	French Guiana
Papua New Guinea		Greece	Kenya	Grenada
Philippines		Hungary	Lesotho	Guadeloupe
Pitcairn		Iceland	Liberia	Guatemala
Singapore		Ireland	Madagascar	Guyana
South Korea		Italy	Malawi	Haiti
Sri Lanka		Latvia	Mali	Honduras
Taiwan		Liechtenstein	Mauritania	Jamaica
Tajikistan		Lithuania	Mauritius	Martinique
Thailand		Luxembourg	Mozambique	Mexico
Turkmenistan		Malta	Namibia	Montserrat
Uzbekistan		Moldova	Niger	Netherlands Antilles
Vietnam		Netherlands	Nigeria	Nicaragua
		Norway	Réunion	Panama
		Poland	Rwanda	Paraguay
		Portugal	Senegal	Peru
		Romania	Seychelles	St. Kitts and Nevis
		Russia	Sierra Leone	St. Lucia
		Slovak Republic	Somalia	St. Pierre and Miquelon
		Slovenia	South Africa	St. Vincent
		Spain	Sudan	Suriname
		Sweden	Swaziland	Trinidad
		Switzerland	Tanzania	Turks and Caicos
		Turkey	Togo	Venezuela
		Ukraine	Uganda	
		United Kingdom	Zaire	
		Yugoslavia/Federal Republic (Serbia/ Montenegro)	Zambia	
			Zimbabwe	

Export Controls: Challenges Exist in Enforcement of an Inherently Complex System

**Report Prepared By
United States Government Accountability Office**

[The following are excerpts of the report presented to the House of Representatives, Washington, D.C., December 20, 2006. The report in its entirety is located at the following web site: <http://www.gao.gov/new.items/do7265.pdf>.]

Each year, billions of dollars in dual-use items which have both commercial and military applications and defense items are exported from more than 300 U.S. sea, air, and land ports. To protect national security, foreign policy, and economic interests, the U.S. government controls the export of these items.¹ The Department of Commerce and Department of State (DoS) are principally responsible for regulating the export of dual-use and defense items, respectively.

A key function in the U.S. export control system is enforcement, which consists of various activities that aim to prevent or deter the illegal export of controlled defense and dual-use items and can result in apprehending violators and pursuing and imposing appropriate criminal and administrative penalties, such as imprisonment, fines, denials of export privileges, or debarment. Enforcement activities which include inspections, investigations, and punitive actions against violators of export control laws are largely carried out by the Department of Commerce, Department of Homeland Security, Department of Justice, and DoS. The Department of Enforcement activities can result in various outcomes. One recent case resulted in four business owners pleading guilty to illegally exporting defense items, including radars and smart weapons, to Chinese government-owned entities. Three were sentenced to prison, and all had to collectively forfeit almost \$400,000, which represents their revenue from the illegal exports.

Attempts continue to be made by individuals, companies, terrorist organizations, and countries of concern to illegally obtain defense and dual-use items.² In light of this, [the committees] asked us to review export control enforcement activities. In response, we have the following.

- Described the roles, responsibilities, and authorities of the agencies responsible for export control enforcement
- Identified any challenges the agencies face in enforcing export control laws and regulations
- Assessed whether information on enforcement outcomes is provided to the export control agencies to inform the export control process and licensing decisions

This report is a publicly releasable version of a law enforcement sensitive report we issued on November 15, 2006. Therefore, some examples that involved law enforcement techniques or methods and that support our findings have been removed from this version.

1. For the purposes of this report, “items” refers collectively to commodities, software, technology, and services.
2. Countries of Concern refers to those countries that the U.S. government believes may support terrorism or contribute to the proliferation of weapons of mass destruction.

To conduct our work, we identified enforcement roles, responsibilities, and authorities through an examination of export control statutes, regulations, formal interagency agreements, policies, procedures, and operating manuals. We interviewed agency officials at headquarters and selected field locations responsible for export enforcement including inspectors³ and investigators from the Department of Homeland Security, investigators from the Department of Commerce, investigators and criminal prosecutors from the Department of Justice, and compliance officers from the DoS about enforcement activities and challenges. We also identified export control enforcement information maintained at the various agencies and spoke with DoS licensing and policy officials and Commerce officials to assess whether they obtain this information for decision making. We performed our review from September 2005 through August 2006 in accordance with generally accepted government auditing standards.

Results in Brief

Export control enforcement is inherently complex, involving multiple agencies that perform various functions using differing authorities. Several agencies within the Department of Commerce, Department of Homeland Security, Department of Justice, and DoS are primarily responsible for export control enforcement. These enforcement agencies conduct a variety of activities, including inspecting items to be exported, investigating potential export control violations, and pursuing and imposing appropriate criminal and administrative penalties. These agencies' enforcement authorities are granted through a complex set of laws and regulations, which give concurrent jurisdiction to the Department of Commerce, Department of Homeland Security, and the Department of Justice's Federal Bureau of Investigation (FBI) to conduct investigations of potential violations of export control laws for dual-use items, and to Homeland Security and the FBI to investigate potential defense item violations.

Enforcement agencies face several challenges in enforcing export control laws and regulations. For example, agencies have had difficulty coordinating investigations and agreeing on how to proceed on cases. Agreements for coordinating investigations do not exist among all the various agencies, and coordination and cooperation often hinge on the relationships developed by individual investigators from the various agencies. Some enforcement activities have also been affected by license determinations, which are used to confirm whether an item is controlled and requires a license and thereby confirm whether an export violation has occurred. DoS and the Department of Commerce officials said they need complete and accurate information from inspectors and investigators to make correct determinations. In some instances, inspectors and investigators said the time it takes to obtain a determination or changes in determinations has affected their enforcement activities. Other challenges that enforcement agencies face include balancing priorities and leveraging finite resources.

Criminal indictments and convictions are key to informing the export control process and licensing decisions. While enforcement agencies have databases to capture information relating to their own export enforcement activities, neither DoS nor the Department of Commerce systematically receives from the Department of Justice notification of the outcomes of criminal cases, including indictments and convictions for both defense and dual-use items and, therefore, lacks the full scope of information on individuals and companies that have been prosecuted. Such information is needed, in part, because indicted or convicted exporters may have their license applications or export privileges denied. Without outcomes of criminal cases, export control agencies may not gain a complete picture of individuals or companies seeking export licenses or trends in illegal export activities.

3. Inspections are primarily conducted by Homeland Security's Customs and Border Protection officers.

We are recommending that the Departments of Commerce, Homeland Security, Justice, and DoS take a number of actions to improve coordination and licensing determination efforts and facilitate information sharing of enforcement outcomes with the export control agencies within DoS and Commerce. In commenting on a draft of this report, Commerce, Homeland Security, and DoS generally agreed with the need for coordination but some noted differences in possible approaches. In some instances, they indicated that actions to address our recommendations were already under way. Justice did not provide formal comments, and Defense had no comments on the draft report. Commerce, Homeland Security, Justice, and DoS provided technical comments, which we incorporated in this report as appropriate.

Background

The U.S. government's control over the export of defense and dual-use items is intended to ensure that U.S. interests are protected in accordance with the *Arms Export Control Act* (AECA) and the *Export Administration Act*.⁴ The U.S. government's control over the export of defense and dual-use items is primarily divided between two departments, DoS, and Department of Commerce, respectively shown in Table 1 with support for enforcement activities primarily from the Department of Commerce, through its Bureau of Industry and Security's Office of Export Enforcement (OEE), Department of Homeland Security, through its Customs and Border Protection (CBP), and Immigration and Customs Enforcement (ICE), Department of Justice, through the FBI, and the U.S. Attorneys Office.⁵

Table 1. Agencies, Laws, and Regulations Governing Export Control of Defense and Dual-Use Items		
Regulating Agency	Defense Items	Dual-Use Items
	DoS's Directorate of Defense Trade Controls	Commerce's Bureau of Industry and Security
Enforcement Agencies	CBP, ICE, FBI,* and U.S. Attorneys Office	CBP, OEE, ICE, FBI, and U.S. Attorneys Office
Statute	<i>Arms Export Control Act</i>	<i>Export Administration Act/ International Emergency Economic Powers Act</i>
Implementing Regulations	<i>International Traffic in Regulations</i>	<i>Export Administration Regulations</i>
Control List	<i>U.S. Munitions List</i> specifies	<i>Commerce Control List</i> specifies
<p>Source: GAO analysis of export control laws, regulations, and agency information</p> <p>*FBI investigates criminal violations of law in certain foreign counterintelligence areas.</p>		

4. 22 U.S.C. § 2751 et. seq. and 50 U.S.C. App. § 2401 et. seq. The *Export Administration Act* is not permanent legislation. 50 U.S.C. App. § 2419. Authority granted under the act lapsed in August 2001. However, Executive Order 13222, *Continuation of Export Control Regulations*, which was issued in August 2001 under the authority provided by the *International Emergency Economic Powers Act* (50 U.S.C. §§ 1701 et. seq.), continues the controls established under the act, and the implementing *Export Administration Regulations*. Executive Order 13222 requires an annual extension and was recently renewed by Presidential Notice on August 3, 2006. 71 Fed. Reg. 44551.

5. Other departments, including Defense and Energy, may provide technical expertise on items to enforcement agencies. Also, defense and military services have investigative units that may provide support to the enforcement agencies.

The DoS and Department of Commerce require exporters to identify items that are on the departments' control lists and to obtain license authorization from the appropriate department to export these items, unless an exemption applies. Exemptions are permitted under various circumstances, such as allowing for the export of certain items to Canada without a license. Many dual-use items are exempt from licensing requirements. While items can be exempt from licensing requirements, they are still subject to U.S. export control laws. Because exporters are responsible for complying with export control laws and regulations, regulatory and investigative enforcement agencies conduct outreach to educate exporters on these laws and regulations. When shipping controlled items, exporters are required to electronically notify CBP officials at the port where the item will be exported, including information on the quantity and value of the shipment, the issued export license number, or an indication that the item is exempt from licensing requirements.⁶

Export enforcement aims to ensure U.S. controlled items do not fall into the wrong hands and to limit the possibility that illegal exports will erode U.S. military advantage. Export enforcement involves inspecting items to be shipped, investigating potential violations of export control laws, and punishing export control violators.⁷ When inspectors, investigators, and prosecutors have questions about whether an item is controlled and requires a license, they request a license determination.⁸ CBP and ICE request license determinations through ICE's Exodus Command Center,⁹ which refers the request to DoS and Department of Commerce; OEE requests determinations directly from Department of Commerce licensing officers. Some FBI agents request license determinations through the Exodus Command Center, while others make such requests directly to DoS or Department of Commerce.

In fiscal year 2005, Department of Justice data showed that there were more than forty individuals or companies convicted of over 100 criminal violations of export control laws.¹⁰ DoS reported over \$35 million and Department of Commerce reported \$6.8 million in administrative fines and penalties for fiscal year 2005.

For more than a decade, we have reported on a number of weaknesses and vulnerabilities in the U.S. export control system and made numerous recommendations, several of which have not been implemented. For example, in September 2002, we reported that Department of Commerce improperly classified some DoS-controlled items as the Department of Commerce controlled, increasing the risk that defense items would be exported without the proper level of review and control to protect national interests.¹¹ In June 2006, we reported that this condition remains unchanged and

6. Exporters are required to electronically notify CBP officers of items to be shipped through the Automated Export System, which is maintained by the Census Bureau.

7. Enforcement activities can also include reviewing disclosures by exporters of possible export control violations, prelicense checks, and post shipment verifications. See GAO, *Export Controls: Post-Shipment Verification Provides Limited Assurance That Dual-Use Items Are Being Properly Used*, GAO-04-357 (Washington, D.C.: Jan. 12, 2004), and GAO, *Defense Trade: Arms Export Control System in the Post September 11, 2001 Environment*, GAO-05-234, Washington, D.C.: Feb. 16, 2005.

8. The Department of Commerce, upon request, can provide an initial license determination based on a review of data gathered by licensing officers and investigators and inspectors to determine whether an item requires a license. Commerce will also provide a certified license determination for use as evidence such as in criminal trials. The Department of State, also upon request, can provide an initial license determination based on available information. DoS also undertakes a second-level or pretrial review, which is an in-depth examination of a commodity, defense service, or brokering activity to verify whether it is covered by the *Arms Export Control Act* or its implementing regulations. Finally, DoS can provide a trial certification for use in criminal proceedings.

9. The Exodus Command Center was established in 1982 as the single point of contact for investigators and inspectors in the field needing operational support from export control agencies. For example, it responds to inquiries for export licensing verifications by contracting export control agencies within the DoS or Department of Commerce.

10. Convictions may cover more than one violation.

11. GAO, *Export Controls: Processes for Determining Proper Control of Defense-Related Items Need Improvement*, GAO-02-996, Washington, D.C.: Sept. 20, 2002.

that Department of Commerce has not taken the corrective actions that we recommended in 2002.¹² We have also reported on long-standing problems in enforcement, including poor cooperation among the investigative agencies.¹³

Export Control Enforcement Is Complex, Involving Varying Roles, Responsibilities, and Authorities Among Multiple Agencies

Enforcing U.S. export control laws and regulations is inherently complex.¹⁴ Multiple agencies are involved in enforcement and carry out various activities, including inspecting shipments, investigating potential export control violations, and taking punitive actions that can be criminal or administrative against violators of export control laws and regulations. Authorities for export control enforcement are provided through a complex set of laws and regulations. These authorities and some overlapping jurisdiction for conducting enforcement activities add to the complexity.

Multiple Agencies Are Responsible For Export Enforcement

Enforcement, which includes inspections, investigations, and punitive actions against violators of export control laws, is largely conducted by various agencies within Departments of Commerce, Homeland Security, Justice, and DoS depending on the facts and circumstances of the case. These agencies' key enforcement responsibilities are shown in Table 2.

Agency	Inspection at U.S. Ports*¹	Investigation	Punitive Action*²
Commerce			
Bureau of Industry and Security Office of Export Enforcement		•	•
Homeland Security			
Customs and Border Protection Immigration and Customs Enforcement	•	•	
Justice			
U.S. Attorneys Office Federal Bureau of Investigation		•	•
State			
Directorate of Defense Trade Controls			•
<p>*1 CBP and ICE both have the authority to conduct inspections at U.S. ports, but CBP has a primary role in this area.</p> <p>*2 For purposes of this report, punitive actions can be either criminal or administrative against potential violators of export control laws and regulations. Criminal actions taken against violators of export control laws and regulations can result in imprisonment, fines, forfeitures, and other penalties. Administrative actions against violators can include fines, suspension of an export license, or denial or debarment from exporting.</p> <p>Source: GAO analysis of information provided by each agency.</p>			

12. GAO, *Export Controls: Improvement to Commerce's Dual-Use System Needed to Ensure Protection of U.S. Interests in the Post September 11, 2001 Environment*, GAO-06-638, Washington, D.C.: June 26, 2006.

13. GAO, *Export Controls: Actions Needed to Improve Enforcement*, GAO/NSIAD-94-28, Washington, D.C.: Dec. 30, 1993, and GAO, *Export Control Regulation Could be Reduced Without Affecting National Security*, GAO/ID-82-14, Washington, D.C.: May 26, 1982.

14. Adding to the complexity is the sale of defense items through the U.S. government's foreign military sales program, which are subject to a different process and inspection procedures than those items sold directly by the exporter and subject to DoS's export control system.

Inspections of items scheduled for export are largely the responsibility of CBP officers at U.S. air, sea, and land ports, as part of their border enforcement responsibilities. To help ensure that these items comply with U.S. export control laws and regulations, CBP officers check items against applicable licenses prior to shipment, selectively conduct physical examinations of cargo at the port and in warehouses, review shipping documents, detain questionable shipments, and seize items being exported illegally. As part of their responsibilities, CBP officers are required by DoS to decrement (reduce) the shipment's quantity and dollar value from the total quantity and dollar value authorized by the exporter's license.¹⁵ This process helps to ensure that the shipment does not exceed what is authorized and that the license has not expired. However, Department of Commerce does not require CBP officers to decrement Commerce licenses.¹⁶ Commerce officials said they have shipping tolerances that allow exporters to ship controlled items exceeding the quantity and value approved in a license, but this varies based on the controlled item. CBP officers do not currently have a formal means for determining if exporters have exceeded authorized license quantities and values for dual-use items within any shipment tolerances permitted for that controlled item. As a result, they cannot ensure accountability on the part of exporters or that Commerce regulations have been properly followed. CBP has an automated export system, which is used for decrementing DoS licenses. This system has built-in tolerances to allow the shipment to exceed the total value of a DoS license by 10 percent, as permitted by regulations.¹⁷

Investigations of potential violations of export control laws for dual-use items are conducted by agents from OEE, ICE, and FBI. Investigations of potential export violations involving defense items are conducted by ICE and FBI agents. FBI has authority to investigate any criminal violations of law in certain foreign counterintelligence areas.¹⁸ The investigative agencies have varying tools such as undercover operations and overseas investigations for investigating potential violations¹⁹ and establishing cases for potential criminal or administrative punitive actions.

Punitive actions, which are either criminal or administrative, are taken against violators of export control laws and regulations. Criminal violations are those cases where the evidence shows that the exporter willfully and knowingly violated export control laws. U.S. Attorneys Offices prosecute criminal cases in consultation with Justice's National Security Division. These cases can result in imprisonment, fines, forfeitures, and other penalties. Punitive actions for administrative violations can include fines, suspension of an export license, or denial or debarment from exporting, and are imposed primarily by DoS²⁰ or Commerce, depending on whether the violation involves the export of a defense or a dual-use item. In some cases, both criminal and administrative penalties can be levied against an export control violator.

The export control and investigative enforcement agencies also conduct outreach activities, primarily educating exporters on U.S. export control laws and regulations. For example, in fiscal year 2005, ICE agents conducted more than 1,500 industry outreach visits around the country. Outreach

15. *International Traffic in Arms Regulations*, 22 C.F.R. § 123.22 (a) and (c) (1) (2006).

16. According to Commerce officials, exporters in the past were required to decrement Commerce licenses as shipments were made and submit the decremented licenses to the department. While Commerce no longer required exporters to submit decremented licenses, Commerce requires exporters to retain shipment records for possible inspection by the department. DoS also requires exporters to retain shipment records.

17. *International Traffic in Arms Regulations*, 22 C.F.R. § 123.23 (2006).

18. See 28 C.F.R. § 0.85(d), 69 Fed. Reg. 5542.

19. OEE currently does not have the same investigative authorities and ICE and FBI. However, legislation has been proposed (H.R. 4572) that, if enacted, would provide OEE with additional investigative authorities.

20. In addition, DoS officials said a company, as part of the terms of an agreement with DoS can conduct audits to ensure compliance or assign a special compliance officer to oversee re-mediation efforts and conduct in-depth reviews of violations at the company.

activities can include seminars and programs, specialized training, publications, advice lines, web sites, and individual meetings with industry, academia, and other government agencies. These activities can result in companies self-disclosing violations, tips and reports of potential violations by others, and cooperation in investigations and intelligence gathering.

Enforcement Authorities Are Granted through Various Laws and Regulations

Authorities for export control enforcement are provided through a complex set of laws and regulations. For defense items, authorities are granted under the *Arms Export Control Act*, the *Department of Justice Appropriations Act of 1965*, the *USA Patriot Improvement and Reauthorization Act*, and the *Foreign Wars, War Materials and Neutrality Act*. These statutes and the regulations stemming from them give concurrent jurisdiction for investigations to ICE and FBI.

Figure 1. Authorities for Defense Items	
<i>Arms Export Control Act (22 U.S.C. § 2751 et. seq.)</i>	
State	<ul style="list-style-type: none"> • Civil Penalties (22 U.S.C. § 2778(e) and (g) and § 2780(k)) <li style="padding-left: 20px;"><i>International Traffic in Arms Regulations (22 C.F.R. §§ 120-130)</i> <li style="padding-left: 40px;">Directorate of Defense Trade Controls - Civil Penalties (22 C.F.R. Part 127) <li style="padding-left: 40px;">- Department or Suspension (22 C.F.R. Part 127) <li style="padding-left: 40px;">- License Prohibition for Terrorist Nations (22 C.F.R. § 126.1) <li style="padding-left: 40px;">- Denial, Revocation, Suspension, or Amendment of Licenses (22 C.F.R. Part 126) <li style="padding-left: 40px;">Homeland Security^{*a} - Inspection Authority (22 C.F.R. § 127.4(b)) <li style="padding-left: 40px;">- Investigative Authority (22 C.F.R. § 127.4(b)) <li style="padding-left: 40px;">Justice^{*b} - Criminal Penalties (22 C.F.R. § 127.3)
Justice^{*b}	<ul style="list-style-type: none"> • Criminal Violations (22 U.S.C. § 2778(c))
<i>Department of Justice Appropriations Act of 1965 (28 U.S.C. § 533)</i>	
Justice^{*b}	<ul style="list-style-type: none"> • FBI Investigations (28 C.F.R. § 0.85(d), 69 Fed. Reg. 65542)
<i>USA Patriot Improvement and Reauthorization Act (P.L. 109-177, § 311)</i>	
Justice^{*b} Homeland Security	<ul style="list-style-type: none"> • Criminal Penalty for Smuggling (codified at 18 U.S.C. § 554) • Seizure and Forfeiture (codified at 19 U.S.C. § 1595a(d)) • Investigative Authority (Smuggling) (codified at 18 U.S.C. § 554)
<i>Foreign Wars, War Materials and Neutrality Act (22 U.S.C. § 401)</i>	
Homeland Security	<ul style="list-style-type: none"> • Seizure and Forfeiture
<p>^{*a} CBP and ICE have authority to conduct inspections, IE Conducts investigations.</p> <p>^{*b} The Department of Justice is responsible for prosecutions for federal crimes not otherwise specifically assigned. 28 C.F.R. § 0.55.</p> <p>Source: GAO analysis based on cited laws and regulations</p>	

For dual-use items, authorities are granted under the *Export Administration Act*, the *International Emergency Economic Powers Act*, the *Department of Justice Appropriations Act of 1965*, the *USA Patriot Improvement and Reauthorization Act*, and the *Foreign Wars, War Materials and Neutrality Act*. These laws and their implementing regulations give investigative authority for dual-use items to OEE as well as to ICE and FBI, which also have investigative authority for defense items.

Figure 2. Authorities for Dual-Use Items

Export Administration Act (50 U.S.C. App § 2401 et. seq.) (lapsed)	
Commerce	<ul style="list-style-type: none"> • Civil Penalties (50 U.S.C. App. §§ 2410 and 2411) • General Investigative Authority (50 U.S.C. App. § 2411) <p><i>Export Administration Regulations</i> (15 C.F.R. §§ 730-774)</p>
Bureau of Industry	<ul style="list-style-type: none"> • Administrative Sanctions (15 C.F.R. § 764.3) This includes civil penalties (fines), denial of export privileges, and exclusion from practice. • Denial of Export Privilege for Criminal Convictions (15 C.F.R. § 766.25) • Temporary Denial Order (15 C.F.R. § 766.24)
	<p>OEE</p> <ul style="list-style-type: none"> - Records Inspection and Subpoena (15 C.F.R. § 762.7) - Search of Exporting Carrier with Customs Concurrence (15 C.F.R. § 758.7(b)(5)) - Detain Shipment for Review of Records or for Inspection of Items (15 C.F.R. § 758.7 (b)(6))
Justice^a	<ul style="list-style-type: none"> • Criminal Sanctions referred by OEE (15 C.F.R. § 764.3(b))
Justice^a	<ul style="list-style-type: none"> • Criminal Violations (50 U.S.C. App. § 2410)
Homeland Security^b	<ul style="list-style-type: none"> • Investigation (50 U.S.C. App § 2411) • Search and Seizure (50 U.S.C. Ap § 2411)
International Emergency Economic Powers Act (50 U.S.C. § 1701 et.seq.)^c	
	<ul style="list-style-type: none"> • Civil Penalties (50 U.S.C. § 1705(A)) • Criminal Penalties (50 U.S.C. § 1705 (b)) • Inspections and Investigations (50 U.S.C. § 1702)
Department of Justice Appropriations Act of 1965 (28 U.S.C. § 533)	
Justice^a	<ul style="list-style-type: none"> • FBI Investigations (28 C.F.R. § 0.85(d), 69 Fed. Reg. 65542)
USA Patriot Improvement Reauthorization Act (P.L. 109-177, § 311)	
Justice^a	<ul style="list-style-type: none"> • Criminal Penalty for Smuggling (codified at 18 U.S.C. § 554)
Homeland Security	<ul style="list-style-type: none"> • Seizure and Forfeiture (codified at 19 U.S.C. § 1595a(d))
Foreign Wars, War Materials and Neutrality Act (22 U.S.C. § 401)	
Commerce Homeland Security	<ul style="list-style-type: none"> • Seizure and Forfeiture
<p>Source: GAO analysis based on cited laws and regulations.</p> <p>*a CBP and ICE have authority to conduct inspections. ICE conducts investigations.</p> <p>*b The Department of Justice is responsible for prosecutions for federal crimes not otherwise specifically assigned. 28 C.F.R. § 0.55.</p> <p>*c In times of declared national emergency, various agencies receive a presidential delegation of authority by executive order.</p>	

Agencies Face Several Challenges in Enforcing Export Control Laws

Several key challenges exist in enforcing export control laws challenges that potentially reduce the effectiveness of enforcement activities. First, overlapping jurisdiction for investigating potential export control violations and instances where coordination among the investigative agencies has not been effective have had an impact on some cases. Second, license determinations which confirm whether an item is controlled by DoS or Commerce, and thereby help confirm whether a violation has occurred are key to ensuring the pursuit of enforcement activities and are dependent on complete and specific information available at the time. Third, prosecuting export control cases can be difficult, since securing sufficient evidence to prove the exporter intentionally violated export control laws can represent unique challenges in some cases. Finally, multiple and sometimes competing priorities have made it difficult for enforcement agencies to maximize finite resources in carrying out export control enforcement responsibilities.

Coordination on Investigative Cases Has Been Limited in Some Instances

While ICE, OEE, and FBI have jointly coordinated on investigations, coordination can be challenging, particularly in terms of agreeing on how to proceed with a case. Formal agreements for coordinating investigations do not exist among all the investigative agencies. The extent to which agencies coordinate and cooperate on investigations is largely dependent on individual work relationships.

Agencies have sometimes not agreed on how to proceed on cases, particularly those involving foreign counterintelligence. For example, FBI and OEE agents disagreed as to whether certain dual-use items planned for export warranted an investigation.²¹ Specifically, without coordinating with OEE and ICE, FBI pursued the investigation, arrested the exporter, and held the shipment of items, valued at \$500,000. Ultimately, criminal charges were not pursued because the items did not require a license. With respect to foreign counterintelligence cases involving export controls, investigators have not always been certain about their respective roles on these cases.

Formal agreements for coordination do not exist among all the investigative agencies. Specifically, ICE and FBI do not have a formal agreement to coordinate cases involving export control violations. Formal agreements that exist have not been updated in recent years. In 1983, Commerce entered into an agreement with the FBI dealing with certain headquarters-level coordination functions. In addition, a 1993 agreement between Customs and Commerce outlines the investigative responsibilities of each agency, but it does not reflect departmental changes that occurred as a result of the establishment of Homeland Security in March 2003. This agreement also directs these agencies to enter a joint investigation when it is determined that more than one agency is working on the same target for the same or related violations. However, it can be difficult to determine whether these conditions exist because these agencies do not always have full access to information on ongoing investigations. According to several agents we spoke with, sharing information on ongoing investigations in general can be challenging because of the agencies' varying and incompatible databases, the sensitivity of certain case information, and the agencies' varying protocols for classifying information.

The extent to which agencies coordinate their investigative efforts in the field can depend on individual work relationships and informal mechanisms that facilitate communication. Some field locations have established joint task forces to discuss investigative cases. For example, OEE, ICE, and FBI agents in one field location told us that they routinely collaborate on investigations as part

21. Commerce determined that the item did not require a license. FBI asked for an opinion from the National Security Agency, which deemed the item high risk for national security. However, the National Security Agency did not have the authority to determine if the item was licensable.

of a joint task force that meets monthly. Agents in another location recently established a task force to locally coordinate export control investigations. In addition, some agencies have agents on detail to other investigative agencies. For example, in one field location, an ICE agent is detailed to FBI to coordinate cases and share export control information. FBI officials told us the detail has been useful because the ICE agent can readily provide FBI access to certain Homeland Security data, which saves critical investigative time for the FBI agents. At another field location, an OEE agent has been on detail at ICE for seven years, which has facilitated information sharing and joint cases between the two agencies. According to several agents with whom we spoke, personalities can be a key factor in how well agents from different agencies work together on investigations. For example, an OEE agent in charge of one field location told us that the field agents work effectively on cases with ICE agents in one field location, but not with ICE agents in another field location because of disagreements stemming from fifteen years ago about how to proceed with investigations.

Confirming Whether Items Are Controlled and Need a License Is Key to Pursuing Enforcement Activities

Confirming whether a defense or dual-use item is controlled and requires a license, known as a license determination, is integral to enforcement agencies' ability to seize items, pursue investigations, or seek prosecutions. However, confirmation can sometimes be difficult. Many inspectors and investigators told us that the time it takes to make determinations or sometimes changes to previously made determinations can affect some of their enforcement activities. According to the Commerce Department and DoS officials, they depend on complete, specific, and pertinent information from the inspectors and investigators to make timely and correct determinations so that appropriate enforcement actions can be pursued. Moreover, new or additional information may become available as an investigation proceeds, which can affect a license determination.

Some inspectors and investigators, including OEE field agents who request license determinations directly from Commerce, stated that obtaining license determination decisions can be time consuming and has taken as much as several months. In several instances, DoS and Commerce licensing officers needed more information about the item before making a license determination, which added to the time it took to respond. In addition, DoS officials said they often request technical support from the Department of Defense when making determinations for defense items, which can add to the time it takes to make a license determination. We found that responses to requests for license determinations ranged from one day to eight months during fiscal year 2005. While DoS established in September 2004 a goal of 30 days for processing license determinations, it revised this time frame to 60 days in April 2005 because of resource limitations. Commerce recently established a 35-day time frame to make a license determination requested by OEE agents. However, the Commerce Department, in conjunction with the Exodus Command Center, has not established goals or a targeted time frame for responding to license determination requests. Goals help establish transparency and accountability in the process.

While some inspectors and investigators told us that their enforcement actions have been affected by unclear determinations or changes to previously made license determinations, the Commerce Department and DoS officials said that determinations are dependent on such factors as the completeness and specificity of the information presented to them at the time of the request. In one instance, CBP officers were not given a clear determination as to whether the item was controlled, leaving officers to decide how to proceed. In other instances, investigators dropped their cases or pursued other charges based on changes made to the determination or inconsistent information provided to the exporter. For example, OEE agents executed search warrants based on a license determination that the equipment was controlled for missile technology and antiterrorism purposes. Subsequently, Commerce determined that no license was required for this equipment, and thereby the case was

closed. In another example, licensing officers provided OEE agents with a license determination that differed from the commodity classification²² provided to the exporter. As a result of the inconsistency between the license determination and classification, Department of Commerce pursued a lesser charge against the exporter. In addition, in June 2005, ICE led a joint investigation of a Chinese national for allegedly exporting critical U.S. technology to China, and on the basis of an initial license determination review²³ by DoS that the item was controlled, ICE obtained search and arrest warrants. However, nine months later, ICE agents requested a subsequent license determination to confirm that the item was controlled. It was determined that the item was not subject to DoS or Department of Commerce export control, and therefore the case was dropped. Both DoS and Department of Commerce headquarters officials stated that their ability to make license determinations is dependent upon several factors, including the completeness and accuracy of the information provided by the inspectors and investigators at the time of the request. These determinations can be subject to change as new or additional pertinent information becomes available as the case proceeds.

Commerce and ICE have recently taken actions to address problems in the license determination process. In June 2006, Commerce established new procedures on how to request and process license determinations internally and is currently revising and providing training for its licensing officers and OEE agents. In August 2006, ICE's Exodus Command Center implemented a new system, known as the Exodus Accountability Referral System, to track license determination requests, provide enforcement agencies access to the status of their requests, and provide performance statistics to field agents, inspectors, and regulatory agencies. These actions recognize some of the problems with license determinations. However, it is too early to determine their impact on export enforcement activities.

Challenges Exist in Taking Criminal and Administrative Punitive Actions against Alleged Export Violators

When developing a case for criminal prosecution, Assistant U.S. Attorneys (AUSA) must obtain sufficient evidence of the exporter's intent to violate export control laws. Gathering evidence of intent is particularly difficult in export control cases, especially when the item being exported is exempted from licensing or the case requires foreign cooperation. For dual-use violations, Commerce officials said that the lapsed status of the *Export Administration Act* has made it cumbersome for prosecuting cases. When pursuing administrative cases, DoS, unlike the Department of Commerce, has limited access to attorneys and an Administrative Law Judge, making it challenging to pursue the full range of administrative actions against export control violators.

Several AUSAs who prosecute many different types of cases, told us that it can be challenging to secure sufficient evidence that an exporter intentionally violated export control laws. In particular, securing such evidence can be especially difficult when the items to be exported are exempted from licensing requirements. We previously reported similar concerns of officials from Customs (now within Homeland Security) and Justice about investigating and prosecuting violations when exemptions apply, noting that it is particularly difficult to obtain evidence of criminal intent since the government does not have license applications and related documents that can be used as proof that the violation was committed intentionally.²⁴

22. If exporters have determined that their items are Commerce controlled, but are uncertain of export licensing requirements, they may request a commodity classification from Commerce. See GAO-02-996.

23. In September 2004, ICE issued guidance to its investigators indicating that DoS strongly recommends a second-level review in cases that are heading toward indictment or a plea agreement. This review is an in-depth examination of items to verify that they are controlled by DoS.

24. GAO, *Defense Trade: Lessons to Be Learned from the Country Export Exemption*, GAO-02-63, Washington, D.C.: Mar. 29, 2002.

Investigations and prosecutions that involve items and individuals in foreign locations can further complicate evidence gathering efforts. According to ICE officials, a foreign government may or may not cooperate in an overseas export control investigation or arrest, and foreign and U.S. laws on export controls may differ as to what constitutes a violation. One OEE field office estimated that over half of its cases involve foreign persons or entities.

According to Commerce officials, enforcement of dual-use export controls under the expired *Export Administration Act* is a key challenge for them because it adds an element of complexity to cases and can encumber prosecutions. These officials said they have encountered difficulties convincing AUSAs to accept cases to prosecute under a set of regulations, promulgated under a lapsed statute and kept in force by emergency legislation. To counter these difficulties, Commerce Department, Homeland Security, and Justice officials said they support the renewal of the *Export Administration Act*. The Commerce Department stated that renewal of this act would provide enforcement tools to OEE for conducting investigations and increase penalty provisions for violators.²⁵

For administrative actions, export control regulations allow both DoS and Commerce to pursue administrative cases before an Administrative Law Judge, but DoS has never exercised this authority. Commerce officials stated that they bring cases before an Administrative Law Judge when an alleged export violator disputes the charges or objects to the administrative settlement actions proposed by Commerce. The Commerce Department has a formal agreement with the Coast Guard Office of Administrative Law Judges, which is renewed annually, to hear its cases, and Commerce's attorneys bring about one to three administrative cases before an Administrative Law Judge each year.

The DoS has never brought a case to an Administrative Law Judge and does not have attorneys with the experience needed to pursue such export control cases or a standing agreement with any agency to provide an Administrative Law Judge. In cases where an agreed settlement with the violating company appears unlikely and a formal hearing is needed, DoS would have to seek services from attorneys in the private sector or from other departments to help represent the government's interests. To obtain access to an Administrative Law Judge to hear a case, DoS officials told us they would need to first request the Office of Personnel Management to appoint a judge on a temporary basis. DoS would then need to establish an interagency memorandum of understanding with that agency to establish payment and other arrangements.²⁶ Without a formal agreement to access an Administrative Law Judge and ready access to attorneys to pursue such cases, DoS officials told us that it is challenging to proceed with administrative cases. DoS officials indicated that they are exploring various options on how to get access to attorneys with relevant experience to handle such cases, including seeking assistance from other departments on a temporary basis. However, DoS's options appear to rely on ad hoc interagency arrangements and would not build any internal expertise for handling such cases in the future.

Agencies Faced with Balancing Multiple Priorities and Leveraging Finite Human Resources

Each enforcement agency's priorities and the resources allocated to those priorities are influenced by the mission of the department in which the agency resides. At times, agencies have competing priorities, making it difficult to effectively leverage finite enforcement personnel. Limited training on export controls has further challenged agencies to use their enforcement personnel effectively. Some agencies have recently taken actions to target more resources to export enforcement activities.

25. Congress recently passed the *USA Patriot Improvement and Reauthorization Act*, which increases to \$50,000 per violation, the maximum civil penalty and to 20 years in prison term for criminal convictions under the *International Emergency Economic Powers Act*.

26. DoS officials indicated that they have on occasion established such arrangements through the Office of Personnel Management but acknowledged that establishing such arrangements takes time.

However, it may be too early to determine the impact these actions will have in the long term. In addition, priorities could shift and necessitate the reassignment of staff. The investigative agencies have been particularly challenged to effectively leverage their resources.

- Commerce's overall mission is to promote U.S. economic development and technological advancements. OEE resides within Commerce's export control agency, and its priorities emphasize investigating potential violations of dual-use exports related to weapons of mass destruction, terrorism, and unauthorized military end use. In carrying out these priorities, some of OEE's nine field offices which are responsible for conducting investigations in multiple states, ranging from three to eleven states have had difficulty pursuing investigative leads outside their home state. Some OEE field agents told us that not having a physical presence in the other states adversely affects their ability to generate investigative leads, and that their case load is largely within their home state.
- Homeland Security's mission is to create a unified national effort to secure the country while permitting the lawful flow of immigrants, visitors, and trade. ICE is the largest investigative branch within Homeland Security. In addition to investigating potential defense and dual-use export violations, ICE investigates drug smuggling, human trafficking and smuggling, financial crimes, commercial fraud, document fraud, money laundering, child exploitation, and immigration fraud. ICE has recently taken action to expand its existing investigation workforce devoted to export control. As of September 2006, ICE data showed that total arrests, indictments, and convictions had surpassed the totals in each fiscal year since ICE's creation in 2003.
- Justice's overall mission is to enforce U.S. laws, and FBI's mission is to protect the United States against terrorist and foreign intelligence threats and to enforce criminal laws. As the lead counterintelligence agency in the United States, FBI investigates potential dual-use and defense export violations that have a nexus with foreign counterintelligence. FBI has over 456 domestic offices. Fifty-six offices are required to have at least one team of agents devoted to counterintelligence. These teams cover all fifty states, and some agents are located within the 456 domestic offices. FBI agents are also responsible for conducting other investigations involving espionage and counter proliferation.

CBP, the sole border inspection agency, has also been challenged to leverage its resources. One of CBP's primary responsibilities is to detect and prevent terrorists and terrorist weapons from entering U.S. ports, and it devotes most of its resources to inspecting items and persons entering the country. For items leaving the United States, CBP uses an automated targeting system to identify exports for examination by its officers. The workload and the number of officers assigned to inspect exported cargo can fluctuate daily. For example, at one of the nation's busiest seaports, the CBP Port Director stated that there can be five officers assigned to inspecting exports one day and none the next. Export enforcement efforts are further challenged by the limited time officers have to review shipment documentation. DoS regulations require 24 hours' advance notification before shipment for ship or rail and 8 hours' advance notification for plane or truck. However, the Commerce Department regulations do not have time frames specified other than Census Bureau requirements of notification prior to departure.²⁷ Moreover, some officers also spend some of their limited time hunting down items on planes or in shipping containers because documents, such as air waybills, cannot be located or information on items to be exported is incomplete. CBP officials stated that they have internal initiatives under way to address resources devoted to export control inspections.

27. Census requirements also allow that in certain circumstances an exporter may transmit shipment information up to ten (10) working days from the date of exportation.

U.S. Attorneys offices have many competing priorities, including prosecuting cases involving terrorism, counterterrorism, and government contractor fraud. Each of the U.S. Attorneys offices has attorneys who can work on cases involving potential export control violations. However, several investigators noted that the level of interest in and knowledge of export control laws varies among AUSAs.

According to several enforcement agency officials, they would like more advanced training on export controls that could help them use their time more efficiently and thereby better leverage finite resources, but such training is limited. While some specialized training has been provided to officers in the field, CBP has reduced the number of training courses directly relating to export controls for the last quarter of fiscal year 2006 primarily because of budget constraints. CBP officials said they are considering restructuring the training curriculum. ICE and FBI investigators also said that they would like more opportunities for advanced training on export controls. While ICE headquarters has not funded its advanced strategic export controls course at the Federal Law Enforcement Training Center for the past two years, it reinstated this course in May 2006 and has subsequently trained over 100 agents. ICE officials also noted that training on weapons of mass destruction was provided to over 2,000 agents and analysts during fiscal years 2005 and 2006. Commerce plans additional training for OEE agents in fiscal year 2007. Justice, recognizing a need for training on export controls for its attorneys, provided a training conference in May 2006 for AUSAs, with presentations from the departments of Justice, Commerce, DoS, and the intelligence community. Justice, Commerce, and DoS, have also recently sponsored training conferences for enforcement agencies covering topics such as export control laws and regulations, license determinations, and proving criminal intent.

Criminal Outcomes Are Not Systematically Provided to Export Control Agencies

Criminal indictments and convictions are key to informing the export control process and licensing decisions. While the Justice Department and the other enforcement agencies have databases to capture information relating to their own export enforcement activities, outcomes of criminal cases are not systematically shared with DoS and Department of Commerce. (Table 3 on next page.)

The DoS and Department of Commerce officials stated that information on the outcomes of criminal cases, including indictments and convictions, is important to the export licensing process, particularly since indicted or convicted exporters may be denied from participating in the process. The *Arms Export Control Act* requires that appropriate mechanisms be developed to identify persons who are the subject of an indictment or have been convicted of an export control violation. Specifically, if an exporter is the subject of an indictment or has been convicted under various statutes, including the *Export Administration Act*, DoS may deny the license application. Further, the Commerce Department can deny export privileges to an exporter who has been criminally convicted of violating the *Export Administration Act* or *Arms Export Control Act*. According to both DoS and Commerce Department officials, information on indictments and convictions is gathered through an informal process. For example, an ICE agent, who serves as a liaison with DoS and is co-located with DoS's export control officials, compiles criminal statistics from ICE field offices in a monthly report that is shared with DoS compliance officials. Information on criminal export control prosecution outcomes could help inform the export control process by providing a complete picture of the individual or company seeking an export license or trends in illegal export activities.

Summary

Agencies responsible for enforcement have to operate within the construct of a complex export control system, which offers its own set of challenges from the outset. Further compounding this situation is the failure to coordinate some investigations and address a host of other challenges that can lead to a range of unintended outcomes, such as the termination of investigative cases. At a minimum,

limited resources available for enforcement efforts may not be used effectively. Consequently, there is a need to ensure that enforcement agencies maximize finite resources and efforts to apprehend and punish individuals and companies who illegally export sensitive items that may be used to subvert U.S. interests.

Table 3. Primary Enforcement-Related Databases at Enforcement Agencies		
Agency	Database	Description
Justice		
U.S. Attorneys Office	Legal Information Office Network System	Captures Information on criminal cases, including outcomes and closure data
FBI	Automated Case Support	Captures details on investigative cases
Counterespionage Section	Significant Export Control Cases List	Captures outcome information on significant criminal export control cases
Commerce		
OEE	Investigative Management System	Captures details on investigative cases
State		
Directorate of Defense Trade Controls	Trade Registration, Enforcement and Compliance System	Captures compliance activities, including voluntary disclosures, and license determinations
Homeland Security		
CBP and ICE	Treasury Enforcement Communication System*	A system of records containing law enforcement information including suspects, ongoing investigations and enforcement actions
	Seized Asset and Case Tracking System	Captures activities associated with seizures and investigations
	Automated Targeting System and Anti-Terrorism	A system that automatically reviews electronically filed export documentation and compares it to inspector-defined criteria for high-risk shipments
*Many federal law enforcement agencies have certain access to the Treasury Enforcement Communication System.		
Source: GAO analysis of information provided by above agencies.		

Recommendations for Executive Action

To enhance coordination in the current system, we recommend that the Secretary of Commerce direct the Under Secretary for Industry and Security, the Secretary of Homeland Security direct the Assistant Secretary of Homeland Security for U.S. Immigration and Customs Enforcement, and the Attorney General direct the Director of the FBI in conjunction with the Assistant Attorney General in charge of the National Security Division to take the following two actions:

- Establish a task force to evaluate options to improve coordination and cooperation among export enforcement investigative agencies, such as creating new or updating existing operating agreements between and among these agencies, identifying and replicating best practices for routinely collaborating on or leading investigations, and establishing a

mechanism for clarifying roles and responsibilities for individual export control cases involving foreign counterintelligence.

- Report the status of task force actions to Congress.
 - To ensure discipline and improve information needed for license determinations, we recommend that the Secretary of Homeland Security direct the Assistant Secretary of Homeland Security for U.S. Immigration and Customs Enforcement and the Secretary of Commerce direct the Under Secretary for Industry and Security to establish goals for processing license determinations. We also recommend that Secretary of Homeland Security direct the Assistant Secretary of Homeland Security for U.S. Immigration and Customs Enforcement, the Secretary of Commerce directs the Under Secretary for Industry and Security, and the Secretary of State direct the Deputy Assistant Secretary for Defense Trade Controls to coordinate with licensing officers, inspectors, investigators, and prosecutors to determine what additional training or guidance is needed on license determinations, including the type of information needed to make license determinations.
 - To ensure systematic reconciliation of shipments with Commerce licenses, we recommend that the Secretary of Commerce direct the Under Secretary for Industry and Security, in consultation with the Commissioner of Homeland Security's U.S. Customs and Border Protection, to determine the feasibility of establishing a requirement for CBP to decrement Commerce licenses and an action plan for doing so.
 - To ensure that DoS and Commerce have complete information on enforcement actions, we recommend that the Attorney General direct the Director of the Executive Office for U.S. Attorneys, in consultation with the Assistant Attorney General in charge of the National Security Division, to establish formal procedures for conveying criminal export enforcement results to DoS's Directorate of Defense Trade Controls and Commerce's Bureau of Industry and Security.

Agency Comments and Our Evaluation

The Departments of Commerce, Homeland Security, and DoS provided comments on a draft of this report. The Justice and Defense Departments did not provide formal comments. Commerce, Homeland Security, Justice, and DoS also provided technical comments, which we incorporated in this report as appropriate. Overall, the departments providing comments agreed with the need for coordination, but in some instances, noted some differences in possible approaches. They also indicated that certain actions were already under way to address some of our recommendations. We modified one recommendation accordingly. In commenting on our first recommendation to establish a task force to improve coordination and cooperation among export enforcement investigative agencies and report the status of task force actions to the Congress, the Commerce Department stated that it was already taking action to improve coordination through various work groups and acknowledged that it will continue to seek ways to improve coordination. Commerce also commented that the draft report does not provide the data and analysis to support that there is a lack of coordination. We disagree. We spoke with numerous agents in the field who cited coordination as a challenge. The examples we provided were illustrations of some of the types of coordination challenges that existed. Our evidence indicates that coordination is a challenge given that three agencies with differing approaches have concurrent jurisdiction to investigate potential violations of export control laws. At times, these agencies have competing priorities, making it difficult to leverage finite enforcement personnel for complex cases.

Homeland Security agrees in principle with our first recommendation, but believes the establishment of an Export Enforcement Coordination Center within ICE would address coordination concerns in the most immediate and comprehensive manner. Homeland Security's solution is one option for improved coordination. However, it would need to work with the other enforcement agencies to determine the viability of this option. Our recommendation for a joint task force is the means by which to do so. In its technical comments related to coordination, Justice commented that the FBI looks forward to working closely with other export enforcement agencies.

In its comments on our second recommendation, to establish goals for the processing of license determinations and coordinate with other enforcement officials to determine what additional training or guidance is needed on license determinations, the Commerce Department noted it was already taking action to improve license determination efforts through developing procedures and leading and participating in training conferences on export enforcement. However, these actions do not fully address our recommendation on establishing goals. Specifically, the Commerce Department has not established formal license determination response times in conjunction with the Exodus Command Center, which is a key means by which license determination requests are processed. Homeland Security agreed to support goal setting by providing input from a law enforcement perspective. In its comments on our draft report, DoS indicated that it had already established goals for processing license determinations in conjunction with the Exodus Command Center. As a result, we revised our recommendation to direct that Commerce and Homeland Security establish goals for processing license determinations. DoS concurred with our recommendation to determine what additional training or guidance is needed on license determinations. Specifically, DoS has agreed with Homeland Security to update and clarify its guidance on license determinations. The DoS further noted that consulting with FBI and ICE regarding additional training for coordinating DoS's support to their criminal investigations would build upon its past and ongoing work in this area.

Regarding our third recommendation to determine the feasibility of having Homeland Security's Customs and Border Protection officers decrement Commerce export licenses Commerce expressed some reservation. Specifically, the Commerce Department stated that it has seen no data to indicate that the underlying issue is of sufficient enforcement concern and that automated systems would need to be developed within CBP to support this effort. We do not believe that Commerce should dismiss this recommendation without further analysis. We previously reported that Commerce has not conducted comprehensive analyses of items that have been exported;²⁸ therefore, it is not in a position to know whether it is an enforcement concern. In addition, while resources devoted to outbound enforcement are limited within CBP, it has an automated export system, which is used for decrementing DoS licenses. This allows CBP officers to ensure accountability on the part of exporters and that DoS regulations have been properly followed. Homeland Security commented that CBP officials are prepared to act when contacted by Commerce regarding our recommendation.

With respect to our last recommendation that Justice establish formal procedures for conveying export enforcement results to DoS and Commerce. Commerce agreed, citing that it supports efforts to improve coordination and communication. Justice indicated support for sharing such information. DoS also supports this recommendation and noted that it welcomed any additional information that Justice can provide regarding the outcomes of criminal cases involving export control and related violations to help DoS carry out its regulatory responsibilities.

Appendix II: Summary of Selected Export Control Enforcement Cases

For fiscal year 2005, investigative agencies identified several examples of export control enforcement cases, as shown in Table 4.

28. See GAO-06-638.

Table 4. Selected Export Control Cases for Fiscal Year 2005

Description	Punitive Action
<p>Polygraph Machines to China</p> <p>A company and its president illegally exported polygraph machines to China without required export licenses.</p>	<p>The company and its president were sentenced to probation and a criminal fine for criminal export violations. They also agreed to pay administrative penalties, and the company agreed to a suspended denial of export privileges.</p>
<p>U.S. fighter jet components to Iran</p> <p>A businessman pled guilty to <i>Arms Export Control Act</i> and money laundering violations. The businessman sought to obtain gunnery systems for fighter jets for export to Iran, and in meetings with undercover agents attempted to acquire several fully assembled F-14 fighter jet aircraft for future shipment to Iran.</p>	<p>The businessman was sentenced to a 57 month incarceration and a 2 year supervised release.</p>
<p>Night vision technology and electronics components to China</p> <p>Two individuals violated the <i>Arms Export Control Act</i> by attempting to obtain U.S. night vision equipment, military grade power converters, and traveling wave tubes used in satellite and radar applications for export to China.</p>	<p>The individuals were arrested and indicted for conspiring to violate the <i>Arms Export Control Act</i>. One individual was found not guilty by jury trial, while the other was sentenced to 24 months in prison and a 3 year supervised release.</p>
<p>U.S. fighter jet and military helicopter components to Malaysia, Belgium, and United Arab Emirates</p> <p>A Pakistani national illegally exported military aircraft parts to various countries. The individual had a previous 1987 conviction for illegally exporting HAWK missile components to Iran.</p>	<p>The Pakistani national was indicted on four counts of violating the <i>Arms Export Control Act</i>. He was convicted and sentenced to 150 months imprisonment.</p>
<p>Assault rifles to Colombian terrorist organization</p> <p>During meetings with undercover agents, a Colombian national negotiated and attempted to purchase assault rifles and machine guns for illegal export to a U.S. designated terrorist organization in Columbia. A subsequent investigation identified two coconspirators.</p>	<p>The Colombian national was arrested and pled guilty to violating the <i>Arms Export Control Act</i>. One coconspirator has been arrested; the other remains at large.</p>
<p>Missile and fighter jet components to China</p> <p>An individual conspired to illegally export parts for for the F-14 fighter jet and components for various missile systems to China. Agents arrested the individual and her husband as a result of a lengthy undercover investigation targeting U.S. companies that illegally sold defense articles over the internet to foreign buyers.</p>	<p>The individual and her husband were each sentenced to a 30 month imprisonment, and the individual was also fined \$6,000.</p>

Table 4. Selected Export Control Cases for Fiscal Year 2005 (Continued)

Description	Punitive Action
Components with nuclear weapons applications to Pakistan and India	
<p>An individual from Pakistan was charged with illegally exporting oscilloscopes with nuclear weapons applications, as well as plotting to illegally export 66 nuclear detonator devices to Pakistan. An Israeli national pled guilty to helping to export the oscilloscopes and nuclear triggers, and illegally exporting sensitive U.S. electronics to facilities in India that are involved in that nations nuclear and missile development program.</p>	<p>The individual currently remains at large. The Israeli national pled guilty and was sentenced to a 36 month imprisonment.</p>
Military night vision equipment to China	
<p>An individual attempted to illegally export plastic optical filters suitable for night vision lighting, night vision goggles with helmet mounts for fixed wing and rotary aircraft, as well as liquid crystal displays that can be integrated into avionics. A U.S. citizen conspired to obtain night vision goggles.</p>	<p>The individual pled guilty to one count of conspiracy and will be sentenced at a later date. The U.S. coconspirator pled guilty to one count of violating the <i>Export Administration Act</i> for his role.</p>
Weapons to Colombian terrorist group	
<p>An individual plotted to provide arms to a Colombian terrorist group in violation of the <i>Arms Export Control Act</i>.</p>	<p>The individual pled guilty and was sentenced to a 25-year federal imprisonment.</p>
Military laser sights to foreign locations	
<p>A Japanese national conspired to purchase and illegally export military laser sights to Japan in violation of the <i>Arms Export Control Act</i>.</p>	<p>The individual was sentenced to a 15 month incarceration and was subsequently deported from the United States for conspiracy.</p>
U.S. fighter jet components to Iran	
<p>A Tehran-based broker attempted to purchase and illegally export U.S. F-14 fighter jet components to the Iranian military. The individual-who asserted he worked on behalf of the Iranian Ministry of Defense also negotiated with undercover agents over the illegal export of complete military helicopters and -130 military aircraft electrical and avionic upgrades to Iran.</p>	<p>The broker was sentenced to a 41 month federal imprisonment.</p>
U.S. military night vision systems to Iranian military	
<p>U.S. agents and austrian authorities thwarted a plot to illegally supply the Iranian military with thousands of advanced military night vision systems from the United States. U.S. agents learned that an arms broker in Tehran was seeking U.S. military night vision goggles for the Iranian military from vendors in the United States. Austrian authorities arrested one of the individuals and another coconspirator after the pair took possession of the first night vision system.</p>	<p>A grand jury indicted the individuals with conspiracy, violating the <i>Arms Export Control Act</i>, money laundering, forfeiture, and aiding and abetting. These individuals remain at large.</p>

Table 4. Selected Export Control Cases for Fiscal Year 2005 (Continued)

Description	Punitive Action
<p>Military antenna controls to Spain</p> <p>An individual attempted to illegally export radar antenna control boxes to Spain for use by Spanish Air Force without the required export license in violation of the <i>Arms Export Control Act</i>.</p>	<p>The individual was sentenced to 2 years probation and fined \$2,500.</p>
<p>Military helicopter engines and night vision systems to China</p> <p>A South Korean citizen attempted to illegally export Black Hawk helicopter engines and other military items to China. Agents arrested the individual as he attempted to board a plane bound for China with military night vision equipment in his luggage. The South Korean government worked closely with U.S. agents on the investigation.</p>	<p>The South Korean citizen pled guilty to violating the <i>Arms Export Control Act</i> and was sentenced to 32 month federal imprisonment, to be followed by deportation from the United States.</p>
<p>Restricted electronic equipment to China</p> <p>Four individuals conspired to illegally export more than \$500,000 in restricted electronic components to China. The components in question could be used in a wide variety of military radar and communications applications.</p>	<p>The four individuals were charged with conspiring to violate the <i>International Emergency Economic Powers Act</i>, the <i>Export Administration Regulations</i>, and money laundering violations. One individual was sentenced to 6-months time served and fined \$1,500. Another was sentenced to a 46-month federal imprisonment and fined \$2,000. A different individual was convicted at trial for five counts of violating the <i>International Emergency Economic Powers Act</i>, conspiracy, money laundering, and false statements and sentenced to a 60-month incarceration and a \$50,000 fine. Another conspirator was sentenced to a 42-month incarceration and was ordered to pay a \$50,000 fine.</p>
<p>Sensitive military technology to China</p> <p>Seven individuals were indicted on export violations alleging they used their two companies to illegally export sensitive national security controlled items to state-sponsored institutes in China. According to the complaints, the individuals were illegally exporting millions of dollars worth of items used in a variety of defense weapons systems, including smart weapons, radar, and electronic warfare and communications systems.</p>	<p>Four of the coconspirators pled guilty to violating the <i>Arms Export Control Act</i>, the <i>International Emergency Economic Powers Act</i>, conspiracy to violate the <i>Export Administration Regulations</i>, aiding and abetting, and providing false statements.</p>
<p>Military night vision technology to China</p> <p>Two individuals and a company were indicted for illegally brokering the sale of military and commercial-grade night vision technology to China. Court documents in the case alleged the pair had entered into a contract with the Chinese military to produce technology for night vision equipment in China.</p>	<p>A jury failed to reach a unanimous verdict in the trial of one co-conspirator and a new trial is scheduled.</p>



Department of State Defense Trade Controls Overviews

Report Released By The Directorate of Defense Trade Controls

[The following article was recently released by the Directorate of Defense Trade Controls (DDTC), U.S. Department of State (DoS). This and several other documents of interest to the international community are available at the following web site: <http://www.pmdtcc.state.gov>.]

This document is intended to provide an overview of the Department of State's defense trade controls. These controls are contained in the *Arms Export Control Act* (AECA) and the *International Traffic in Arms Regulations* (ITAR), both of which are authoritative on this matter. (Additional information regarding the Act and the Regulations are available on the following web site: http://www.pmdtcc.state.gov/docs/defense_trade_overview_2006.pdf.) This document is not intended to serve as a basis for any registration or licensing decisions on the part of the public or the Directorate of Defense Trade Controls. If any discrepancy between this document and either the AECA or the ITAR, the Act and the Regulations will prevail.

Defense Trade Controls Overview

The Department of State has been responsible for regulating defense trade since 1935, with the objective of ensuring that U.S. defense trade supports the national security and foreign policy interests of the United States. We seek to deny our adversaries access to U.S. defense technology while ensuring that defense cooperation with friends, allies, and coalition partners contributes to their ability to defend themselves and fight effectively alongside U.S. military forces in joint operations. We also scrutinize potential defense exports for their effect on regional stability. Depending on the context, exports of small arms or helicopter spare parts can contribute to instability as easily as attack aircraft or missiles.

Today this function is vested in the Bureau of Political Military Affairs' Directorate of Defense Trade Controls (DDTC), headed by a Deputy Assistant Secretary and Managing Director and consisting of the following offices:

- Offices of Defense Trade Controls Policy (DTCP)
- Defense Trade Controls Licensing (DTCL)
- Defense Trade Controls Compliance (DTCC)
- Defense Trade Controls Management (DTCM)

The AECA and *Foreign Assistance Act* (FAA) of 1961 are the basic legal authorities, implemented by the ITAR.

DDTC regulates the temporary import and the permanent and temporary export of defense articles and defense services, to include brokering, involving items on the *U.S. Munitions List* (USML), Part 121 of the ITAR). The USML generally covers items specially designed or modified for military applications, and its twenty categories extend from firearms to the Joint Strike Fighter (JSF). The scope of items on the USML is similar to the control lists of most other significant arms exporting countries, although the USML contains some items that other countries do not generally control as defense articles. For example, commercial communications satellites, their parts, components and technology, are controlled under Category XV of the USML.

The ITAR covers not only hardware but also technical data and defense services, but excludes basic research and information that is in the public domain. Under the ITAR, an “export” includes not only physically taking a defense article out of the United States but also disclosing (including oral or visual disclosure) or transferring technical data to a foreign person, whether in the U.S. or abroad. It also includes performing a defense service on behalf of, or for the benefit of, a foreign person, whether in the U.S. or abroad.

Registration

Any U.S. person involved in the manufacture, export, or brokering of U.S. defense articles or services is required to register with DDTC and pay a fee of \$1,750 per year. Any U.S. person or any foreign person subject to the jurisdiction of the U.S. who engages in brokering activities with respect to U.S. or foreign defense articles or services must also register. A U.S. person is a U.S. lawful resident, “protected person,” or a U.S. incorporated business or entity. Registration is necessary before a U.S. person may apply for a license or other approval or use a regulatory exemption from a license requirement. However, even manufacturers that do not export are required to register and pay the fee, as has been the case since 1935. In fact, less than half of the 5,000+ entities currently registered are likely to apply for a license in any given year. However, registration provides important information on the identity and location of defense companies and enforces on their management a large degree of responsibility for compliance with export controls laws. Moreover, even companies that do not export to other countries in the traditional sense have responsibilities under the ITAR, including the obligation not to transfer controlled technical data to a non-U.S. person within the U.S. without the written authorization of the DoS.

Registration is also important to determining that a U.S. person is eligible to export, as certain parties are prohibited from participating in defense trade. For example, persons indicted of violating the AECA or certain other U.S. laws are ineligible to export, and persons convicted of such violations are formally debarred. Registration (as well as all license applications) requires the applicant to certify that the corporate officers are eligible under the regulations to participate in defense trade.

The ITAR also requires a license for any brokering activity by U.S. persons anywhere in the world or foreign persons subject to U.S. jurisdiction involved in the brokering of U.S. or foreign defense articles or services. Brokers (U.S. and foreign parties who are subject to the jurisdiction of the United States) must separately register and pay the fee. Under the ITAR, a “broker” is anyone who acts as an agent for others in negotiating or arranging contracts, purchases, sales or transfers of defense articles or services in return for a fee, commission or other consideration.

Licensing

A registered party may apply for an export authorization a “license” or “agreement” from the Office of Defense Trade Controls Licensing (DTCL). With few exceptions defined in the ITAR, all transfers of U.S. defense articles or services to foreign persons require case-by-case review and authorization by DTCL. A “foreign person” is anyone who is not a “U.S. person,” as described above, and includes inter alia foreign companies and governments, international organizations, and foreign diplomatic missions in the United States. In fiscal year (FY) 2006, the office took final action on 66,000 cases, with case volume increasing at about 8 percent per year.

Export licensing requirements are based on the nature of the article or service and not its end use. For example, a defense article, e.g., a radar component designed for military purposes, being exported to a civilian end user such as a foreign equivalent of the Federal Aviation Administration is subject to the same licensing requirements as if it were going to a foreign military. The issues in the review

process might be different, but the licensing requirement remains. This approach is based on the idea that the technology itself requires control, no matter what the end use.

Each license application for permanent hardware export must be accompanied by a purchase document (e.g., a signed contract) and identify the items to be exported, as well as all parties to the transaction – not just the end-user but also brokers, shippers, freight forwarders, distributors, etc. About a third of license applications are referred to other DoS bureaus, as well as the Department of Defense’s (DoD) Defense Technology Security Administration (DTSA) or other agencies for review.

All export approvals require the prior written consent of the DoS before the recipient may retransfer the item to another end-user (including to another country) or change its end-use from that originally authorized. This prior consent requirement applies even if the ITAR–controlled article or technology is incorporated in a foreign item. For items that are designated on the USML as “significant military equipment” (SME) because of their “substantial military utility or capability,” as well as for all classified defense articles, a specific non-transfer and end-use certificate (DSP-83) is required. This form must be executed by the exporter, the foreign end-user and any foreign consignees before the export will be authorized under a license or an agreement. It stipulates that the parties will not re-export, resell or otherwise dispose of the SME outside the country without the prior written approval of the Department of State. In cases where a DSP-83 is not required, the agreement, invoice or bill of lading must contain specific language ensuring that the foreign parties to the transaction are aware of and accept the requirement for prior written approval for any retransfer or change in end use.

These requirements apply to U.S. defense exports to all countries, including our North Atlantic Treaty Organization (NATO) allies, Japan and Australia. Although most export applications are for hardware, the most important and complex cases are for defense services, which include:

- Furnishing assistance (including training) to a foreign person, whether in the U.S. or abroad, in the design, development, engineering, manufacture, production, assembly, testing, repair, maintenance, modification, operation, demilitarization, destruction, processing or use of defense articles.
- Furnishing any technical data controlled under the ITAR to a foreign person, whether in the United States or abroad.
- Military training of foreign units or forces, including formal or informal instruction of foreign persons in the United States or abroad.

The export of defense services is authorized under a Technical Assistance Agreement (TAA) or Manufacturing License Agreement (MLA). In fiscal year 2006, more than 7,000 agreement applications were received, and their number, value and complexity are growing. In fact, the value of defense services provided in accordance with such agreements is roughly equal to or greater than the value of hardware exports. Almost all agreements are referred to DTSA for national security and technical review. The vast majority are only approved subject to specific conditions on technology release.

Defense service and technical assistance agreement are terms of art that are utilized in Section 38 of the AECA, and the ITAR extends beyond the normal meaning of the words “service” and “assistance.” For example, if a U.S. defense company provides controlled technical data to its foreign supplier so the latter can manufacture a component to certain specifications, the U.S. company is performing a “defense service” for which it will require a “technical assistance agreement” despite the fact that it would seem that it is the foreign company that is providing a “service” or “assistance” to the U.S. company.

Even if there is a government-to-government agreement applicable to the defense service, e.g., a Memorandum of Understanding (MoU) for JSF cooperation, a TAA is still required to cover the activities of the U.S. company. Furthermore, it is necessary for all parties to sign the TAA or MLA, even if the same parties have signed a MoU. This is to ensure that each party, U.S. or foreign, involved in activities covered by the agreement understands and accepts its responsibilities, including the requirement for prior written consent from the DoS for any retransfer or change in end use.

As with government-to-government transfers, licensed commercial defense exports are subject to advance notification to Congress if they exceed a certain value. For NATO, Japan, Australia and New Zealand, the thresholds are \$25 million for major defense equipment (MDE) and \$100 million for all other defense articles and services, and the notification period is fifteen days. For all other countries, the thresholds are \$14 million for MDE and \$50 million for all other exports, and the notification period is 30 days. Small arms exports (USML Category I) over \$1 million must also be notified to Congress, as well as all overseas manufacturing agreements for SME, regardless of value. The AECA allows both houses of Congress to enact a joint resolution prohibiting the export within the 15/30 day notification period.

The median review time for cases handled internally in DTCL (two thirds of total cases) is eighteen calendar days. Review time for the remaining third that are staffed to DoD and other offices in the State Department is about fifty-five calendar days. Denials amount to only about 1 percent of applications, largely due to the fact that Part 126.1 of the ITAR publicly identifies proscribed locations (e.g., Iran, China), so exporters don't bother seeking approvals for such countries. Also, when exporters have questions on whether a prospective transaction might be denied, they often request a non-binding advisory opinion before submitting a license application. In addition to actual denials, however, about 15 percent of applications are returned without action (RWA, essentially a denial without prejudice), usually because some required documentation is missing or because DTCL does not have confidence in some specific aspect of the transaction. Another 30 percent of cases are approved subject to specific conditions or provisos.

Outreach and Automation

In fiscal year 2006, 78 DDTC speakers participated in fifty-eight events around the U.S. and in foreign countries, including Australia and India. DDTC's Response Team handled roughly 25,000 phone inquiries and 8,500 e-mails from the public, which somewhat diminished the demands on the time of licensing and compliance officers. In addition, our IT help line answered about 6,500 requests for information and technical support regarding our expanding paperless Defense Trade Application System (DTAS), of which the D-Trade electronic licensing system is a major part.

DTAS, and in particular two of its components, D-Trade and Trade Registration, Enforcement (T-RECS), and Compliance System) play an essential role for DDTC. Today half of all cases are submitted through D-Trade, which is a fully-electronic system. They are generally completed in half the time it takes for legacy cases, which were either hardcopy or partially electronic. The quality control dimension of D-Trade (improperly documented applications will be automatically rejected by the system) economizes licensing officers' time, as they spend less time correcting applicants' errors. Case tracking and information management is significantly improved. Electronic registration combined with direct deposit of registration fees through PAY.gov is also a major process improvement.

On October 12, 2006, DDTC stopped accepting applications through the legacy (partially electronic) system for three license types (which together account for more than 70 percent of all licenses and agreement applications). DDTC has recently received OMB authority to use three additional D-Trade forms (for the amendment of the other three licensing forms), and we expect to make their use mandatory by February 1, 2007. We expect to make the use of D-Trade available

for all unclassified authorizations, including agreements, during 2007. Our goal is to make D-Trade so attractive that exporters will use fully electronic licensing as a business choice. The impact on timeliness, effectiveness, and efficiency will be huge.

Compliance

Nothing that happens with registration or licensing matters much if the parties to an export do not comply with the applicable law and regulations, as well as the terms of the authorization. The DTCC has a vigorous program to ensure all parties to an export have reason to respect the export process and its regulation. The office works in close cooperation with Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE), which are parts of the Department of Homeland Security (DHS). An officer from ICE is detailed to the staff of DTCC, as is an agent of the Federal Bureau of Investigation (FBI). DTCC works closely with the FBI and the Department of Justice's U.S. Attorneys Offices around the country on criminal prosecutions.

DTCC activities support the licensing process and enforce the law and regulations through criminal and civil enforcement actions. The licensing review process involves a risk assessment of proposed exports and relies to a large part on an evaluation of the reliability of the parties to the transaction. DTCC supports this review by providing intelligence and law enforcement information to licensing officers through the use of a watch list and through the conduct of overseas end-use checks conducted under the Blue Lantern Program.

DTCC maintains a watch list of more than 130,000 foreign and domestic companies and individuals identified from various open and classified sources. All parties on license applications and agreement applications are checked against this watch list. If the name of a party is on the watch list, the licensing officer evaluates the information on the listed party, and the license may be denied. DTCC also coordinates the Blue Lantern end-use monitoring program, a system of overseas pre-license and post-shipment checks usually conducted by U.S. embassy personnel at posts around the world. These end-use checks seek to verify the bona fides of foreign parties or confirm that the conditions of approved license authorizations are being respected (e.g., that the shipper actually delivered the defense article to the intended end-user, or that the foreign recipient has not retransferred the item without U.S. consent). In fiscal year 2006, there were 613 Blue Lantern checks (surpassing the previous record number of 563 in fiscal year 2005), and unfavorable information was identified in over 90 cases.

The Blue Lantern program is an important factor in developing and maintaining our confidence in the recipients of U.S. defense exports. Parties that cooperate with Blue Lantern checks soon establish a track record of reliability, with the result that they are less likely to be the target of such checks in the future. On the other hand, parties that refuse to cooperate or cannot account for previously authorized defense exports raise significant doubts about their reliability, which will constrain future licensing decisions and may result in a company being put on the watch list of suspect parties.

DTCC is also responsible for supporting criminal investigations of violations of the AECA and for initiating administrative enforcement actions under its own authorities. The AECA provides for criminal penalties of up to ten years in prison and \$1 million in fines for each violation. Criminal investigations and prosecutions are the responsibility of the Departments of Homeland Security and Justice. DTCC assists DHS and the Justice Department in their cases, including verifying documents and providing expert testimony in criminal cases. In fiscal year 2006, support for law enforcement agencies that initiated criminal actions pursuant to the AECA and the ITAR resulted in 119 arrests, 92 indictments, and 60 convictions. (Usually, these cases involved efforts to export defense articles or technology to China or Iran.)

In addition to criminal penalties, DTCC can initiate administrative actions for violations of the AECA and the ITAR that do not rise to the level of a criminal case. The AECA provides for civil penalties of up to \$500,000 per violation and debarment from future exports. Over the last few years, the DoS has imposed the largest administrative fines in history for violations of the AECA and ITAR, which includes the following:

- Boeing Company (\$15 million)
- EDO Corporation (\$ 2.5 million)
- General Motors/General Dynamics (\$20 million)
- Goodrich/L3 (\$7 million)
- Hughes Electronics (\$32 million)
- ITT (\$8 million)
- L3 Communications Corporation (\$1.5 million)
- Lockheed-Martin (\$3 million)
- Loral (\$20 million)
- Raytheon (\$25 million)

In fiscal year 2006, civil penalties amounted to \$22 million. The combination of a vigorous civil enforcement program with a dedicated criminal enforcement effort helps support the integrity of the law and regulations and provides a powerful incentive for full compliance by the defense industry.

In addition to supporting criminal and administrative cases for AECA violations, DTCC has several programs to promote and improve industry compliance with the law and regulations. DTCC administers a voluntary disclosure program that encourages industry to self-assess and report violations to the Department. In 2006, DTCC visited twenty-three companies, helping to identify compliance issues or specific problem areas.

Policy

Controlling defense trade is not just a regulatory function but an important element of U.S. foreign policy. The DTCP plays an important role in cross-cutting issues involving defense trade, including sanctions policy. In particular, in recent years DTCP has made significant contributions to space-related export control issues, the opening of a new U.S. defense cooperation relationship with India, and U.S. efforts to persuade the European Union to not lift its arms embargo on China. The office also plays a major coordinating role when the United States imposes an arms embargo on another country (as with Venezuela in August 2006) or removes an existing embargo.

Section 38(f) of the *Arms Export Control Act* requires the following:

The President shall periodically review the items on the USML to determine what items, if any, no longer warrant export controls under this section.

Since 2000, DTCP has organized an interagency review of the USML. In addition, the office is responsible for “commodity jurisdiction” determinations, i.e., decisions whether specific products are appropriately controlled under the ITAR or Commerce’s Export Administration Regulations. In fiscal year 2006, 340 commodity jurisdiction cases were completed.

The Directorate of Defense Trade Controls web site: www.pmdtdc.state.gov has a reference library, including links to the ITAR and USML, lists of debarred parties and embargoed countries, and other useful information.

End-Use Monitoring of Defense Articles and Defense Services Commercial Exports Fiscal Year 2005

This report describes actions taken by the Department of State during the past fiscal year to implement the “Blue Lantern” end-use monitoring program. The Blue Lantern program is established under Section 40A of the *Arms Export Control Act* (AECA) to monitor the end-use of commercially exported defense articles, services, and related technical data subject to licensing under Section 38 of the AECA. The Directorate of Defense Trade Controls, in the Bureau of Political-Military Affairs (PM/DDTC), Department of State, is responsible for administering the *International Traffic in Arms Regulations* (ITAR) that implement the AECA. The Office of Defense Trade Controls Compliance’s (DDTC) functions include the following:

- Registration of manufacturers
- Brokers and exporters
- Licensing of commercial defense trade
- Overseeing compliance with U.S. export regulations
- Supporting U.S. law enforcement agencies in criminal investigations
- Prosecutions of AECA violations
- End-use monitoring of licensed transactions

The Blue Lantern program is managed within PM/DDTC by the Office of Defense Trade Controls Compliance’s Research and Analysis Division (RAD). Blue Lantern end-use monitoring entails pre-license or post-shipment checks undertaken to verify the legitimacy of a transaction and to provide reasonable assurance of the following:

- The recipient is complying with the requirements imposed by the U.S. government with respect to use, transfers
- Security of the defense articles and defense services
- Such articles and services are being used for the purposes for which they are provided

DDTC is currently authorized a full-time complement of seventy-six Department of State (DoS) personnel, which is supplemented by eight military officers, about forty contract personnel, and a DHS/Immigration and Customs Enforcement Special Agent working on defense trade licensing and compliance (including end-use monitoring) efforts. DDTC’s operational budget for fiscal year 2005, in addition to American salaries, was approximately \$8.7 million.

Overseas Monitoring: The Blue Lantern Program

Initiated in September 1990 and written into law under Section 40A of the AECA in 1996 as the U.S. government’s first systematic end-use monitoring program, the Blue Lantern program has strengthened the effectiveness of U.S. export controls and has proven to be a useful instrument.

- Deterring diversions to unauthorized end-users

- Aiding the disruption of illicit supply networks used by governments under U.S. or international restrictions and sanctions and international criminal organizations
- Helping the department to make informed licensing decisions and to ensure compliance with the AECA and the ITAR

End-use checks performed under the Blue Lantern program have significantly encouraged compliance with legal and regulatory requirements and have proven particularly effective in combating the global “gray arms” trade. “Gray arms” refers to the use of fraudulent export documentation to acquire defense articles through legitimate channels for re-transfer to unauthorized end-users. U.S. embassy personnel, or, in some instances, DDTC personnel, conduct Blue Lantern end-use checks overseas to verify the bona fides of unfamiliar foreign companies, to ensure delivery of licensed *United States Munitions List* (USML) commodities to proper end-users, and to determine compliance with DDTC licensed agreements such as Technical Assistance Agreements and Distribution Agreements.

Last year, DDTC received and reviewed over 65,000 license applications and other export requests, most of them routine and legitimate. A small percentage of cases, however, may be subject to unauthorized or illicit activity. Blue Lantern checks are not conducted randomly, but are rather the result of a careful selection process to identify transactions that appear most at risk for diversion or misuse. License applications and other requests undergo review by licensing and compliance officers, who check case details against established criteria for determining potential risks: unfamiliar foreign parties, unusual routing, overseas destinations with a history of illicit activity or weak export and customs controls, commodities not known to be in the inventory of the host country’s armed forces and other indicators of concern. The information derived from Blue Lantern checks help DDTC licensing officers and compliance specialists to assess risks associated with the export of certain defense articles to various countries and regions, and provides significant insight into the reliability of companies and individuals involved in defense procurement overseas.¹

Blue Lantern End-Use Checks in fiscal year 2005

In fiscal year 2005, DDTC initiated 562 end-use checks, a record number in the history of the program. Five hundred and five Blue Lantern cases were closed in fiscal year 2005, with 80 designated as unfavorable. A regional breakdown of the 562 checks initiated in 2005 follows in Figure 1. Compared to fiscal year 2004, numbers of checks in Europe, the Near East and East Asia increased slightly, and Africa, the Americas, and South Asia declined. The

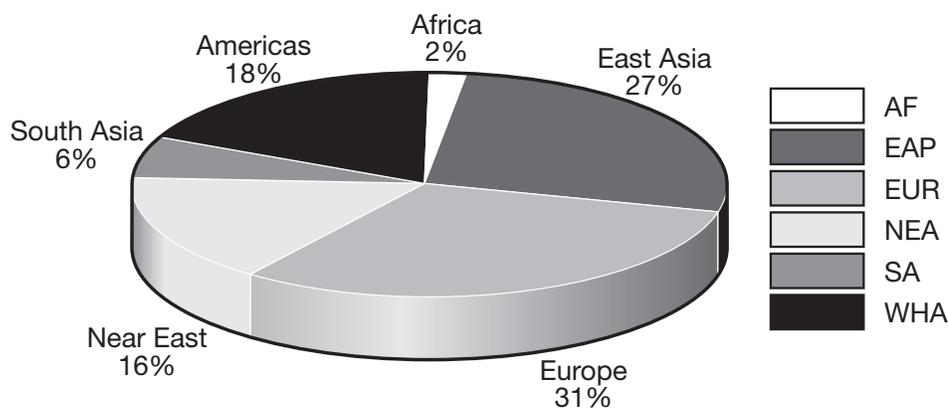


Figure 1. Blue Lantern Checks Initiated in Fiscal Year 2005 by Region

1. Because Blue Lantern checks are selected based on potential risk and not a random sampling across all DDTC licenses, data on unfavorable checks should not be regarded as basis for statistically rigorous quantitative analysis.

Americas declined most significantly, from 23 percent in fiscal year 2004 to 18 percent in fiscal year 2005.

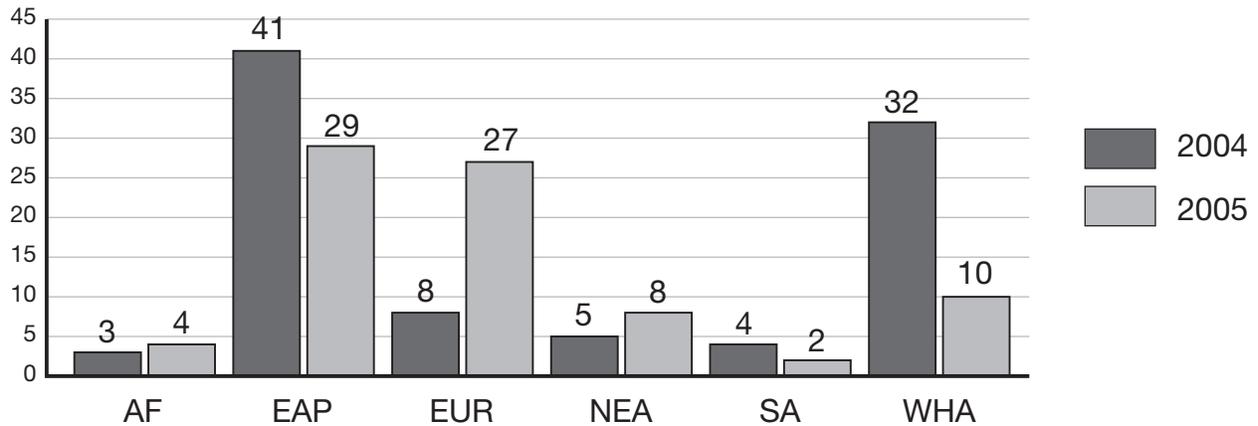


Figure 2. Unfavorable Blue Lanterns by Region Total Numbers 2004-2005.

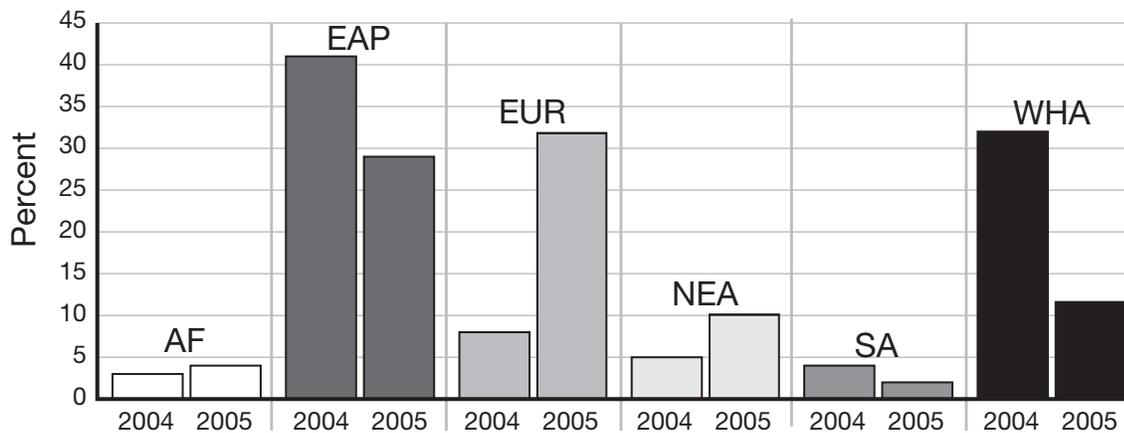


Figure 3. Unfavorable Blue Lanterns by Region Percentage of Total 2004-2005.

Analysis of Unfavorable Checks by Region

Several significant changes were observed in the global distribution of unfavorable checks closed in fiscal year 2005. Europe, which had declined as a locale of unfavorable checks in fiscal year 2004, shot up from 9 percent to 34 percent in fiscal year 2005. East Asia again led all regions for the highest percentage of unfavorable checks at 36 percent, but actually declined from 45 percent in fiscal year 2004. A major drop in unfavorable cases was registered in the Americas from 34 percent in fiscal year 2004 to 12.5 percent in fiscal year 2005.

Analysis of Unfavorable Checks by Commodity

The top six commodity groups for Blue Lantern checks were: Aircraft spare parts; helicopters/spare parts; electronics and communications; firearms/ammunition; night vision devices; and missile spare parts. Overall, unfavorable cases were more evenly distributed across different commodities than last year, and numbers of unfavorable cases for aviation spares, electronics and communications and firearms and ammunition all dropped significantly compared to fiscal year 2004. Other commodities

that were the subject of unfavorable Blue Lantern checks included satellite spare parts, inertial navigations systems, oscillators, military computer components, tank components/spares, riot control chemicals, and parachutes.

- The commodity group with the highest number of unfavorable checks was electronics and communications twelve unfavorables out of 72 total checks.
- The commodity group with the highest percentage of unfavorable checks was missile spare parts four out of fourteen see Figure 4.

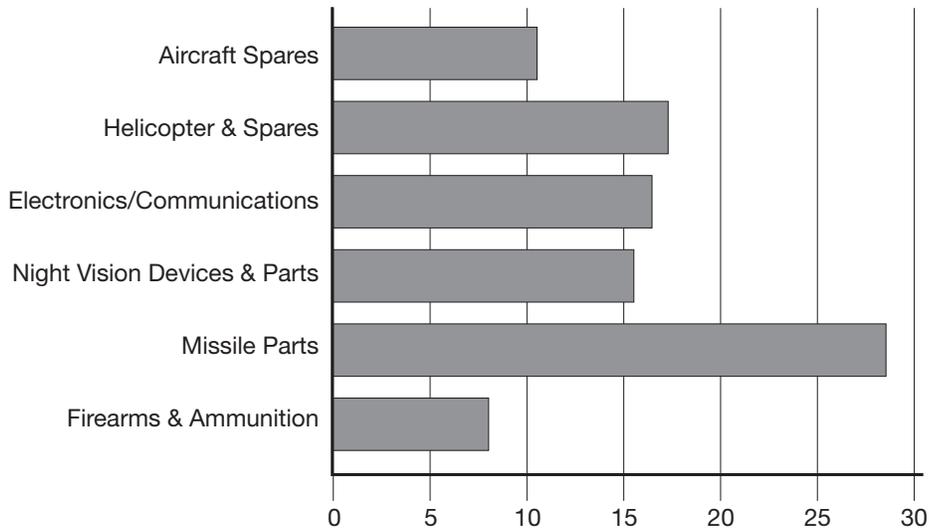


Figure 4. Percentage of Checks Within Leading Commodities Closed Unfavorably in Fiscal Year 2005.

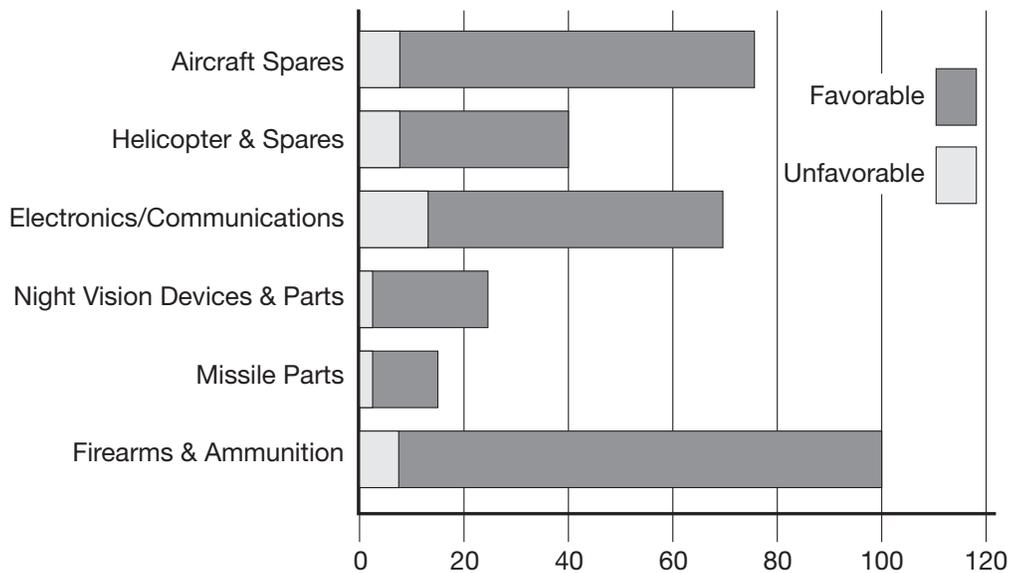


Figure 5. Favorable and Unfavorable Blue Lantern Checks on Leading Commodities in Fiscal Year 2005.

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- By comparison, 100 firearms and ammunition cases were closed in fiscal year 2005 but only eight were found unfavorable.

A chart comparing Blue Lantern cases closed favorably versus unfavorably by commodity group can be found in Figure 5.

Reasons for Unfavorable Checks in Fiscal Year 2005

- In 45 percent of the unfavorable cases closed in 2005, the end-use or end-user could not be confirmed or justified during the Blue Lantern check.
- In 10 percent of cases, a foreign end-user reported that they had not ordered the items on the license indicating possible intent on the part of the exporter or other parties to violate the ITAR and AECA.
- In an additional 10 percent, there was clear-cut evidence of illicit diversion or unauthorized re-export of the items.
- In 9 percent of cases, parties to the license could not be contacted or located.
- In 6 percent, the check revealed derogatory information about one or more parties; also in 6 percent of cases, the foreign end-user was judged by the Blue Lantern case officer to be an unreliable recipient of USML.
- Six percent of cases were closed unfavorably because one or more parties refused to cooperate with the Blue Lantern inquiry.

Blue Lantern Case Studies Fiscal Year 2005

The following examples illustrate the effectiveness of the Blue Lantern Program in fiscal year 2005. In cases where derogatory information was sufficient, investigative leads were passed on to law enforcement or intelligence authorities:

- A post-shipment check of Global Positioning Systems/Inertial Navigation Systems (GPS/INS) to a company in the Persian Gulf region revealed that some of the items had been illegally re-exported to a third country. In cooperation with the host government, the company's owner was detained, remaining GPS/INS units were seized, and the Department of Homeland Security's Bureau of Immigration and Customs Enforcement (ICE) obtained a warrant for the arrest of the company's owner for AECA violations.
- A pre-license check on satellite components sought to determine the bona fides of an end-user identified as a university professor in an East Asian country. The Blue Lantern check found no record of the individual on the rolls of the university's faculty, or any evidence of any other association with the university. It also determined that the university specialized in medical education and had no satellite-related programs of any kind. The license application was denied.
- A pre-license check on helicopter spare parts to the armed forces of a country in Southeast Asia revealed that the officer who signed the end-use certificate was no longer in the military and instead was working for a private foreign company. The foreign company employing the former officer was believed to be operating on behalf of another foreign company with a long record of illicit gray arms activities. The license application was denied, and all parties were placed on the DDTC watch list.

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- Another pre-license check in a Persian Gulf country revealed an end-user that had no record of ordering the commodity (oscillators) on the license application. A subsequent check by the U.S. embassy on the foreign intermediate consignee in the transaction revealed that the company had no known address and no working contact number. The license application was denied and the foreign intermediate consignee was placed on the DDTC watch list.
 - A pre-license check on an application for 300 handguns to a private company in Latin America confirmed the legitimacy of the private company. Upon review of the proposed transaction, however, the host government determined that the number of guns was excessive given the high incidence of lost and stolen firearms involved in a recent surge in violent crime. The quantity of guns on the license was subsequently reduced.
 - A pre-license check on ITAR-controlled military computer components destined for a former Soviet republic determined that the components would be used in a nuclear power plant rather than for meteorological measurement as stated on the license application. The foreign end-user was placed on the watch list and the license was denied.
 - A Blue Lantern check on a temporary export of coastal defense equipment to an East Asian country confirmed that the foreign consignee was continuing to hold the equipment (in violation of the terms of the original license) and refusing to return it to the U.S.
 - A post-shipment check on 305 smoke pistols (for riot control) ordered by a police department in a West African nation could not confirm delivery of the pistols to the end-user. As a result of the Blue Lantern, the foreign intermediate consignee was suspected of diversion and placed on the watch list. Future license requests for the foreign government in question will be subjected to extra scrutiny and any approval will require post-shipment verification to the U.S. government.

Targeting: Efforts to Continue Improvements in Blue Lantern Selection Process

Due to reports of illicit diversion of night vision devices (NVDs), DDTC has initiated an increasing number of Blue Lantern checks for NVDs and related equipment. During fiscal year 2005, DDTC closed twenty-six cases involving NVDs and related components; four of these cases were designated unfavorable. Significantly higher numbers of checks on NVDs are anticipated in 2006. DTCC and RAD compliance specialists continue to refine and improve a knowledge base derived from licensing data, past Blue Lantern checks, and external both classified and unclassified sources to better guide Blue Lantern targeting by commodity and region.

Greater Coordination with Intelligence Community

The U.S. intelligence community (IC) is a critical resource in support of an effective and secure U.S. defense trade licensing regime. DDTC requires IC support to help understand international “gray arms” trends, information about foreign corrupt practices, individuals and companies believed to be involved in illicit arms trafficking, and information about ITAR-controlled commodities sought by embargoed states, terrorist organizations and criminals. DTCC/RAD has sought to deepen contacts and increase information exchanges with the IC during the past year. DTCC/RAD will continue the effort to establish collection and analysis requirements for defense trade intelligence during 2006.

Working with Our Diplomatic Partners in the Western Hemisphere

By

Ambassador John F. Maisto

United States Permanent Representative to the Organization of American States

[The following are excerpts of the remarks presented to the Institute for National Strategic Studies at the National Defense University, Washington, D.C., December 1, 2006.]

Thank you for allowing me to join you today to share with you my experiences and perspectives on the subject of “Working with our Democratic Partners in the Western Hemisphere.” In the area of security, the Hemisphere over the past several years has undergone an active and intense period of transformation that I am excited to share with you.

This year, approximately 89,000 students from our Hemisphere will come to study at American universities. People throughout the region will take about 66 million flights to visit one another, both for business and for pleasure. And, in just one year, hard-working men and women here in the United States will send more than \$40 billion in remittances to their friends and families across the Americas. The peoples of the Americas are united by ties of language, of culture, and mostly importantly, by our common aspirations, which are perhaps best expressed in the founding charter of the Organization of American States (OAS). The Charter states the following:

The historic mission of America is to offer man a land of liberty and a favorable environment for the development of his personality and the realization of his just aspirations.

This is the fundamental cornerstone that must be defended for the benefit of all of the citizens of the Americas.

Just as we are addressing the challenges of democracy and prosperity in the Hemisphere, a broadening regional security agenda is demanding collective action by all the states of the Hemisphere as it should be. The dangers of the Cold War have now faded. New and prominent threats in the Hemisphere have emerged, requiring coordinated, cooperative, and multilateral responses.

Our collective response to transnational threats such as to bind the states of the Western Hemisphere together.

- Terrorism
- Criminal gangs
- Cross-border criminal networks
- Trafficking in persons
- Arms and drugs

Together as neighbors and allies around the new, central security issue - no longer an issue of state-to-state or military-to-military security, it is really how you face non-traditional threats how to:

- Address organized crime
- Address terrorist

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- Address gangs
 - Address natural disasters and pandemics

Our leaders understand this and have addressed these concepts. As Assistant Secretary of State for Western Hemisphere Affairs, Thomas Shannon recently stated:

It was a clearly laid out marching order to foreign ministers, defense ministers, and ministerial staffs throughout the Hemisphere to take this common agenda, to take a consensus built around democracy and prosperity and to begin to make it real.

What then is the new security mission, the new challenge?

The new challenge, simply put, is to make find ways to ensure that the nations of this Hemisphere will be democratic, that they will have the institutions, tools and resources to be prosperous, that they will be able to provide their citizens with the capacity and the ability to take advantage of economic opportunity and that they be able to ensure a secure environment in which their citizens can go about their daily lives, and that their societies can go about their economic business, i.e., to make a living and have equality of opportunity, in a climate free of fear.

For us to be able to successfully pursue this security agenda, regional cooperation and collaboration are essential. I am pleased to report not only do the seeds of that cooperation and collaboration exist in the Western Hemisphere, but they have taken root firmly and begun to grow over the past several years in the Hemisphere and at the OAS.

The Western Hemisphere stands apart from the rest of the world with its impressive array of security mechanisms, sub-regional arrangements, and agreements, including the OAS Charter and Rio Treaty that have all evolved and adapted to the changing security realities in the Americas over time.

The Hemisphere's experience since the tragic terrorist events of September 11, 2001 has demonstrated the ability of the Western Hemisphere's security architecture to respond to the changing security needs in the region.

In 2003, at the Special Conference on Security held in Mexico City, the governments of the Western Hemisphere resolved to strengthen and revitalize its security institutions, recognizing that traditional notions of defense and security have evolved into a multidimensional concept with various military, political, economic, social, and geographic components. In Mexico City, the Western Hemisphere gathered together to consider the threats, concerns and challenges to security in the Western Hemisphere and the common approach we shall take to address the threats of the 21st century.

The "Declaration on Security in the Americas" agreed upon in Mexico City complemented the already dynamic security architecture in the Western Hemisphere. It provides a practical guide for resolving interstate border tensions, lowering pressure for arms spending, promoting democratic norms, and fostering a climate of confidence, trust, transparency, and cooperation in the Hemisphere. The Declaration also offers a practical action plan to address the danger posed by disruptions to democracy, the proliferation of weapons of mass destruction, terrorism, transnational organized crime, illicit arms trafficking, narcotrafficking, money laundering, natural disasters, health concerns, and poverty.

Recognizing that the international and regional system has changed substantially, the Western Hemisphere has redefined the collective goals of the nations in the Hemisphere. A genuinely stable and

secure environment cannot be created by solving our national defense problems alone. For example, we recognize that threats to our security can stem from conflicts within states as well as from conflicts between states. As new threats and security challenges have evolved and emerged, the states of the Americas have stepped up to meet them.

Obsolete or surplus small arms are an increasing threat to public safety in the region. The 2006 OAS General Assembly unanimously adopted a U.S. proposal to create a new fund to assist countries with collecting, managing and destroying stockpiles of small arms. An initial U.S. contribution of \$50,000 is being used to leverage further support from other donors for programs in Central America.

Landmines pose a threat to people's safety, as well as to economic prosperity. The United States pledged \$1.5 million to OAS humanitarian de-mining programs in 2006. In addition to landmine removal in Central and South America, the OAS, with strong U.S. support, has assisted more than 900 landmine victims, principally in Nicaragua, with medical treatment, prostheses, counseling, and vocational training, among other support.

In 1995, the OAS pursuant to a U.S. proposal created a Permanent Committee of the OAS dedicated to fostering hemispheric security. Since its creation, the Committee on Hemispheric Security has focused on a myriad of issues ranging from traditional security concerns to new and emerging threats such as natural disasters. As a result, the OAS has built an impressive record of achievement on matters of security to the Hemisphere. Over 150 resolutions on regional arms control, terrorism, transnational organized crime, illicit trafficking in persons, arms, and drugs, humanitarian de-mining, nonproliferation of weapons of mass destruction, confidence and security building measures (CSBMs) and other aspects of defense and security policy have been adopted by consensus. In addition, the specialized committees and commissions of the OAS have been successful in fostering multilateral cooperation to address the many of these transnational threats that confront us. Today, ongoing work is transpiring on trafficking in persons, confidence and security building measures, transnational organized crime, natural disasters, preparing for and responding to pandemics, such as avian influenza.

In addition, the Inter-American community has authored three Inter-American Conventions concerning illicit trafficking in firearms, transparency, and terrorism. These conventions are on their way to becoming universal standards for the Hemisphere. By actions and deeds, not mere words, the OAS body of work defines hemispheric security cooperation, as we know it today.

The OAS has as well served as the catalyst for hemispheric cooperation and a broader "inter-American system of hemispheric security," which now includes the Pan American Health Organization, the Inter-American Development Bank, the Inter-American Institute for Cooperation on Agriculture, the Inter-American Defense Board, and meetings such as the Defense Ministerial of the Americas and Conferences of the American Armed Forces.

Because today's security concerns encompass far more than just internal and external military conflicts, the region has taken specific steps to address these threats in the region. In the war against terrorism, the Inter-American Committee Against Terrorism (CICTE) was established in October 1999 to coordinate Member States' activities against terrorism, including special training and facilitating exchanges of information. The terrorist attacks of September 11, 2001 have driven hemispheric actions to address terrorism in a comprehensive manner. CICTE, meeting annually, has worked diligently at strengthening inter-American cooperation to prevent, combat, and eliminate terrorism in the Hemisphere.

Created in 1999 and reinvigorated after the September 11, 2001 attacks, CICTE is a model for regional cooperation on counterterrorism matters, according to the United Nations. With an ongoing

emphasis on airport, seaport, border and cyber-security, CICTE is currently active in helping smaller Caribbean nations bolster security for the 2007 Cricket World Cup. The United States has provided \$250,000 for CICTE operational activities, and \$1.2 million to CICTE overall for Cricket World Cup preparations.

Moreover, the OAS adopted at the June 2002 General Assembly in Barbados an Inter-American Convention Against Terrorism that expands our legal obligations to work together to both prevent and respond to terrorism. (Notice the time frame here: Terrorist attacks occur on September 11, 2001 and less than nine months later, the OAS is ready with a convention. This rapid response by the OAS was unequaled by any other international organization.) Today over twelve states, including the US, are states parties to the Convention. CICTE's activities, along with the Inter-American Convention Against Terrorism, constitute a strong institutional base for the hemispheric fight against terrorism.

In the fight against illegal narcotics, OAS member states have developed a drug abuse control program (CICAD), launched in 1987 which has developed model legislation and fostered cooperation across the broad range of narcotics issues. CICAD is the leading drug control entity within the Western Hemisphere.

The United States works with CICAD to build multilateral support to strengthen efforts against the consumption, production, and trafficking of illegal drugs. To date the United States has provided more than \$30 million - including \$4.1 million in 2006 - to support and enhance on-going anti-drug programs in the Hemisphere.

In 1996, the OAS negotiated the Anti-Drug Strategy for the Hemisphere, providing the policy context for the multilateral evaluation mechanism. Through this evaluation mechanism, OAS Member States designate government experts to produce evaluation reports on individual countries based on those countries responses to questions aimed at fifty-one indicators.

This evaluation process identifies the strengths, weaknesses, progress, and setbacks in each member state and of the hemisphere, in order to help orientate policies and programs to confront more effectively the drug problem. It aims to assist countries in generating internal support to fight the drug problem and stimulating change and development of the systems in drug control. It also offers countries the opportunity to request technical or financial assistance and training to implement assigned recommendations. Fifty-five such projects throughout the hemisphere have already been supported under the mutual evaluation mechanism. CICAD has also fostered work on tackling the illicit trafficking of arms associated with drug trafficking by generating model legislation.

In the effort to prepare for and respond to natural disasters, the OAS created the Inter-American Committee on Natural Disaster Reduction to mitigate or prevent the effects of natural calamities that befall the Americas. This mechanism has assisted in identifying and preventing problems dealing with preparedness. It will also take hemispheric action to respond to natural disasters. Just last June, the 36th OAS General Assembly strengthened this body and its approach to natural disasters.

In the campaign to strengthen democracy and the rule of law, the OAS has worked to support democratic institutions and governments, developing election observation missions and assisting member states in political reconciliation. In 1997, the Washington Protocol took effect, amending the OAS Charter to permit, as a last resort, the suspension of a member state whose democratically constituted government is overthrown by force. On September 11, 2001, the OAS further strengthened democracy by the historic adoption of the Inter-American Democratic Charter, which commits us to defend and promote democracy through preventive measures to head-off ruptures in the democratic or constitutional order.

Acting under the Inter-American Democratic Charter, or in the spirit of the Charter, the OAS is helping those member states where democratic practices or institutions are challenged, including Bolivia, Colombia, Ecuador, Guyana, Haiti, Nicaragua, and Venezuela.

Of particular note was the OAS' important role in Haiti, including voter registration and distribution of over 3.4 million ID cards that was so essential for that country to make the transition to a functioning democracy and the elections last February.

After Ecuador's change of government in April 2005, at the invitation of the government of Ecuador, the OAS sent a series of high-level missions, from legal experts to assist Congress on the issue of selecting a new Supreme Court to the Secretary General himself. And just last Sunday, the OAS mounted an effective electoral observation mission for the run-off election in which the people of Ecuador elected a new president.

The OAS has also been heavily engaged in Nicaragua for quite some time, helping to foster dialogue and help safeguard democracy, and mounted a sizeable mission to observe the recent presidential election in which Nicaraguans exercised their hard earned right to democracy.

In Bolivia, throughout the past year of crises, the OAS and its missions have consistently urged that country's government forward on the path of stable, constitutional democracy and respect for the rule of law.

The OAS also plays a critical role in Colombia through its mission on the ground for demobilization of illegal armed groups, which is helping the Colombian government work to achieve a transparent, internationally-monitored peace process.

In Venezuela, the OAS has made a commitment to help maintain democratic institutions. This included an electoral observation mission for the December 2005 legislative elections, and will now also observe the presidential election on December 2005. Has Venezuela's political polarization faded away due to these OAS efforts? Certainly not. Political tensions still fester, human rights concerns still abound, and the increasing concentration and exercise of power by the duly-elected Executive branch remains worrisome. But OAS member states remain engaged and the Inter-American Human Rights Commission remains vigilant.

Finally, economic development and prosperity are important underpinnings of democracy and security in the region. A great challenge facing the world today is how to raise the living standards of the world's poor and integrate them into the global economic system.

The Summit of the Americas has identified this challenge and our Governments' have concluded that the primary engines for economic advancement are trade, foreign investment, and a healthy private sector. We can all agree that our security depends on the pillars of democracy, prosperity and the ability to bolster peace and security.

Let me end with a quote:

The new situation in the world makes more imperative than ever the union and solidarity of the American peoples, for the defense of their rights and the maintenance of international peace.

When this was collectively proclaimed by the states of the Western Hemisphere in 1945, no one could have predicted the prophetic nature of their wisdom.

This bold assertion was the product of the Inter-American Conference on Problems of War and Peace, held in Mexico City, and is just as relevant today as it was then, as it describes the new and dynamic security environment with which we are confronted in the 21st century.

I firmly believe that the growing interdependence across the Hemisphere, at least in the security realm, will continue to require hemispheric cooperation and provides the basis for more collaborative policies in other areas.

Building Blocks for Colombia

By

R. Nicholas Burns

Under Secretary of State for Political Affairs

[The following are excerpts of the speech delivered to the Council of the Americas, Washington, D.C., November 20, 2006.]

As we approach 2007, the U.S. intends to make the goal of invigorating ties with Latin America as a major priority. You will see the U.S. focus intensively on our agenda of promoting democracy, advancing free trade, and advancing poverty alleviation and social justice.

We believe trends in the region favor these aims. We have seen a series of elections in 2006, with Latin American voters largely rejecting Chavez' brand of radical and irresponsible populism. Instead, in elections in Chile, Brazil, Peru, Colombia, Mexico, Haiti, and Costa Rica, voters chose responsible left-of-center or centrists governments, affirming the democratic vocation of the Americas.

The stage is set for a period of good, productive, harmonious U.S. ties with Latin America – a situation that defies the conventional wisdom of earlier this year. As we look forward to 2007 we will focus on:

- Finalizing free trade agreements with Colombia, Peru and Panama
- Extending the *Andean Trade Preference Act*
- Helping Latin countries fight the down sides of globalization
 - Narco-trafficking
 - Terrorism
 - Global climate change
 - International crime
 - Trafficking in women and children
 - Poverty alleviation

In this context, Colombia is one of our most important partners and one of the region's success stories. No country in the region is more important to or a better friend to the U.S. than Colombia. The U.S. seeks to build on this strong partnership with Colombia, as evidenced by my visit in October 2006 along with a delegation of fifteen representatives from six U.S. government agencies, and President Uribe's trip to Washington. My recent trip to Colombia was my second since my appointment in 2006 as Under Secretary for Political Affairs.

Colombia presents some of the region's toughest challenges and exemplifies how intimately regional events affect us at home. Roughly 90 percent of the cocaine and slightly over 50 percent of the heroin consumed in the United States come from Colombia. In 2003, illegal drugs from Colombia and other countries killed more than 28,000 Americans.

Colombia's narcotics trade fuels a violent conflict that has created the second largest population of internally displaced persons in the world. Narco-dollars finance the operation of an estimated 30,000

terrorists, and have given the Revolutionary Armed Forces of Colombia (FARC) an international reach.

The repercussions have spread far beyond Colombia's borders, affecting virtually every aspect of life in the region, including security, economic and social conditions, and the environment. So, challenges remain for Colombians to take back their country. The U.S. needs to support President Uribe and the people of Colombia to do just that.

The Success Story

The success of Plan Colombia is real and measurable. Plan Colombia has helped Colombia fight the following:

- Narcotics trafficking
- Terrorism
- Transnational crime
- Promote economic and social development
- Assist conflict victims
- Strengthen democratic institutions including human rights mechanisms and the justice system
- Begin a process to demobilize and reintegrate illegal armed groups

Plan Colombia is a bi-partisan success story. When it was first developed in 1999 by President Andres Pastrana, it was supported first by President Clinton, and that support continues with President Bush. From 2001-2005, seizures of cocaine bound for the United States increased by two thirds, even as Colombia's cocaine production declined 22 percent. Over 450 criminals, most involved in narcotics trafficking, have been extradited to the United States for prosecution.

A majority of Colombians will tell you their quality of life has improved substantially in just a few years. With our help, President Uribe has reduced kidnappings by 72 percent, terror attacks by 63 percent and homicides by 37 percent since taking office. We offer our support to the government of Colombia in its efforts to secure its people against this threat. Since President Uribe took office, more than 31,000 members of paramilitary groups have been demobilized. The Colombian government, with our support, is now beginning the difficult process of prosecuting paramilitary leaders, recovering assets to use as reparations for victims, and reintegrating into society those not charged with serious crimes.

The private sector is an indispensable partner in this effort. On November 6, 2006 Secretary Rice recognized one of many fine examples of public and private partnership by honoring General Motors with an Award for Corporate Excellence for its work in reintegrating demobilized ex-militants. The United States and Colombia are also working with our hemispheric neighbors through the Organization of American States to build the foundation of a humanitarian mine action program, with risk education and assistance to victims increasing significantly over the next two years. These are all significant achievements, but we need to do more, particularly in terms of promoting human rights and seeking justice for war victims. But, there are problems and challenges that still need to be overcome by the Colombian government.

First, is human rights. When I was in Colombia last month, I discussed the human rights situation with President Uribe and members of his cabinet, with several non-governmental organizations, and with a number of leaders from Colombia's civil society. We agreed that there has been significant progress in the human rights situation over the last five to six years, but that significant room for improvement remains. If you look at the figures of abductions of Colombian citizens, of killings of Colombian citizens, and other human rights violations, there has been a dramatic reduction in the level of violence.

A recent Gallop Poll shows that 70 percent of Colombians believe their government respects their human rights. Only two percent of new violations of human rights are reported to be committed by security forces, a sharp reduction from the situation several years ago. U.S. assistance is provided only to those units fully screened for involvement in human rights violations. In fiscal year 2005 we spent \$5.6 million in helping Colombia strengthen human rights protections and our largest human rights effort in the world.

However, the government can and must do better to punish those in the military convicted of extra-judicial killings. Cases involving human rights abuses languish in the justice system, and impunity for human rights violators remains a serious problem that sorely needs to be addressed.

Second, serious questions about the implementation of the Justice and Peace Law (JPL) remain. The JPL implementing decree was published in September tracks closely with the Constitutional Court decision. It is imperative that this law now be strictly implemented to ensure that captured paramilitaries are held accountable for their actions. A shortage of prosecutors is making it difficult for the Colombian government to move forward on cases against demobilized paramilitaries. However, it is important to keep up momentum on implementation of the law and to hold paramilitaries accountable for their actions. Although challenges remain, the improved security situation has encouraged new economic opportunities for the people of Colombia.

Since 2000, the United States has provided alternative development assistance to more than 81,000 small farmers, resulting in the cultivation of over 100,000 hectares of new crops and over 1,100 small infrastructure projects, such as schools, roads, and bridges that have been completed in communities participating in the program. Of course, as Colombians agree, assistance is not a sustainable, permanent solution to Colombia's development challenges; new jobs and rising incomes are.

Our Free Trade Agreement will be signed on November 22, 2006. We hope Congress will approve it in 2007. The agreement will usher in a new era of economic growth and investment as well as a strengthened trading relationship between the United States and Colombia and other countries in the region. Over the past fifteen years the United States has put in place free trade agreements with our priority partners in this hemisphere. They have had a tremendously positive effect on our economic ties with Canada, with Mexico, and with other countries. And we are sure it will as well with Colombia.

Conclusion

Our governments have made a commitment to develop a plan for continued collaboration, building on the progress of Plan Colombia. To secure and advance this progress, it is imperative that the United States reaffirm its political and financial support for Colombia. This will entail a continuation of the assistance that the United States has offered to Colombia since 2000 to combat narcotics and terrorism, strengthen the judicial system and democratic institutions, protect human rights, stimulate economic growth, and improve its military and security capabilities.

This will also entail our efforts to secure Congressional approval for the Free Trade Agreement which we will sign on November 22, 2006. For its part, Colombia is pursuing ways to increase its financial contribution by assuming a greater participative role in our bilateral programs with human resources and expertise. A growing partnership with Colombia is our best investment towards our shared vision of a stable Latin America and a strong hemisphere.

Remarks Presented to the Council of Americas

By

Thomas Shannon

Assistant Secretary of State for Western Hemisphere Affairs

[The following are excerpts of the remarks presented to the Council of Americas, New York, New York, December 12, 2006.]

The theme of the conference is about as important and topical as you can get because this has been an incredible year in terms of elections. I lost count somewhere in the course of the year, but I think we have had something like thirteen presidential and head of government elections. And when you count legislative elections or parliamentary elections, I believe that number bumps up to sixteen. I think the last election, in Saint Lucia, is taking place this week.

So we are closing a cycle which is really amazing. Nearly half of the democracies in the region have had some kind of important election. And as we begin the new year, we're going to be looking across a hemisphere with a new and distinct leadership structure, and this, offers us a great opportunity to engage afresh with new governments and new legislatures and to carry on work which is vitally important for the United States but also vitally important for the Americas.

I thought I would discuss three themes today. First, to take a look at the elections, how we view them, how we see the outcomes, and then talk about what we think it means for us. As I just indicated, what I think it means for us is that we have a great opportunity to engage with new governments and reengage with partners that we've already been working with to advance not only our agenda as the United States in the region, but also an agenda that is a common one, and largely shared by the 34 democracies in the Western Hemisphere.

I want to close by talking about the spirit of pan-Americanism and seeing if we can interpret and understand not only events in the hemisphere but also our engagement in the hemisphere as a way to reinforce a spirit of pan-Americanism that I think is absolutely essential to the future and the well-being of the hemisphere. In regard to 2006 there are profound expectations about what democracy can deliver. An abiding belief that for democracy to be successful it has to have social content. In other words, democratic government has to deliver the goods. It has to show that it is capable of facing up to the social agenda that this region faces, especially in terms of battling poverty, battling inequality and battling social exclusion. I think to a certain extent what we have seen in the region is a race to the electorate by leaders and by political parties, and the winners in each of these elections are those politicians who get to the electorate first. It is no coincidence that all politicians, whether they are the right, or the center, or the left, have a social agenda today. In fact, I was just in Central America and had the opportunity to go to El Salvador, Nicaragua and Panama.

In El Salvador, in a conversation I had with President Tony Saca, he talked about the importance of a social agenda, and about the importance of right-of-center politicians making sure that they had a strong social agenda and couldn't be outdone by the political parties. The success or failure of political leaders, the success or failure of political parties, and the growth of left-of-center politics or right-of-center politics in the individual countries is going to be determined by results. It is going to be determined by which leader shows that they can reform the state, inflame the bureaucracy and identify the resources and the polity tools necessary to address the huge social agenda the region faces.

In this regard not only do we have now an electorate which has been coalescing around a center which is really committed to democracy, but to a certain degree, with a few exceptions, (is) committed to finding some kind of national political consensus and avoiding social confrontation and conflict. I also think that in the elites there is now an understanding that they need to make a new offer; that they understand that the well-being of their countries, the well-being of their economies, and their own well-being depends on a new social compact in the Americas. To a certain extent, both electorates and elites are looking for political leaders who can articulate this moment and who can find the political tools to link voters and elites in a common national project.

This is an amazing moment and a hopeful one, and one which, if we engage intelligently and in common, not by ourselves but in common with our partners in the region, we can have a significant impact. And this leads me to the second theme, which is what this year of election means for the United States. From my own point of view and those of my principals at the Department of State, having worked through this year of elections we're now looking at what we will call a year of engagement. Under Secretary for Political Affairs Nicholas Burns talked a bit about this in Washington several weeks ago at a Council of the Americas event in which he underscored that now that we're going to have this new cadre of leadership throughout the region, now is the time to engage afresh with this group but reengage with our existing partners in the region and really begin to focus on how we can play a meaningful role in helping these governments be successful.

I believe that if you look at what happened in the voting, with a couple exceptions, for the most part there's a recognition among electorates, among elites and among political leadership that a good relationship with the United States is important. It is important for governments to have the tools, the market access, and the assistance in multilateral development banks and other institutions to be successful. It is important that they have access to the resources necessary to meet the tremendous social agenda that they face.

This is incredibly positive because it gives us a space to engage. It also underscores something that we've been talking a lot about, which is partnership in the region and the necessity of working with others on a common agenda; again, not an agenda that is wholly our own but an agenda that is seen and understood by all partners as a shared agenda. There might be one or two exceptions to this understanding and I am happy to talk about them later. The most obvious one is Venezuela. This is something we are working on. As we reach out in the region and as we build partnerships, what we are going focus on is our willingness to work with anybody who wants to work with us. Because at the end of the day, as Secretary of State Condoleezza Rice has noted, from our point of view, whether you are left, right or center is immaterial; what matters is whether or not you're committed to democracy, whether you are committed to the kinds of economic reforms necessary to create prosperity, and more importantly whether you are committed to investing in your own people and creating the capacity necessary to take advantage of economic opportunity. In this sense we really have to a significant degree, washed the rhetoric and the ideology out of our diplomacy. We really are at a point in which we are engaging directly in the region face-to-face in a very clear-eyed fashion for the first time in a long time. Through multilateral processes, through the Summit of the Americas process, through the Organization of American States and the different components of the inter-American system, we really have constructed, we believe, the framework for a common agenda. That all indicates our continued engagement and good intentions.

But one thing we have learned over the last several years is that as we deepen our engagement in the region we have to communicate better. Communication is a two-way street obviously and we can improve our communication, but if people are not prepared to receive it, they will not receive it. We feel that we have worked hard to prepare the terrain and we think in the results of these elections we detect a receptiveness to our message, and so now we have to focus on what that message is.

In this regard, as we communicate in the region, we need to make clear to people or to explain to people, how our actions affect the daily lives of people in the hemisphere, and how it really does help them get a better job, how it really does improve educational opportunities for their children, how it really does enhance health care, how it really does have an impact on personal security and the security of their democratic institutions. We believe that our assistance in the region, our political engagement in the region and the way we work with people on policy issues does have that impact. We are looking for political leaders to be those connectors. We need to find ways in our dialogue in the region to use existing institutions and help. I think we will. When Secretary of State went to Santiago for the inauguration of President Bachelet, had an opportunity to speak to lots of heads of state in the region. She asked Karen Hughes and I to go to Brazil and then slowly to work our way north and talk to political leaders, talk to opinion makers, talk to university students and businessmen to get a better feel and understanding for how the region understands us, how it understands our message.

And following that trip, it became evident to us that our message wasn't getting through and so we've been working hard to give a new vocabulary to our message and to find new ways to underscore what it is we're doing in the region. But more importantly, and I think this is a really crucial point, ultimately our bilateral relationships in the region are a very pale reflection of the relationships between societies and relationships between markets and private sectors and universities and non-government organizations and faith-based institutions. And one of the things we hope to do in the coming year as we engage politically and diplomatically in the region is to look for ways to highlight the engagement that is taking place right now. Because as Secretary Rice noted last year at the Washington Conference of the Council of the Americas, we are building in the Americas today an alliance of peoples. Integration is taking place and it is taking place at a fundamental level and it is taking place in a way in which governments can play a role as facilitators but they cannot control or stop it.

This is a positive thing and it is a thing that we need to highlight, because ultimately what happens in the United States does have an impact on the daily lives of people living in Central America, South America and the Caribbean. And what happens in those areas of the Americas has an impact on the daily lives of us living in the United States. The degree to which we can build this common understanding of integration, this common understanding of connectedness, it will actually facilitate our government's ability to engage.

I would like to just take a moment to talk about what I call recapturing pan-Americanism. This might be considered a slightly odd topic because there are lots of people in the region today who talk about the differences in the region, who talk about the fracture that has taken place in the region; some people talk about Monrovia countries and the Bolivarian countries, some people talk about the Pacific countries and the Atlantic countries, some people talk about the free-trading countries and the non-free-trading countries. So there seems to be many ways to describe differences.

If you look at what happened in New York in the General Assembly during the Grupo Latino Americano Caribeños efforts to select a single representative and the trials and travails that they went through as the countries first couldn't come to terms between Guatemala and Venezuela, and then seemed to be lost as they looked for some way to find a consensus candidate, you might say, well, maybe there is some reason here, when people talk about a region, that has allowed a lot of little problems to accumulate and somehow prevent a more regional approach to issues.

There is a certain degree of truth to that. But at the same time, these really are smaller problems. They are the kinds of problems that can be overcome with concerted effort and dialogue. And I think it is worth noting and forgive me for doing this, but you know, 2006 is the 100-year anniversary of

Secretary of State Elihu Root's trip to South America. But actually, historically it is a very important trip because it was the first time a sitting Secretary of State had ever traveled to South America. And Secretary of State Root traveled to Rio de Janeiro for the Third Pan-American Conference. Again, I am sure all of you will remember that the First Pan-American Conference took place in 1889 in Washington and the Second Pan-American Conference took place in 1901-1902 in Mexico. They were taking place at odd intervals at that period of time.

But in 1906 it took place in Rio and Secretary of State Root traveled to Rio, and then following that he visited a variety of republics whose capitals he could access by sea. After Rio he went to Uruguay, Argentina, Peru, Panama and Colombia; later in 1906 he visited Mexico. This was a trip that was significant for a variety of reasons. Not only was it the first trip that a Secretary of State had made to the region, dispute resolution mechanisms and creating a basis for kind of international law in search of peace. And he won the Nobel Peace Prize for this. He was the first Secretary of State to win the Nobel Peace Prize. If I remember right, that prize was awarded in 1912.

He postponed The Hague Conference in order to go to Latin America. But more importantly, in postponing the conference he also insisted that all the republics of the Americas be invited to The Hague Peace Conference that took place in 1907. In the previous Hague Peace Conferences of the American republics, only the United States, Mexico and Brazil had been invited. Root, by insisting that all the American republics be invited, sent a strong signal to the region that the United States considered all these republics to be valid interlocutors in the international realm and to be important players in a larger search for international peace.

This was a profound message at the time and it was received very well in the region. Root brought with him on his trip to Latin America, a message that I would describe as one of solidarity, purpose and hope. Solidarity in terms of a recognition that the Americas is a special place and that American republics had a special project, which he called the Project of Popular Government, but also a special purpose in the world in attempting to create institutions that would resolve difficulty through dialogue, which would focus on cooperation and which would understand all countries, no matter how strong or how weak, as equal partners in a project.

I think it was a message of hope because he understood and recognized that in democracies, especially new democracies, failure is the norm, that problems are the norm and that we need not become downcast because of these problems, that we need to expect them to a certain extent, but more importantly that we need to engage and grow closer to the countries that find themselves in moments of democratic crisis.

This is a great message for today, and to a certain extent this is a message that the Bush Administration has tried very hard to articulate through its engagement in the Summit of the Americas processes, through its engagement in the OAS, through its engagement in all aspects of the inter-American system and includes the following commitments:

- Committed to this region
- Committed to a common project or the region
- We believe that common project is about democracy and about not just democratic government but democratic states
- Creating understandings of citizenship that are not just political but also economic and social

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- We are creating understandings of citizenship that are not just political but also economic and social
 - We are prepared to commit our resources, our political capital and our policy time to building this

I would like to just read a quote from a speech that Secretary of State Root gave in Rio de Janeiro, his opening speech at the Third Pan-American Conference in which he described the intent and purpose of the United States in the region. He said,

We wish no victories but those of peace, for no territory except our own, for no sovereignty except sovereignty over ourselves. We deem the independence and equal rights of the smallest and weakest member of the family of nations entitled to as much respect as those of the greatest empire, and we deem the observance of that respect the chief guarantee of the weak against the oppression of the strong. We neither claim nor desire any rights or privileges or powers that we do not freely concede to every American republic. We wish to increase our prosperity, to expand our trade, to grow in wealth and wisdom and in spirit. But our conception of the true way to accomplish this is not to pull down others and profit by their ruin, but to help all friends to common prosperity and growth that we may all become greater and stronger together.

I think that is a statement that could today describe the policy of President Bush and Secretary of State Rice and it is a policy that I am committed to.

Australia and the United States Ministerial Consultations Joint Communiqué

**Media Note From the Office of the Spokesman,
Washington, D.C., December 12, 2006**

Secretary of State Condoleezza Rice, Deputy Secretary of Defense Gordon England, Australian Minister for Foreign Affairs Alexander Downer and Australian Minister for Defence Brendan Nelson met in Washington D.C. on December 12, 2006 to discuss global and regional security and the state of the alliance between Australia and the United States. The talks marked the 21st anniversary of the Australia-United States Ministerial Consultations (AUSMIN) and fifty-five years of the alliance.

Future of the Alliance

The United States and Australia agreed that the alliance between the two countries has never been stronger. They agreed that the stalwart and immediate response of the alliance to the emerging threats of the twenty-first century has proven the fundamental resilience of these ties. They noted that, especially since September 11, 2001, the alliance has moved from strength to strength and amply demonstrated its critical importance to both countries.

Working Together for a Safer World

The two countries reaffirmed their commitment to work together on a wide range of global security issues to meet common security challenges. They emphasized their shared goal of helping the people of Iraq create a free, democratic and peaceful country and maintaining security assistance to Iraq as long as it is needed. They called on the international community, and in particular Iraq's neighbors, to provide further assistance to Iraq.

The United States and Australia discussed their continued efforts to promote stability in a newly-democratic Afghanistan and to provide continued assistance to the Afghan government and people. The United States welcomed Australia's successful cooperation with the North Atlantic Treaty Organization (NATO) in operations in Afghanistan.

Countering Proliferation

The United States and Australia noted that the world had condemned North Korea's nuclear test on October 9, 2006. They discussed their shared strategy in responding to the threat of a nuclear-armed North Korea and reaffirmed the need for all United Nations (U.N.) Member States to fully implement United Nations Security Council Resolution 1718. Additionally, the two countries agreed that Iran's failure to comply with international obligations on nuclear activities remains a grave concern. They agreed to continue their work with allies, other partners and key international organizations, including the United Nations, to ensure that Iran complies with its international obligations and provides full transparency regarding its nuclear activities. While acknowledging Iran's right to civil nuclear energy, they noted that without full transparency and cooperation with the International Atomic Energy Commission (IAEA), the international community is unable to verify that Iran's nuclear program is solely for peaceful purposes.

Recognizing the potentially devastating consequences of allowing nuclear weapons and materials to fall into the hands of terrorists, the two countries emphasized their commitment to the Global Initiative to Combat Nuclear Terrorism and agreed to continue efforts to build international support for this initiative through outreach activities. The United States welcomed Australia's commitment to outreach in Southeast Asia. They also agreed to promote the goals of the Proliferation Security

Initiative (PSI) and to further strengthen their cooperation to interdict the flow of illicit weapons of mass destruction (WMD) materials. The two countries agreed that man-portable air defense systems (MANPADS) in the hands of criminals or terrorists pose a serious potential threat to commercial aviation and military aircraft around the world. The United States and Australia will continue to take concrete steps to counter the emerging MANPADS threat to the international community, such as through Australia's multilateral leadership on the issue as chair of the Asia Pacific Economic Cooperation (APEC) and its role in the Wassenaar Group and the United States' stockpile security and destruction programs.

Regional Cooperation

The United States and Australia discussed the importance of continued progress on security and stability in Southeast Asia. They agreed to continue their efforts to build partnership capacity in key security areas such as maritime security, counterterrorism and intelligence sharing, disaster relief and emergency response, and counter-insurgency and governance capabilities. They also agreed to continue to work under the Global Peace Operations Initiative to help build capacity in the Asia-Pacific.

The United States and Australia welcomed Indonesia's growing regional role and both countries noted their increasing engagement with Indonesia. In particular, the United States welcomed the Australia-Indonesia Agreement on the Framework for Security Cooperation as a contribution to security in the Asia-Pacific region. They discussed coordination of their assistance to regional countries, including Indonesia and the Philippines, in those countries' efforts to fight terrorism and meet broader security challenges. They also discussed the importance of stability, free and fair elections, and accountability in East Timor. The United States welcomed Australia's contribution to the stabilization and development of East Timor. Both countries called for an early return to democracy in Thailand.

The two countries pledged to continue to work closely with Japan through the Trilateral Strategic Dialogue on a wide range of issues and noted their agreement to hold a ministerial meeting in the first quarter of 2007. The United States welcomed the efforts of Australia and Japan to develop a closer bilateral security relationship reflecting Japan's growing role in international security. They also undertook to explore with Japan areas for possible trilateral defense cooperation as an early priority.

The United States and Australia expressed their wish to see China play a growing role as a responsible stakeholder in global and regional affairs. They welcomed China's enhanced international engagement, including on the North Korean nuclear issue.

The United States and Australia reaffirmed their commitment to APEC as the preeminent forum in the Asia-Pacific region, and pledged to work closely together during Australia's hosting of APEC in 2007 and beyond in order to strengthen trans-Pacific regional cooperation and institutions. They agreed to consult closely on the evolution of regional cooperation in East Asia.

Australia welcomed the United States' continuing efforts to develop an enhanced partnership with Association of Southeast Asian Nations (ASEAN). The two countries expressed concern about continued instability in the South Pacific, noting the recent civil unrest in Tonga and continuing concerns about the Solomon Islands. The United States and Australia strongly condemned the Fiji military's unconstitutional removal of Prime Minister Qarase. The two countries called on the military to return the country immediately to the elected civilian government and to withdraw completely from politics. They agreed to continue to work together to help Pacific Island countries build stability, democratic governance and economic reforms for the benefit of their people. They agreed to encourage other countries in the region and elsewhere to support the same objectives.

Defense Cooperation

The United States and Australia reaffirmed the critical importance of strong bilateral defense relations in advancing their shared strategic objectives. Their joint experience in Iraq and Afghanistan has reinforced the vital importance of interoperability between U.S. and Australian forces. They agreed to continue to strengthen this interoperability, including through information sharing, training and exercises, capability development, involving cooperation in research and development as well as acquisition and support of materiel. They agreed that this extended to strengthening bilateral defense industry linkages, including through improved access.

The two countries noted that North Korean and Iranian missile tests in 2006 and the widening proliferation of ballistic missiles has reinforced the importance of Missile Defense. They agreed to intensify cooperation under the bilateral Memorandum of Understanding on Missile Defense, and committed to further collaboration in coming years. They welcomed ongoing bilateral work on exploring options for cooperation in this area.

The two countries welcomed the signing of the Memorandum of Understanding on Production, Sustainment and Follow-on Development of the Joint Strike Fighter (JSF), noting that an enhanced Australian air combat capability will benefit the continued effectiveness of the alliance. The MoU also serves as the framework for future JSF cooperation between Australia, the United States, and seven other partner nations. They noted the importance of the Joint Combined Training Capability as an important element for training and building on Australian and United States interoperability in the future. They also agreed to intensify cooperation in intelligence, surveillance and reconnaissance, including in the context of acquisitions.

United States Policy in South Asia

By

R. Nicholas Burns

Under Secretary of State for Political Affairs

[The following are excerpts of the remarks to the Asia Society, presented in Washington, D.C., November 27, 2006.]

I wish to talk about topics that are central to the Society's mission, and an area of the world that is close to your heart South Asia. South Asia is now a central focus of U.S. foreign policy. For the first time in decades the United States views this region as increasingly vital to our core foreign policy interests. We have better strategic relations with the major powers of the region than we have ever had before. The United States has taken important decisions in the past few years that recognize the strategic importance of this region, by:

- Seeking as one of our most important global priorities a new, closer partnership with India
- Maintaining strong relations with Pakistan and broadening them beyond counter-terrorism
- Mounting a long-term effort to stabilize Afghanistan and deliver the benefits of stability and democracy to the people
- Engaging positively and permanently with the region from Kazakhstan to Bangladesh and Sri Lanka

The region will be at the forefront of our foreign policy thinking for decades to come. The U.S. is turning increasingly to the Middle East, East Asia, and South Asia as regions where we face the greatest challenges and also where we can pursue the greatest opportunities.

- It is in South Asia where our future success in the struggle against global terrorism will likely be decided in Afghanistan and Pakistan
- It is in South Asia where our commercial, scientific, technological, and political-military interests argue for a great advance in relations with India
- It is in South Asia where, increasingly, the U.S. is called upon to be a key intermediary in stopping the brutal civil war in Sri Lanka
- In encouraging the people and leaders of Bangladesh to resist violent extremists and Islamists
- In helping to arrange in Nepal a true and sustained transition to democracy

United States and India Bilateral Relationship

There is reason to be optimistic about the future of Afghanistan, particularly if we remember the situation of the country just five years ago. In 2001, Afghanistan was the 5th poorest country in the world. Al Qaeda was a state within a state. Today, although it is not yet prosperous, Afghanistan is taking steps to enter the World Trade Organization; it has averaged annual growth rates around 9 percent since 2003; and it is actively engaged in trade.

Economic development is on the rise the World Bank estimates Afghanistan's gross domestic product to be \$7.2 billion in 2006, up from \$4.7 billion in 2003. Five years ago, the Afghan government was just learning to function. Today, President Karzai leads a stable national government for the first time in that country's history. The government has overseen successful Presidential and Parliamentary elections. The country had established a national government in Kabul, President Karzai and his colleagues are working on the most important task of extending the authority of government to the rest of the country. The United States had made a long-term commitment to assisting Afghanistan to become a stable, prosperous, and democratic country. The United States remains the largest provider of foreign aid to Afghanistan, with \$12.5 billion in aid so far, and we have focused our efforts on three main areas:

- Security
- Reconstruction and economic development
- Governance

Working with our international partners, there are approximately 31,000 North Atlantic Treaty Organization (NATO) and the International Security Assistance Forces (ISAF) troops in Afghanistan, including almost 20,000 from the United States. In conjunction with the British and Germans, we are also working to increase the ability of the Afghans to take responsibility for their own security. More than 30,000 Army and 40,000 Police units have been trained. These units are working alongside U.S. and Coalition forces in military and counter-narcotics operations.

Most of you hear about the war only, and that is an important and heroic effort. But it is important to also underline that the funds we give Afghanistan are improving that country's infrastructure, particularly its road and power systems. No country in the world suffered more from the lack of modernization than Afghanistan. So this job is essential. General Karl Eikenberry, the top U.S. general in Afghanistan says that where the road stops, the Taliban begins, and we think that is very true.

Since 2001, more than 2,000 miles of paved road have been built, giving farmers the ability to get their goods to market, and helping to link the national government in Kabul to local provinces. The signature road project, the Ring Road, connecting Kabul in the east to Kandahar in the south and Herat in the West, is nearing completion.

In cooperation with neighbors such as Tajikistan, we are improving the power systems in Afghanistan. Afghanistan is an ideal source for different energy sources, such as hydro-power. We are working with international partners to complete the Kajaki Hydroelectric Dam, which will provide power to thousands of customers in southern Afghanistan.

Even with improved security and infrastructure, Afghanistan also needs an honest, uncorrupted civil service and court systems that operate under the rule of law. To that end, we have strongly supported recent initiatives such as Attorney General Sabit's actions against corrupt officials in Afghanistan. We are helping Afghanistan's justice system develop, by building courthouses, training lawyers and judges, and supporting the civil service to reduce incidents of corruption.

We must never again allow Afghanistan to become a haven for terrorism and violent extremism. With our international partners, we remain committed to a democratic, peaceful, and developed Afghanistan, as a source of stability in the region and a place where trade and transit can open up possibilities for the people in the wider region.

Nepal, Sri Lanka and Bangladesh

The United States is now engaged to help each overcome serious internal crises in ways we had never been before. This engagement speaks to our newly energetic role in South Asia.

In Nepal, the United States welcomes the announcement last week of a comprehensive peace agreement between the Government of Nepal and the Maoists. We hope this step will place Nepal on the path of lasting peace and democracy. We truly want the peace process to work and we pledge our full support. We support an agreement that safeguards the aspirations of the Nepali people. This means violence, intimidation, and criminal acts by the Maoists must end. We will be watching closely. The Nepali people deserve a chance to live without fear and choose their form of government in fair elections and we are committed to help them build a peaceful, prosperous, and democratic future for its people. It is incumbent on the political parties to show a united front. The United States does not oppose the Maoists participating in Nepalese politics as a legitimate, peaceful political party, but it is crucial for the long-term well-being of Nepal that the Maoists give up their arms and end their extortion. That has not yet happened. We intend to hold the Maoists to that standard.

In Sri Lanka, long-standing ethnic conflict and a fragile peace process continue to cause enormous concern for the United States and the international community. Escalating violence has put the four-year cease-fire agreement between the government and the Tamil Tigers at risk. Just last week I hosted the co-chairs of the Sri Lanka Donor Group which includes the U.S., the European Union, Norway and Japan to encourage both parties to engage in cease-fire agreement implementation talks.

Norway's vital role as facilitator of the peace process merits special mention. We and other members of the international community greatly appreciate and fully support the ongoing Norwegian efforts to move Sri Lanka's peace process forward. The bloody civil war in Sri Lanka has cost too many lives and gone on far too long. The U.S. will remain involved to help stop it before more innocent people perish needlessly.

Bangladesh has recently earned an important distinction: Its citizen Mohammed Yunus and the Grameen Bank won the Nobel Peace Prize for their ground-breaking efforts in micro-credit and other initiatives. I met with Prof. Yunus last week to discuss how the United States can more effectively implement its own foreign assistance for maximum impact. He is a remarkably selfless person and he inspired me with his ambitious and even audacious vision that all of the families in his country should have access to capital to improve their lives. While Dr. Yunus has a positive vision for Bangladesh, there are reasons to be concerned about the current state of political violence we have seen as that country moves toward elections in January. The people of Bangladesh deserve free, fair, non-violent and credible elections. Toward that end, we urge the country's political parties to resolve their differences through dialogue. I would also like to emphasize that corruption undermines confidence in government and in the Bangladeshi economy. America would like Bangladesh's economy to continue to grow, but to do so Bangladesh must effectively tackle corruption. We will continue to work with civil society and the Bangladeshi people to help combat the corruption that plagues the country. Bangladesh is a pivotal country in South Asia. Its future is important to the entire region. It has the advantage of size, a growing economy, and a talented population. Can its leadership put aside their differences to lead the country forward in peace? That is the central question to ask as we approach 2007.

It is the policy of my government to play a positive role in this region, and we are incredibly fortunate to benefit from such privileged relationships as we enjoy at the moment with governments in the region. The Asia Society is a strong partner in bridging the gaps that lie between our cultures.

India

After decades of promise, punctuated by frequent misunderstandings, and missed opportunities, the United States and India are finally drawing together in a natural global partnership. This is one of the most significant strategic initiatives for American foreign policy a joint bipartisan initiative pursued by Presidents Bush and Clinton over the last decade. The United States and India share a common view of how the world should be organized.

The following trends and many others have pushed us towards one another:

- Respect and support for democratic institutions
- Fighting the war on terrorism
- The globalization of supply and demand
- The communications revolution

We also share a common interest and advantage in tackling together the more positive challenges that spring from the bright side of globalization the rise in importance of science and technology, higher education, medicine, business, and space research and travel. In each of these areas, India and the United States share a global comparative advantage that encourages not just our governments but our educators, non-government organizations, businessmen, and scientists to seek out a greater number of partnerships with each other.

India and the United States are also brought together by darker forces unleashed upon us by globalization: climate change, energy security, international crime and drugs, diseases that cross borders, such as Acquired Immunodeficiency Syndrome (AIDS), trafficking in persons, terrorism and weapons of mass destruction. We know that both of us need partners to combat these negative trends. On each one of these, India and the United States are natural allies.

In the second half of the 20th century, after India's independence, we had the ultimate unfulfilled relationship for five decades, we existed in an uneasy and at times fractious friendship. Now, we can safely say that India and the United States have found each other. We are now increasingly close partners in global politics. We are building a better military relationship. And, our economic ties have expanded dramatically in the last decade. Our exports to India doubled from 2002 to 2005, from \$4 billion to \$8 billion. Bilateral trade went in that time from \$16 billion to \$27 billion. This year we were on pace to surpass \$30 billion. And investment is also thriving. India has cumulatively invested around \$2.1 billion in this country.

U.S. companies are busy in India. What is more American than Wal-Mart, which has just tied up with Bharti Enterprises to launch a retail venture in India? And Motorola, Hewlett Packard, General Electric and Dell have all announced recently that they are expanding research and manufacturing in India. Meanwhile, Indian and Americans, once a tiny minority here, today number 2.5 million people. This represents a growth of 67 percent in just five years. And these are just U.S. census figures for foreign-born Indians, which does not count the many hundreds of thousands who were born here. The number of American students attending Indian universities leaped by 50 percent last year alone, according to the Institute of International Education, and stands today at around 1,800. And the number of Indian students attending American universities, India has sent more students here than any other country this year, 76,503 at last count.

Although the U.S.-India Civilian Nuclear Initiative is the governmental initiative that has garnered the most attention, it is only one part of a much broader partnership with the Government of India inspired by our people-to-people and business-to-business relationships.

United States and India New Initiatives

I will travel to India next week to conduct a mid-term review with my Indian counterparts of the extraordinary number of initiatives President Bush and Prime Minister Singh agreed upon during their historic summit in Delhi last March 2006. During their visit, President Bush and Prime Minister Singh established joint cooperative projects in many areas which includes the following:

- Civil nuclear cooperation
- A United States and India Global Democracy Initiative
- An expanded the United States and India Economic Dialogue focusing on trade, finance, the environment, and commerce
- Continued cooperation in science and technology
- Space cooperation
- An Energy Dialogue to strengthen energy security and promote stable energy markets
- An Agricultural Knowledge Initiative, to create a second green revolution in Indian agriculture after Americans helped to launch the first fifty years ago
- United States and India Disaster Response Initiative
- The United States and India Human Immunodeficiency Virus and Acquired Immunodeficiency Syndrome Partnership
- A growing military partnership in South and East Asia

All of these initiatives have been moving forward with vigor. The following are just a few examples. In late October 2006, the United States and India Corporate Executive Officer Forum met in New York to review the progress our two governments have made in reducing barriers to trade and investment and creating opportunities for our private sectors. At the meeting, top CEOs from our two countries met with Ministers and senior officials to discuss opportunities for infrastructure investment, high-tech and defense trade and financial markets liberalization.

In 2006 Agricultural Secretary Mike Johanns traveled to India to co-chair the Board Meeting of the Agricultural Knowledge Initiative and to work with Indian officials to generate momentum for the Doha Development Round talks in the World Trade Organization (WTO). Commerce Under Secretary Frank Lavin will be leading a business mission of 250 companies to India, the largest trade mission we have ever sent to any country. U.S. companies will have hundreds of meetings with Indian officials and industry to promote bilateral trade. Simultaneously, we will hold another meeting of the Trade Policy Forum, designed to discuss impediments to growth in bilateral trade and investment.

We are also working with the Indians to create a Bi-National Science and Technology Commission which we will co-fund. This will generate partnerships in science and technology and promote industrial research and development.

Additionally, India has joined the U.S. and four other countries Australia, China, Japan, and Korea, to create the Asia-Pacific Partnership on Clean Development and Climate to work together to reduce air pollution, improve energy security, and address climate change. In the defense arena Under Secretary of Defense Eric Edelman was in New Delhi for a meeting of the Defense Policy Group. That group is working to expand defense trade, improve cooperation between our armed forces, and coproduce military hardware. We are also making it easier for Indian students, businesspersons, and visitors to travel to the U.S. Our Ambassador in India, David Mulford, has made the elimination of the visa interview backlog the Mission's number one priority. He marshaled extraordinary human and financial resources to do this, and will likely eliminate the backlog entirely by the end of 2006. We understand how important this is for Indians. It is safe to say that this extraordinary burst of energy across the board among our major Cabinet agencies represents the most energetic and significant leap forward the U.S. has undertaken with any country in recent years.

Civil Nuclear Initiative

As you know, the U.S. and India Civil Nuclear agreement has become the most visible symbol of our new ties with India. The U.S. Senate voted by an overwhelming margin 85 to 12 two weeks ago to support this historic initiative. The House of Representatives had already given its approval to its version of the bill. In each case, we enjoyed great bipartisan support, including by the leadership of the Senate Foreign Relations Committee and the House International Relations Committee. The enabling legislation will now move to a Conference Committee of the Senate and House next week. We are confident that Congressional action can be completed by next week.

Passage of the legislation could not have occurred without the strong support of the American and Indian community, many of whom are present today. I want to thank you for all of your efforts. However, once the legislation is finalized, there are still a number of steps remaining before civil nuclear cooperation can commence. We are working to complete the American and India bilateral agreement (the so-called 123 agreement). India must conclude a safeguards agreement with International Atomic Energy Agency covering India's civil nuclear facilities; and the Nuclear Suppliers Group must decide by consensus to allow an India-specific exception to the full-scope safeguards requirement of its export guidelines.

Seeing all of these steps through to successful implementation of the Civil Nuclear Cooperation Initiative is key in our new partnership with India, because it will wipe away an issue that has been a major irritant in our bilateral relationship for more than thirty years. It is unquestionably in our national interest.

- For the first time in 30 years, we will bring India closer into the international mainstream and work with them to advance the cause of nonproliferation.
- It will help India meet its growing energy needs, and increase investment opportunities for both sides.
- The agreement will help India reduce harmful greenhouse gas emissions.

Pakistan

Pakistan is another nation with which we are building stronger and broader relations. We have had no greater partner in fighting the war on terror than Pakistan. President Musharraf's government has killed or captured more al Qaeda terrorists and has lost more people doing so than any other nation. Because of where Pakistan lies geographically and the number of terrorists who seek refuge there, it will remain the absolute core of the fight against global terrorist groups.

While counter-terrorism efforts have been a focus in our relationship, our engagement with and commitment to Pakistan is much broader: we are building a strong bilateral partnership in education, energy and the economy. Our relations are underpinned by our support for the legitimate desires of the Pakistani people for a better life, free of poverty and extremism. We support President Musharraf's vision of a strong, moderate, democratic and prosperous Pakistan that contributes to peace in South Asia.

India and Pakistan

Peace and stability in South Asia must mean good relations between India and Pakistan. We strongly encourage the ongoing Composite Dialogue Process between Indian Foreign Secretary Menon and Pakistani Foreign Secretary Khan. They met in New Delhi November 14-15 for the fourth round of the talks, and made progress in fleshing out the joint counter-terrorism mechanism that Prime Minister Singh and President Musharraf agreed to in September. We will continue to encourage constructive engagement between India and Pakistan and are pleased that the two sides have agreed to meet again in Islamabad in February. Both countries are slowly building a peaceful foundation to their relationship, and both understand that progress on the Kashmir issue, including Siachen Glacier and Sir Creek, depends on frank, open, and continuing dialogue.

The U.S. wishes Pakistan and India well in their efforts to avoid a crisis that would endanger both and the security of all South Asia. Preventing such a nuclear crisis is among their and our greatest interests. We believe India and Pakistan can do better than that. We believe there is a real chance for the two neighbors to find a road to a sustained peace. The U.S. will support them in every way we can. We believe 2007 can be a year to build a true peace between our two friends Pakistan and India, including the sensitive issue of Kashmir.

U.S. and Pakistan Broad Bilateral Relationship

During President Musharraf's September visit to Washington, the United States and Pakistan reaffirmed their commitment to a long-term partnership. I will travel to Pakistan early in the new year to lead, with Foreign Secretary Khan, the Strategic Partnership Talks between our countries. We are steadily broadening our relations the U.S. and Pakistan will hold the inaugural meeting of the U.S. and Pakistan Education Dialogue. Our Education Ministers will meet for a full day to advance educational opportunity in Pakistan. Through the largest Fulbright scholarship program in the world, the United States is providing close to \$100 million over the next five years to help hundreds of Pakistanis pursue advanced degrees in the United States in disciplines critical to their country's long-term social and economic development. This is critical to providing young Pakistanis the chance to study at the best universities in the world in America. It is also critical to break down the barriers between Islamic youth and their American counterparts and to build, instead, positive bridges between them. We are also working to increase Pakistani science, technology and engineering capacity, establishing a Joint Committee on Science and Technology.

Like any country its size, Pakistan has energy needs that can only grow. As part of our Strategic Partnership, the U.S. and Pakistan are exploring ways to meet Pakistan's growing energy needs and strengthen its energy security. During Energy Secretary Bodman's visit to Pakistan in mid-March 2006, he and Pakistani Foreign Minister Kasuri discussed the next steps for collaboration in the energy sector. The U.S. private sector will be important to helping Pakistan achieve its energy objectives, and we encourage American business to be active there. We are working towards a significant expansion of United States and Pakistan economic ties. One step toward giving Pakistanis a better life is the conclusion of a Bilateral Investment Treaty, which we hope to sign shortly. During his March 2006 visit, President Bush announced another major economic initiative: Reconstruction Opportunity Zones. These zones, located in the border areas of Pakistan and Afghanistan, will allow for special

tariff rates and duty-free entry into the United States for particular categories of goods. We have just recently concluded a feasibility study on the zones and hope to work with the Congress to introduce enabling legislation in 2007. This initiative, once implemented will provide employment for regions of Pakistan where opportunity has lacked and instability thrived.

President Musharraf still faces many challenges perhaps most critically in the Federally Administered Tribal Areas (FATA) bordering Afghanistan. The areas have been undeveloped, with virtually no formalized government structures for centuries. As a result, these areas have often been used as a safe haven by criminals and terrorists. President Musharraf has developed new military, political and economic strategies that seek to extend the authority of the Pakistani government, and the benefits of government, to these areas.

President Bush has made our commitment clear:

We are very supportive of President Musharraf's efforts in these area, which are not only imperative for the people of Pakistan, but also for the people of Afghanistan.

Lebanon to Be Among the First Beneficiaries of New Department of Defense Funding Authority

**By
Donna Miles
American Forces Press Service**

[The following is an excerpt from the American Forces Press Service Washington, August 4, 2006.]

Department of Defense (DoD) officials hope to use new authorities to help other countries fight terrorism to buy spare parts for the Lebanese military. The “1206 funding,” named for the section of the *2006 National Defense Authorization Act* that authorizes it, is designed to help other countries build capacity within their national military forces, Bryan Whitman, Deputy Assistant Secretary of Defense for Public Affairs, told Pentagon reporters. The authority allows DoD, in consultation with the Department of State, to spend up to \$200 million a year to help other countries become stronger partners in the Global War on Terror (GWOT), Whitman explained.

The Department of Defense had requested the 1206 authority for years, but received the authorization in the 2006 defense budget. Since then, DoD has been working with the DoS to determine the best way to use the new authority. President Bush approved the program in early May 2006, before the onset of violence between Israel and Lebanese Hezbollah militia forces, and the department notified Congress of the decisions earlier this week. Congress now had until August 16, 2006 to raise any objections. In addition to Lebanon, Pakistan, Thailand, Yemen, Sri Lanka, Indonesia, Trans-Saharan Africa, the Gulf of Guinea and the Caribbean Basin are slated to receive between \$5 million and \$27 million in 1206 funding, Whitman said. These funds will address specific needs in those countries and regions, from upgrading sensors and communication equipment, to improving surveillance sites to providing night-vision goggles for tactical forces. In the case of Lebanon, DoD plans to spend \$10 million to buy spare parts for vehicles, armored personnel carriers, helicopters and commercial utility cargo vehicles for the Lebanese military.

Although DoD is taking steps to buy the spare parts, Whitman emphasized that actually handing them over to Lebanon will be based on two conditions. These conditions, agreed to by the Defense and State departments, are that the Lebanese army be in a position to assert further control over its territory and that equipment provided by the program is used to help reduce Hezbollah’s operational space, DoD officials said. The 1206 funding for Lebanon’s military would be just one of many United States efforts, most under the purview of the DoS and in cooperation with the international community, to help stabilize the situation there.

Whitman stated the following:

It is a tool in the toolbox, so to speak. We see it as something that you can apply with some degree of flexibility and sometimes it doesn’t take a lot to have a significant impact in some countries. The payback and the outcomes and the results can be significant for a rather modest investment. And it prevents the United State forces from having to deal with the situation.

Marine General James Jones, commander of U.S. European Command, emphasized the importance of the new 1206 authority during an early April 2006 testimony before the House Armed Services Committee.

It is much more cost effective to prevent conflicts than to stop one once it is started I cannot overstate the importance of our theater security cooperation programs as the centerpiece to securing our homeland from irregular and catastrophic threats of the 21st century.

Jones called the new 1206 authority a paradigm shift that represents a critical first step in security cooperation reform. “The authority provided in Section 1206 is an important tool in our efforts to implement a strategy that recognizes the changed security landscape.”

Gulf Cooperation Council - Plus-Two Ministerial Joint Settlement

Media Note Office of the Spokesman Washington D.C.

[The following are excerpts from a media note issued jointly by participating Foreign Ministers following the Gulf Cooperation Council, plus-two ministerial meetings on January 16, 2007, in Kuwait City, Kuwait.]

Motivated by their shared vision of a stable, peaceful and prosperous Middle East, and acting within a framework of partnership consistent with the principle of international law and the Charter of the United Nations, the Foreign Ministers of the Gulf Cooperation Council (GCC), Egypt, Jordan, and the United States, with the participation of the Secretary-General of the GCC, met today in Kuwait City to affirm their commitment to continue their cooperation to promote regional security and peace. The participants affirmed the value of these meetings as a means to consult and exchange views and to consider common approaches to key issues of the day.

Agreeing that the peace and security of the Middle East including the Gulf Region are critical to the health of the global economy and international stability, and its destabilization would threaten the vital national interests of all, the participants resolve to continue their long-standing cooperation against such threats. The participants affirmed that disputes among states should be settled peacefully and in accordance with international norms, and that relations among all countries should be based on mutual respect for the sovereignty and territorial integrity of all states, and on the principle of noninterference in the internal affairs of other nations.

The participants reiterated their condemnation of terrorism in all its forms and manifestations, and reaffirmed the February 2005 Riyadh Declaration, which calls for the following:

Fostering the values of understanding, tolerance, dialogue, coexistence, pluralism and the rapprochement between cultures. For fighting any form of ideology that promotes hatred, incites violence, and condones terrorist crimes, which can by no means be accepted by any religion law.

The participants agreed on the following principles on Iraq: that a stable, prosperous, and unified Iraq, based on respect for Iraq's territorial integrity, unity and sovereignty is in the interest of all countries: that efforts to achieve national reconciliation that encompasses all elements of Iraqi society without excluding any group should be strongly supported: that sectarian violence aimed at undermining the ability of the Iraqi people to live in peace and security should be condemned; and that all militia should be disarmed and dismantled. In this vein, the participants, expressed their collective desire to prevent Iraq from becoming a battleground for regional and international powers and urged all to help end sectarian violence in Iraq. The ministers expressed the hope that the Iraqi government will actively engage all components of the Iraqi people in a real political process and act in a manner that ensures inclusiveness and paves the way for the success of national reconciliation. The participants consider that pursuing these objectives is the responsibility of the Iraqi government and called for amending the constitution accordingly, and expressed their readiness to support its efforts in this regard. The participants welcomed the commitment by the United States as stated in President Bush recent speech to defend the security of the Gulf, the territorial integrity of Iraq, and to ensure a successful, fair and inclusive political process that engages a all Iraqi communities and guarantees the stability of the country.

The participants agreed that the Palestinian-Israeli conflict remains a central and core problem and that without resolving this conflict the region will not enjoy sustained peace and stability. The participants affirmed their commitment to achieving peace in the Middle East through a two-state solution to the Israeli and Palestinian conflict, and noted that the foundation for such an outcome includes the Arab Peace Initiative, the United Nations Security Council Resolutions 242, 338, 1397, and 1515, and the Road Map. The participants called on the parties to abide by and implement previous agreements and obligations, including the agreement on movement and access and to seek to fulfill their obligations under the Sharm el-Sheikh understandings of 2005. The participants expressed their hope that the December 2006 meeting between the Palestinian President and the Israeli Prime Minister will be followed by concrete steps in this direction. The participants welcomed the resumption of the Palestinian-Israeli dialogue, and hope that it would lead to a full resumption of negotiations aiming at reaching a comprehensive peace agreement between them as a step towards achieving comprehensive peace in the Middle East. The participants affirmed their commitment to support development of the Palestinian economy, building and strengthening the institutions of the Palestinian state.

Recognizing the importance of a sovereign, democratic, and prosperous Lebanon, the participants pledged their political and financial support to Lebanon, and underscored their commitment to full implementation of the United Nations Security Council Resolutions 1559, 1680, and 1701. They called for the respect of the sovereignty, territorial integrity and political independence of Lebanon and for the non-interference in its internal affairs. The participants look forward to a successful Paris III meeting, which will support Lebanon's long term development and fiscal stabilization. Finally, the participants strongly condemned all terrorist attacks in Lebanon since October 2004, including the assassination of former Prime Minister Rafik Hariri and most recently of Minister Pierre Gemayel, and affirm that all those involved in these attacks must be held accountable.

EDUCATION AND TRAINING

Automation Systems for Office of Defense Cooperation Malaysia

By

**Jayakumar Arasan
Office of Defense Cooperation
American Embassy Kuala Lumpur, Malaysia**

Introduction

As a result of rapid development in information technology (IT) and end-user computing, many new ideas and innovative ways of doing things are discovered every day. In the field of security assistance (SA), to cope with the workload generated by regulations and administrative processes, security assistance officers (SAOs) can employ automation systems, specifically computer programs, to increase efficiency and productivity in their office. Such automated systems are applications developed by end-users, who are the subject matter experts and know the specific outputs they desire. These applications are easily developed and used. Commonly used computer applications such as spreadsheets, word processing documents, and databases allow easy data input, storage, sharing, retrieval and manipulation. Whatever their form or level of complexity, the central question in developing these programs is, how does this application make my work easier? The Office of Defense Cooperation (ODC) Malaysia developed three automated systems to reduce redundant paperwork, store data, and track deadlines that are worthy of sharing with the security assistance community at large.

Automation Systems used in the Office of Defense Cooperation Malaysia

The ODC Malaysia developed three automated systems to assist the office's personnel in their day-to-day activities. The information collected by these applications is shared on the office's server for all to see. Why were these systems developed? They are many reasons, but the following are the key needs that drove the development of these applications:

- A need for efficient time management
- A need to reduce routine, redundant, and time consuming tasks
- Common requirements for similar information
- A need to reduce paperwork volume and data entry errors
- A need for fast retrieval of information

To tackle the problems listed above, ODC Malaysia developed the following applications:

- ODC Training Support System (OTSS) - tracks international military education and training (IMET), Counter-Terrorism Fellowship Program (CTFP), foreign military sales (FMS), and Title 10 program training and administrative requirements.

- Foreign Military Sales Tracking System (FMS) organizes case data and correspondence, tracks deadlines, and generates reports
- Contact Management Program - organizes and shares all contacts within the office

All the applications were developed using Microsoft Access® Database. This program allows storage of large amounts of information, detailed searches, quick information retrieval, and automated report generation.

The ODC Malaysia tailored each system to fit the security assistance program's requirements. Further, each program reduced the time spent on repetitive tasks such as generating reports and letters, or producing statistics. In doing so, these systems allowed each office member to focus their time on other tasks.

Office of Defense Cooperation Training Support System

Developed in November 1998, this application was originally created to store and manage military officers' records, which were previously stored in a word processing document. ODC officers found this process tedious and time consuming. The data entry required resulted in data entry mistakes, and once entered, the information was not easily manipulated. After analyzing the information and the data storage requirements, ODC Malaysia determined the program for the job was Microsoft Access®. This program is a database application, which stores, retrieves and manipulates information easily. After meeting the basic requirement of storing and retrieving data, Access provided opportunities for data analysis not anticipated by the officers.

Office of Defense officers streamlined other training functions. The main focus was reducing repetitive paperwork through automation. For example, ODC officers could save time by automating routine letters, faxes, memos, reports, and by using information stored in the database. Gradually, the functionality of the application increased to the point that the program is a one-stop shop for all student processing activities. Each button on the display screen provides a hotlink to other functions. This feature of OTSS highlights the efficiency and advantage of end user development applications.

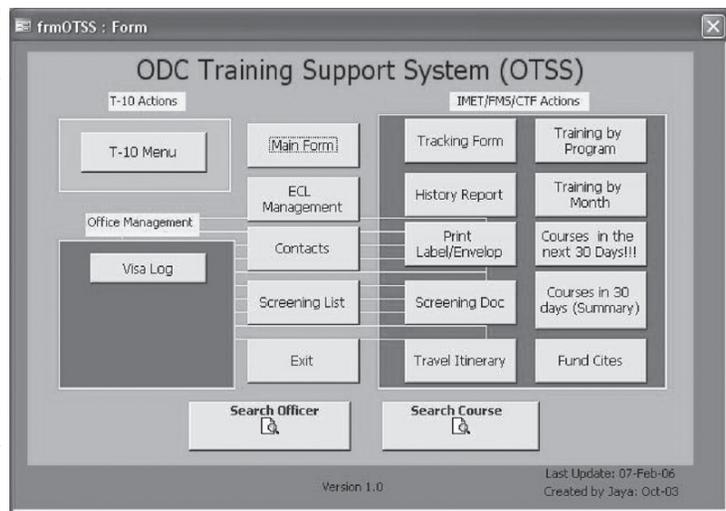


Figure 1. Main Menu for ODC Training Support System.

Another ancillary benefit of this approach is that it involves security assistance practitioners in increasing the productivity and efficiency of the training system. While it is difficult to measure the added benefit of this program in quantifiable terms, there is a qualitative increase in teamwork and ownership. The design process for OTSS encouraged ODC officers to work more closely together by sharing their work systems. It caused SA officers to examine their office procedures and compare them with others. In developing OTSS, officers felt greater ownership since they could design and implement a system that would benefit themselves. These unanticipated effects go a long way in advancing a positive and creative work environment in the office. A case in point is the development of OTSS spurred the development of two subsequent programs FMS and Contact Management Programs.

Figure 2. A snapshot of officer's details screen with photo. Through this form, users can view when human rights vetting was completed, detailed biographic data, invitational travel orders, and print various automated faxes and memos.

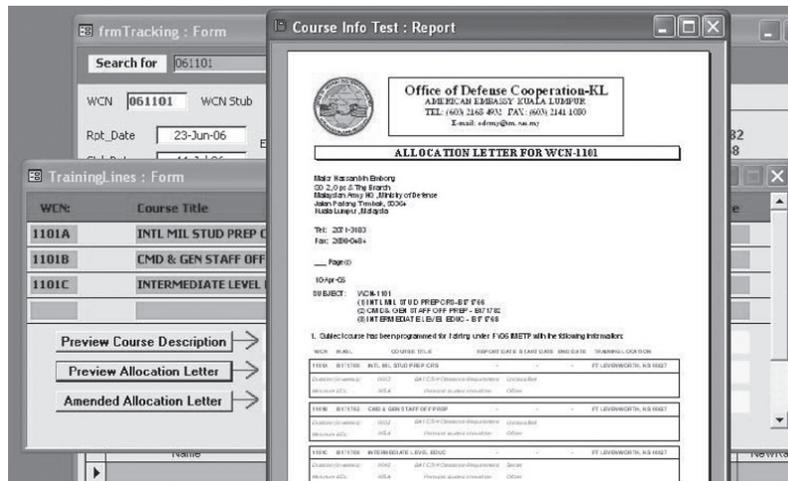
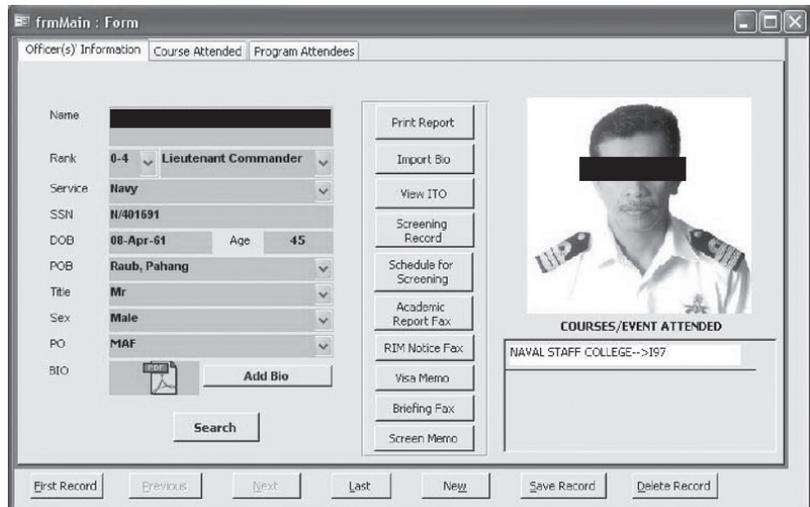


Figure 3. A snapshot of an Allocation Letter for Ministry of Defense. All information required to generate this letter was obtained from the OTSS and TMS linked data bases.

The following are some of the capabilities of the program:

- Generate Initiation Letters for confirmed courses
 - Manage English Comprehension Level (ECL) activities
 - Process visa application memo
 - Process, store, and track human rights vetting information
 - Track officers processing status
 - Manage officers' information (e.g., update rank, position title)
 - Print various report (historical course data, officers data, etc.)
 - Store Biographical Data Form and Invitational Travel Order (ITO)
 - Generate faxes, letters, and memos on various subjects using Microsoft® Word document template

Foreign Military Sales Tracking System

The FTS was developed in December 2002. This program assists the FMS program manager in tracking deadlines, consolidating files and e-mails under one case record, and generating reports. These attributes allowed one FMS program manager to increase the number of managed cases by controlling data more easily.

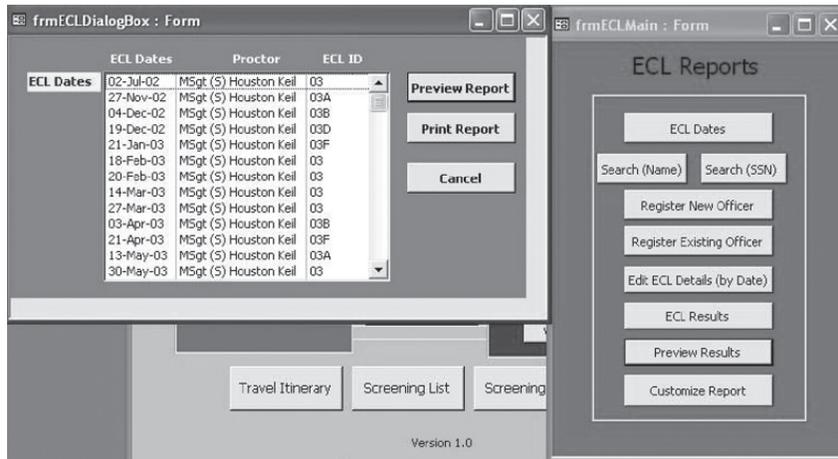


Figure 4. English Comprehensive Language Test Management Interfaces. All activities pertaining to ECL are managed through these interfaces.

The greatest concern in FMS management in Malaysia centered on meeting deadlines. The FTS was designed to remind the case manager, host nation, and the U.S. agencies of upcoming deadlines on the case. The automatic feature allows for a fail safe reminder for a suspense. Examples of deadlines tracked by FTS are listed below.

- Price and availability (P&A) request date
- P&A received date
- P&A expiration date
- LOA received date
- LOA expiration date

This attribute of FTS enables the FMS program manager to track multiple FMS cases by automatically providing reminders.

A second feature of FTS is that it consolidates multiple sources of information pertaining to the case into one record. For instance, the manager could store copies of the LORs, LOAs, important e-mails, modifications, and amendments in one centrally located file.

Further, the manager could store details of point of contacts from the U.S. and Malaysia, for continuity purposes as case management changed hands. To reduce the steps in completing actions, managers could send e-mails directly from the same window. Essentially, the goal is to make it a one-stop experience for the case manager, just as the OTTS.

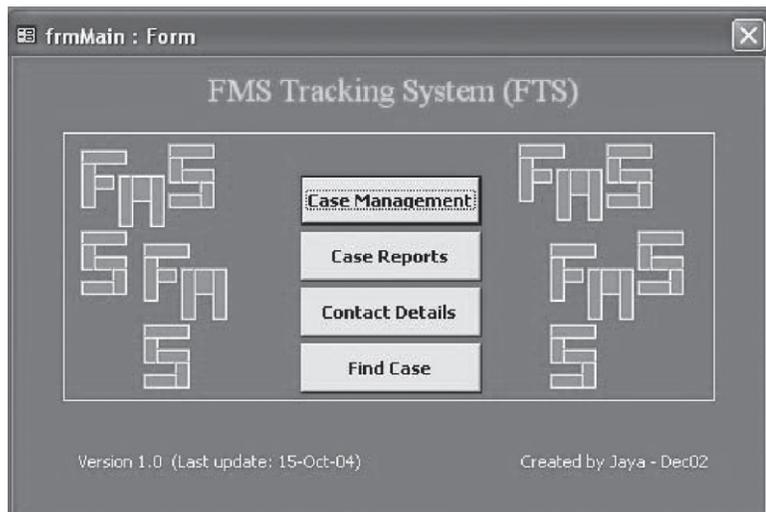


Figure 5. Main Menu for FMS Tracking System.

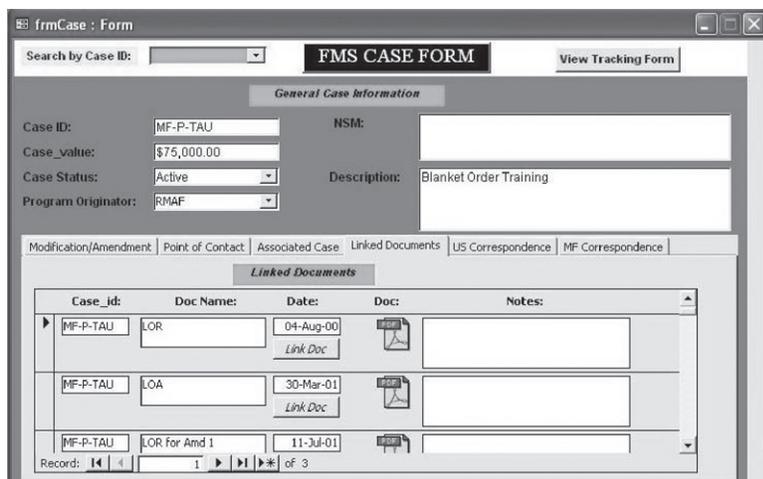


Figure 6. A snapshot of FMS Case screen with case details and linked documents.

The value of keeping records in a standardized methodology, accessible to all can not be overstated. Every two to three years the ODC will undergo a change in FMS managers. Handovers between managers occur suddenly and often. When handovers occur, the amount of data absorbed is limited. Often, FMS managers are inexperienced and fresh from DISAM; in some cases they have not attended the Security Cooperation Management - Overseas (SCM-O) course. The FTS provides a standardized format for data management in the FMS arena. Sharing that information, critical to the operations of the ODC, is easily accomplished through this system.

However, this system is only as good as the information provided and updated.

Another facet that ODC Malaysia (ODC-MY) designed in the FTS was standardized reports. These reports are automatically generated for case management purposes and trend analysis. Physically researching cases proved to be time consuming and repetitive. Below are some of the reports ODC-MY found productive. Each report summary can be printed out using the application.

- LOA expiration report (List all LOA's that has not been accepted)
- FMS report by dates (list all cases by timeframe e.g., the last one year)
- FMS report by year (list number of new cases by year and value)
- FMS case summary by implementing agencies (IA)
- FMS case summary by program originator (PO)
- FMS case summary by status (divided into four categories)
 - Active
 - Closed
 - Closure
 - Pending

Contact Management Program

The Contact Management Program was developed in 2006 to centralize the collection of office business contacts' information in a single location. The contacts management program allows the ODC officers to share their contact's details. Each contact is entered in the data base by a central point, an office management specialist. This is critical to maintain a standard format for data entry.

The program was built to search categorically, view, add, edit, and print information expeditiously. While away from the office, ODC personnel can take this information on the road by downloading the files to office laptops.

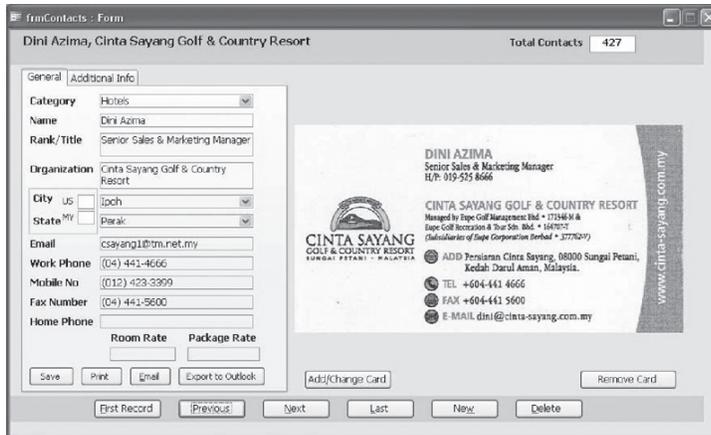


Figure 7. A snapshot of contact's details screen with business card.

The key feature of this program is its user-friendly search capability. Most of the time officers want to find a specific contact. Instead of going through a long list of names, the contacts program can quickly search and locate the contact according to name, company, location, and categories.

Users can also e-mail contacts directly from this application and export contacts from this program to their Microsoft Outlook® Contact's Folder. The ability to integrate both applications results in additional time

saving as users do not have to reenter the same contact's details into Outlook.

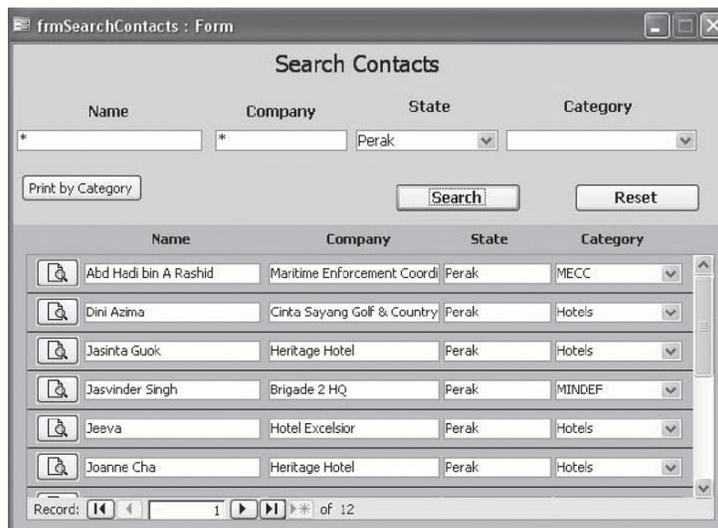


Figure 8. A sample of contact's search screen with a list of returned contacts.

Automation Benefits

Better Time Management and Improved Productivity

The importance of time management cannot be overemphasized. Security assistance operations require a certain amount of leanness in operations. As requirements for program management continue to increase, and scrutiny on personnel usage continues, ODCs are faced with increasing office productivity. Automation systems such as the ones discussed above can help any office efficiently manage their time by reducing mundane data entry, sharing information among office personnel, standardizing data storage, and reducing the number of physical records. These benefits reduce stress and improve office productivity. Improved productivity enables personnel to focus on more important tasks and make better decisions when armed with a higher fidelity of information.

Promoting a Positive Work Environment

By involving program managers in an application's design, not only is the utility of the program increased, but it builds a stronger office. While the ODC developed each application, office members worked together to produce the best application possible, which would benefit everyone. This process increases office teamwork and employee ownership, all of which fosters a positive and productive work environment.

Longevity of Information

Database applications also serve a repository when security assistance officers transition. New personnel to an ODC can get an idea of the office methodology of information management and office procedures through these automated systems. Information is readily available to all office personnel, while a standardized search process allows everyone to use the information effectively. Everyone can access the OTSS, FTS and Contacts Management program and data. If someone is out of the office, another person can answer an unexpected question. Further, a centralized location helps to maintain valuable information long after former security assistance officers have departed the office.

Conclusion

Tested and proven systems such as the OTSS, FTS, and Contacts Management can be and should be shared among SAO's. The benefits of these applications improve the data processing, retrieval, storage, and manipulation for all SAOs. Each application must be adjusted to meet the specific ODC's needs and adjustments are easily accomplished through officer involvement. Before automation systems are developed and implemented, they must be carefully analyzed for their usefulness, and once they are developed, the office must be committed using and supporting the system. Otherwise, it will just be another system in the office that is not utilized.

About the Author

Jayakumar Arasan is the Management Information System Assistant and Training Specialist at the Office of Defense Cooperation, American Embassy Kuala Lumpur. He joined the ODC in February 1998. He holds a Bachelor's Degree in Business Administration and a Master's degree in Information Technology from the University Utara Malaysia. He is responsible for designing and developing innovative application systems to improve office productivity.

The Defense Logistics Information Service Trainers Help Rebuild a Nation

**By
Tim Hoyle
Defense Logistics Information Service**

With so much attention on Iraq it is easy to forget about transitions occurring in Afghanistan as it moves to assume responsibility for its own defense. A country nearly the size of Texas using complicated weapons systems will have large logistics requirements. To help meet those requirements the Defense Logistics Information Service made a staff assistance visit to the Combined Security Transition Command Afghanistan (CSTC-A) this summer to assess what Afghanistan needs to establish a national cataloging system to serve as the foundation for large logistics operations.

Randy Haglund, Defense Logistics Information Service (DLIS) deputy for international cataloging, and John Zellers, a supply systems analyst, conducted the assessment and provided the training. Their primary objective was to stress the benefits of the North Atlantic Treaty Organization (NATO) Codification System (NCS) and the advantages of entry level sponsorship to Afghan Defense Ministry senior civilians and general officers.

Participating in the NCS through the sponsorship program is an important first step towards achieving interoperability with NATO countries and other allied nations, Haglund said.

Besides briefing senior Afghan logistics leaders, overview training was also provided to thirty-three senior Afghan National Army officers from the logistics, supply, and acquisition disciplines. Topics included the fundamental principles of item identification, sponsorship in the NCS and the various information products and tools available through DLIS. Zellers stated the following:

The students seemed to be most interested in issues related to sponsorship and understanding the concepts of materiel identification necessary for the exchange of logistics data internationally. The senior officials expressed interest in continuing support within the next few years from DLIS and other NATO countries contingent on Afghanistan's request and eventual approval for NCS sponsorship.

Members of the CSTC-A have been supporting Afghanistan for some time, first with the development of an action plan outlining a time-phased process to establish a effective national defense system. Some of the areas in this action plan are to develop the management systems to support acquisition and training both the Army and Afghan Police Force. As part of this action plan, CSTC-A has initiated cataloging training and produced an initial catalog for equipment used by the Army to support the acquisition of weapon systems and spare parts for maintaining those systems. They plan to engage DLIS technical expertise in the future to assist in the implementation of an Afghan national cataloging system. In this first phase of support, the DLIS team provided initial overview training to include basic principles of the NCS, a review of the Afghan catalog as well as information on products and services offered by the Defense Logistics Agency and DLIS.

Based on conversations with Afghan leaders and student' active participation in the classroom, I believe that Afghanistan will aggressively pursue movement toward NCS sponsorship, Haglund concluded.

DLIS will also work to establish contacts between Afghanistan and the NATO National Codification Bureaus of other nations, particularly those familiar with the Russian equipment used by Afghan forces. Ben Franklin once said, "For the want of a nail, the shoe was lost; for the want of a shoe the

horse was lost . . .” By helping the Afghan government build an effective national cataloging system, DLIS, in collaboration with the NATO community, will be helping to ensure Afghan logisticians have the essential information to obtain nails for whatever else they require to support their national interests.

A field activity of the Defense Logistics Agency, DLIS’ mission is to provide interoperable, integrated, quality logistics data and information technology solutions that are applicable across the Department of Defense, other federal agencies and international partners in order to optimize the effectiveness and efficiency of the supply chain. DLIS is a recognized leader in employing best practices to develop and deliver such tailored solutions for customers’ evolving needs. For more information on DLIS go to the following web site: www.dla.mil/dlis .

The Color of Training Money

By

Rob Steffan

Air Force Security Assistance Training

We would like to thank the Air Force Security Assistance Training and Air Education and Training Command for granting us permission to reprint this article originating from the AFSAT/AETC news release.

The Air Force Security Assistance Training (AFSAT) squadron manages numerous international financial programs each year for 137 countries. More than 4,400 international students receive training valued at \$323.5M through these diverse programs. While each training program may have different colors of money, or unique financial or program requirements, the same basic accounting principles are followed for funding, obligating, and processing payments. Without a doubt, these training programs help each participating nation meet their legitimate defense needs while promoting the United States (U.S.) national security interests by strengthening relations with friends and allies around the world. Training international students serves to cement cooperative, bilateral military relationships and enhance their interoperability with U.S. forces.

Foreign military sales (FMS) is the largest program managed, accounting for approximately 94 percent of the funding that flows through AFSAT annually. The value of the open training agreements, letters of offer and acceptance (LOAs) reach \$2.8B. The *Arms Export and Control Act* (AECA) provides authorization to train our international partners using the foreign governments' own national funds or by using U.S. government funding. The U.S. government foreign military financing (FMF) is on a grant or loan basis. FMF is authorized under the Foreign Assistance Act and is approved in the Foreign Operations Bill. Training sales are in conjunction with sales of major equipment, in support of annual FMS training requirements, or to support follow-on equipment sales. These are maintained in "no-year" trust accounts for each country.

The International Military Education and Training (IMET) program is authorized under the *Foreign Assistance Act* (FAA), appropriated through the foreign operations bill, with country allocations authorized by the Department of State (DoS) and managed by the Defense Security Cooperation Agency (DSCA). IMET accounts for about 5 percent of the funding at AFSAT. It operates similar to a grant program, except funds remain under U.S. government control and are used exclusively for approved training plans. IMET is funded by an annual appropriation, with a portion of the account used until expended (no-year), and has previously operated with multi-year funds. The IMET is an important tool in developing global relationships, enhancing capabilities and interoperability, meeting U.S. foreign policy objectives, and providing technical and professional military training to foreign governments. Over 100 countries and approximately 1,350 students participate each year under the Air Force IMET program. There are many smaller programs to training international students. Some of the more common programs we use account for approximately 1 percent of AFSAT's funding.

- The Aviation Leadership Program (ALP) consists of Specialized Undergraduate Pilot Training (SUPT) along with necessary English language training. This small scholarship program is extended at the invitation of the Chief of Staff of the Air Force (CSAF), managed by SAF/IA, and offered to 20 countries each year. It is annually funded with O&M dollars by HQ AETC/A-3.
- International Narcotics Control and Law Enforcement (INCLE) or better known as (INL), has two strategic goals:

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- Minimize the impact of international crime on the U.S.
 - Reduce the entry of illegal drugs into the U.S.

Training under this program strengthens foreign criminal justice sectors and promotes international cooperation. It is funded through Memorandums of Agreement containing DoS fund cites, or FMS pseudo cases with DoS funding.

Counter Drug Training Support (CDTS or 1004) is rooted in Public Law 101-510, Section 1004, under the *National Defense Authorization Act*. It uses Operations and Maintenance (O&M) funds to provide counter-narcotics related training to foreign military and law enforcement personnel.

The Regional Defense Counter-Terrorism Fellowship Program (RDCT Fellowship) is a global program targeting top priority countries and designed to assist our allies with combating terrorism. This education-focused program is approved by the Secretary of Defense. Candidates are nominated by the Regional Combatant Commanders, overseen by Special Operations and Low Intensity Conflict (SO/LIC), and administered by the Defense Security Cooperation Agency under Defense-level O&M funding. Training is provided to build counter-terrorism capabilities and influence countries to cooperate more fully with U.S. and coalition efforts to combat terrorism.

Presidential drawdowns are authorized under the *Foreign Assistance Act*, where the President may direct the drawdown of defense services, education, and training from the DoD. This takes effect when a determination is made, and reported to Congress, that an unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization, and it cannot be met under the AECA or any other law. Military education and training for unforeseen military emergencies, humanitarian catastrophes, peacekeeping needs, or counter narcotics requirements is provided at no cost to the foreign government. Student travel may be funded with O&M funds, and they may stay in Bachelor Officer and Enlisted Quarters and use dining facilities if operated by DoD funds. The drawdown of commodities and services from the inventory and resources of any agency of the U.S. government can not exceed \$25M in any fiscal year.

About the Author

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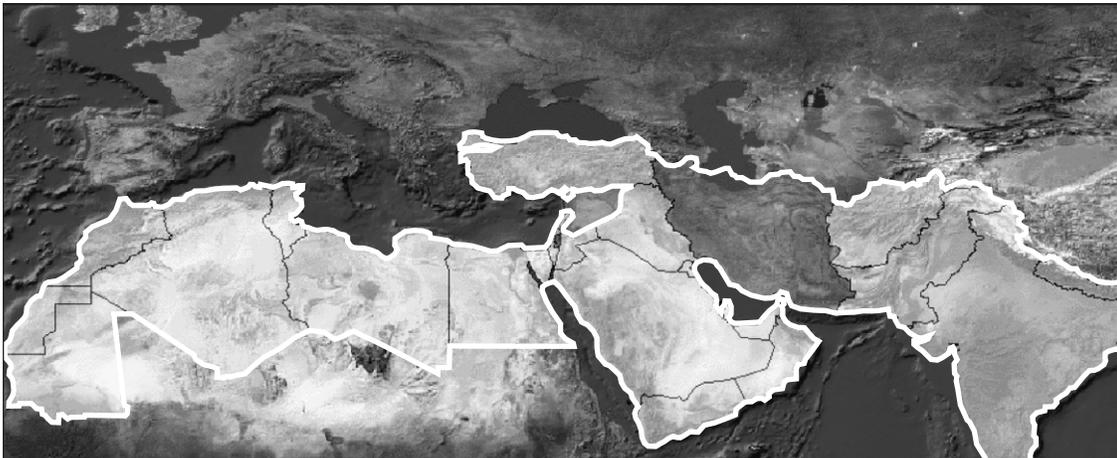
By
John D. Lawrence
National Defense University

The Near East South Asia Center for Strategic Studies Motto:
Building Relationships and Enhancing Security

The Near East South Asia (NESAs) Center for Strategic Studies was approved by the Secretary of Defense in 2000 and formally launched in October of that year. The youngest of the regional centers administered by the Defense Security Cooperation Agency. The center covers one of the most diverse and volatile areas of the world, stretching from the western end of North Africa to the Himalayas – from Marrakech to Bangladesh. The NESAs Center region includes that part of the world where the United States has the greatest number of U.S. combat troops deployed, more than 250,000 military and civilian personnel in the Central Command countries alone.

The NESAs Center participating countries include (see map below):

Afghanistan	Algeria	Bahrain	Bangladesh	Egypt	India
Iraq	Israel	Jordan	Kuwait	Lebanon	Libya
Maldives	Mauritania	Morocco	Nepal	Oman	Pakistan
Qatar	Saudi Arabia	Sri Lanka	Tunisia	Turkey	
The United Arab Emirates	Yemen				



The NESAs Center concept was both simple and controversial. It was based on the premise that Arabs and Israelis, Pakistanis and Indians, and others would come together to discuss national security issues in a neutral setting for mutually beneficial dialogue. This business model was severely tested after September 11, 2001, but has proven itself strong even during times such as the August 2006 Lebanon conflict, when we had both Israeli and Lebanese representatives attend a Combating Terrorism seminar while the conflict continued.

As both the dynamics of our region and our guidance from the Secretary of Defense changed in the post September 11, 2001 world, the NESAs Center also redesigned its programs and activities. New programs on countering ideological support for terrorism, increasing and improving strategic

communication and outreach to the region, and supporting other strategic goals have been implemented, with more coming in the future.

Transition and Growth

In April 2006, the Secretary of Defense appointed a new Director, Lieutenant General David W. Barno, USA (Retired). As the former Commander of Combined Forces Command-Afghanistan (2003-2005) and Task Force Warrior that trained free Iraqi forces in Hungary (2003), he brought a new frame of reference to the Center.

When originally established, the NESACenter was under the management of the National Defense University (NDU), one of the world's premier professional military education institutions. As the Secretary of Defense sought increased regional center coordination, he made the Defense Security Cooperation Agency (DSCA) the Executive Agent for all the regional centers. What has not changed for the NESACenter, however, is the association with NDU. The NESACenter is co-located with NDU and our e-mail address ndu@ndu.edu reinforces what our participants already know, our strong commitment to providing a world-class academic environment for our discussions.



NESACenter Director, Lieutenant General David W. Barno, USA (Retired) speaking to the Strategic Communication Seminar about the "Military Commander's Perspective on Dealing with the Press" (June 2006).

Why Focus on the NESACenter Region?

Many look at the NESACenter region and see a confusing sea of ethnic and sectarian violence sitting atop oil reserves and ask: How can the United States play a positive role? The NESACenter has a clear answer – through dialogue, building relationships, and constant communication. These are bedrock principles of the Center and are reflected in everything we do ranging from our seminars, to contact with current and former participants, to our strategic communication and outreach efforts.

But what else makes our region unique?

- A region with more than 1.8 billion people, nearly 30 percent of the world's population
- A region that is the birthplace of Christianity, Judaism, Islam, Hinduism, and Buddhism
- A region with a majority of the world's oil reserves
- A region that stretches from the Sahara to the Himalayas
- A region with four nations that have, or are suspected of developing, nuclear weapons capabilities and that have frictional relationships with some of their neighbors
- A region rife with ongoing, violent border disputes for the past half-century
- A region with two state sponsors of terrorism (Syria and Iran) as well as transnational terrorist threats such as al Qaeda

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- A region where U.S. and Coalition partners have toppled two repressive regimes in the past five years
 - A region that produces an overwhelming majority of the world's opium and heroin
 - A region where the U.S. has more deployed than 250,000 combat troops

Responsive to U.S. Government Priorities: Test Beds for Interagency Jointness

Under the leadership of General Barno, the NESACenter has already started to expand and enhance its programs. As directed by the Secretary of Defense and other senior Department of Defense (DoD) officials, we have focused on strengthening strategic communication and outreach efforts while at the same time adhering to the academic standards that have made the Center such a well-known and respected institution in our region. For example, we established a separate office for External and Strategic Communications that handles everything from outreach to U.S. government stakeholders to communication with our more than 1,200 alumni (including our Embassy Orientation Seminar in October 2006).

We have held programs dedicated to the Global War on Terrorism (GWOT) and have contributed to Countering Ideological Support for Terrorism (CIST) efforts. The Center also conducts a strategic listening post workshop with senior military, police, civilian officials, and critical opinion makers from the NESACenter region on issues related to combating extremism. The workshop involves intensive two-day discussions on lessons learned on the ground in combating terrorism, countering insurgency, and related issues focusing on practical concerns, regional perceptions, and how radical organizations recruit and train.

In addition, when Saddam Hussein's regime was defeated, the NESACenter set up a specific program for the Iraqis establishing the Ministry of Defense (MOD). Our Iraqi Defense Planners Workshop (IDPW) helped provide needed background information for individuals setting up an MOD from scratch. NESACenter staff recently met with one of our IDPW alumni who said that when he came through the seminar he did not understand why our course was important, but that after he began his work he realized that the information NESACenter provided was invaluable and made it possible for him to do his job.

The NESACenter is also strengthening ties with the Department of State and other agencies as we become a test bed for interagency jointness. This includes not only reaching out across the government to inform agencies about the Center and to share with them our back briefs from trips and seminars, but to also actively seek more U.S. participants from a broader spectrum of the government. For example, in coordination with the Department of State and the Agency for International Development, we held a Provincial Reconstruction Team (PRT) orientation in spring 2006, solely for DoS, U.S. Agency for International Development, and DoD officials deploying on PRTs. This was the Center's first ever U.S. government-only event. At our August 2006 Combating Terrorism seminar, we welcomed three U.S. government participants, all from the DoS another first.

We are also working more closely with our combatant commands (COCOMs), in particular, Central Command. We have held issue-specific roundtables for them with experts from both the U.S. government and the private sector. We are also working in direct support of the winter commander's conference in 2006, having provided major support for such events starting in 2002. Due to the geography of our region, we also work with European Command and Pacific Command and have begun to forge better ties with Special Operations Command. We also actively participate with our COCOMs in their Theater Security Cooperation (TSC) planning as well as their annual Training Program Management Reviews (TPMRs).

The Secretary of Defense has instructed the five regional centers to increase their coordination and cooperation. Although the centers' responsibilities cover the globe and their headquarters stretch across 8,000 miles and ten time zones, our work together increases constantly. Since the fall of 2005, for example, the regional center Strategic Communication and Public Affairs officers have met three times to discuss strategic communication and public affair efforts and to exchange ideas and lessons learned. The regional center registrars have also met once (with another meeting set for fall 2006), with both large and small centers learning from each other. All five regional centers collaborated for a joint display at the annual DSCA conference, fielding questions about all the centers. For the first time, the centers produced a joint brochure that contains information about their programs and contact information. Finally, all the regional centers are working to implement the Regional International Outreach (RIO) system that will facilitate communication between the centers and, ultimately, with alumni across the world.

The NESACenter is working on other joint regional center programs

- Joint Alumni chapters (e.g., Sri Lanka and Bangladesh with the Asia-Pacific Center)
- Joint workshops (e.g., North Africa CT conference in Algeria with the Africa Center)
- Joint seminars (e.g., Afghan-Pakistani seminar with the Marshall Center)

Core Programs: Executive and Senior Executive Seminars

Since its inception, the NESACenter core programs have provided the foundation upon which we have built and enhanced our mission. We hold three-week Executive Seminars (ES) for the Lieutenant Colonel to Brigadier General level and eight-day Senior Executive Seminars (SES) for Flag and General Officers, as well as Minister and Ambassador-level participants. In response to our participants' suggestions, the length of both the ES and SES will be extended starting in 2007. Topics include the American national security structure and process, the current and future regional strategic environment, counter-terrorism, the proliferation of weapons of mass destruction, and disaster management. We also offer two-week Combating Terrorism seminars as described below.

These off-the-record, not-for-attribution seminars encourage a frank and open exchange of views. Participants are reminded when they arrive that they should speak candidly rather than use their government talking points or policy statements. Seminars generally contain 35-40 participants from 19-23 different countries, including the United States. Plenary sessions bring in outside speakers – senior U.S. government officials, specialists from think tanks, and academicians – to help frame broad issues and generate both thinking and discussion. The real magic happens, however, in the smaller breakout groups. These faculty-led discussions are frank and open, drawing out the participants in a way that cannot happen in larger groups.

In general, NESACenter Executive Seminars follow the schedule shown on the next page. The Senior Executive Seminars cover the same topics, but in a compressed time frame. The eight day SES is extending to two weeks in 2007, at the specific request of alumni. They told us, in no uncertain terms, that the program should be longer and that ensuring senior level officials attend is a priority of their countries, even given a longer schedule. We listened and we changed, as simple as that.

During seminars, participant site visits include the Pentagon, DoS, and Capitol Hill. On the visits, participants meet with senior officials, Members of Congress, Hill staffers, lobbyists, and others to learn how they fill their roles in policy formulation. In particular, the Capitol Hill visit is very popular; not only do the participants sit on the House Floor to learn about the complex Congressional procedures, they also meet lobbyists, many encountering the concept of professional advocacy for the first time. Participants are surprised to find that these lobbyists, despite their infamous regional

reputation, are, in fact, good people advocating for causes in which they believe. Specifically relevant to the NESAs region, our participants hear from advocates for Israel, Arab countries, and India.

Executive Seminar Schedule

First Week:

Facing Challenge and Change in the NESAs Region

- Set the international geopolitical context
- Deal with the hot issues head on

Second Week

U.S. Policy Making and Strategic Direction

- Insights into U.S. national security decision making process
- Location is important: Visits to Pentagon, Congress, and State

Third Week

Regional Challenges in an Age of International Interdependence

- Values and challenges of cooperative security
- Strategic Issues Forum
- Practical problem solving exercise in regional security cooperation

Responding to Our Alumni and Stakeholders' Needs

Responding to the needs of our region and our stakeholders, the NESAs Center holds specialized Executive Seminars, such as the recent Strategic Communication ES described below. In this post-September 11, 2001 world, terrorism is a concern to all, particularly those in our region. The Center conducts two two-week combating terrorism seminars annually that bring together regional practitioners who work on combating terrorism issues. To make progress in countering support for terrorism, we need to look at causes rather than just at specific attacks. The role of the NESAs Center and the other regional centers is not to tell those in the kinetic world how to do their jobs, but rather to contribute to them having less to do. As General John P. Abizaid, Commander of U.S. Central Command, has often said, the fight against terrorism and extremism should be 85 percent non-kinetic, but at the present time, it is 85 percent kinetic. The NESAs Center's role is to help policy makers understand how to change this dynamic.

The Center not only focuses on its region, but also on the embassies from the region in Washington. Center alumni fill senior embassy positions, but our programs also reach out to the broader embassy community. In 2005, we began a monthly "Washington Seminar" series where we bring senior U.S. government speakers to discuss NESAs region strategic issues with the diplomatic community affording them access to officials they might not otherwise meet.

When our participants talk, the Center responds, and we will extend the length of our two core programs in 2007 because of input we received. In response to other comments, in October 2006, we instituted a new Embassy Orientation Seminar for newly-arrived ambassadors, defense attachés, and other mid-to-senior level officials at NESAs embassies in Washington. This program resulted from an ambassador's suggestion during our SES course in the spring of 2006 and less than six months later we stood up the seminar. We do not just talk to our participants and alumni, we listen. Their good ideas help continually improve our programs for the benefit of successive regional participants and our stakeholders.

In-Region: The NESAs Center – Coming Soon to a Country Near You

One major change of the past eighteen months is a significant increase in the number of NESAs Center programs held in the region and overseas. Although these programs stretch limited budget resources, we made a strategic decision to hold more such events. The Center's fiscal year 2006 in-region and overseas programs represented a 40 percent increase over fiscal year 2005 and a more

than 130 percent increase over fiscal year 2004. These can be multi-day programs such as a Border Security Workshop held in Jordan, or fairly short ones like a seminar on South Asian security, cohosted with the Asia-Pacific Center, in Sri Lanka in 2006. In addition, our director travels frequently to the area, meeting with foreign governments, alumni, and U.S. country teams. Our faculty and staff travel for conferences and speeches, and meet with alumni, who also frequently visit us in Washington.

Alumni Symposium

Our biggest event in the region thus far was our five-year reunion held in Istanbul, Turkey November 2005. This Alumni Symposium brought together more than 100 former participants from across our region. For three very intense days, we discussed recent policy developments, including the Amman hotel bombings that happened less than a week before we met, and caught up with old friends. This was a first for the NESACenter and we plan to repeat this event regularly by reuniting alumni from a specific year, professional field, or sub-region.

Regional Network of Strategic Studies Centers

Working with counterpart institutions, the NESACenter established a “Regional Network of Strategic Studies Centers” in our region. This Network’s goal is to expand the strategic dialogue among institutions throughout the region, in response to regional requests for more avenues of dialogue and cooperation in meeting security challenges. The Network initiative is cosponsored by the following centers:

- The Institute for Strategic Studies, Research, and Analysis, National Defense College, Pakistan
- The Center for Strategic Research (SAM – Turkey)
- The National Center for Strategic Studies, National Defense College, Jordan

The Network conducts business through traditional face-to-face meetings and working group activities, as well as virtual activities.

Combatant Command Support Events

These programs include a wide variety of events in support of the three Combatant Commands in the NESACenter region, U.S. Central Command (CENTCOM), U.S. Pacific Command (PACOM), and U.S. European Command (EUCOM). Programs may be focused geographically by sub-region or country, or by functional topic and are usually 3-5 day workshops. The NESACenter executed such events with CENTCOM annually from 2002 to 2004; most recently NESACenter supported the 2006 Eagle Resolve exercise; and worked on the winter Commander’s conference in 2006.

Track II

These unofficial programs are sponsored by NESACenter and organized and conducted by a U.S. non-governmental organization. One program brings together senior military officers from most countries in the Middle East and the U.S. for semi-annual non-attributable discussions on strategic issues and military concerns. The other program, meets three times a year and brings together Middle East officials and non-officials for intense working group sessions dealing with the following:

- The Palestinian-Israeli conflict
- Gulf security
- Mediterranean security

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- Economic development
 - Democracy and culture
 - Cooperative technology measures
 - Women's issues

By bringing together generally the same group of participants, including many NESACenter alumni, the program generates a group not replicable in one-off seminars and keeps our alumni engaged with the Center. Besides facilitating critically important regional communications, both series have resulted in actionable policy recommendations.

The Office of the Secretary of Defense Research and Faculty Lecture Tours

These tours are a research and outreach opportunity for NESACenter faculty, often combined with an alumni or Network event. They allow faculty to conduct research, attend speaking engagements and conferences, and maintain professional institutional relationships. NESACenter faculty are required to conduct lecture tours in the NESACenter region where they present findings from their latest research. These lectures serve as a means to engage NESACenter alumni, strategic study centers, defense colleges, universities, and other interested parties.

A NESACenter Presence in the Region Soon?

Our alumni may see us permanently in the region as we continue to look into setting up a presence in the NESACenter region itself. In the next two years, it is very likely that we will have a NESACenter satellite office that will further cement ties with our alumni and the region as a whole.

Strategic Communication and Outreach

Shortly after the DoD made it clear that strategic communications and outreach should be key the regional center priorities. The NESACenter established an office for External and Strategic Communications, headed by an individual who has been with the Center since its inception, this office handles all communication with those listed below.

- Points of contact in U.S. embassies overseas as well as foreign embassies in Washington
- Participants prior to and during our programs
- Alumni after they leave our seminars
- U.S. government stakeholders, both in Washington and overseas
- The interagency strategic communications community
- Media, both domestically and in the region

The NESACenter's goal is to generate a dialogue that begins with the programs and then continues after the participants leave. Our participants are communicating with us as much as we are with them, as discussed below in the Alumni section. We produce short, non-attributed back briefs after seminars and trips that we circulate on a limited basis to senior U.S. government stakeholders. These reports contain key and new facts or opinions gleaned from discussions with participants. The idea is to help senior policy makers stay informed of views to which they would not otherwise be exposed. Our back briefs generate responses on a routine basis from the 3-star-level and 4-star-level, sometimes resulting in staff action.

The NESACenter is also developing an active media outreach program, spearheaded by our Director. Most recently, General Barno traveled to the Arabian Gulf and met with several regional media outlets, including Al-Jazeera and we plan on more such engagement.

In 2006, we integrated our Strategic Communication efforts into our core programs, holding a special Executive Seminar on Strategic Communication. We were the first Center ever to hold such a conference, bringing together more than thirty participants responsible for internal messaging in their governments. We did not seek traditional public affairs officers, we wanted those who communicated within their own governments. During their three-week seminar, they visited relevant sites outside the usual seminar fare, such as the Defense Information School and the Broadcasting Board of Governors. During the August 2006 meeting of the five regional centers' strategic communications and outreach officers (including public affairs officers from both CENTCOM and PACOM, the NESACenter briefed all on lessons learned during this program and shared the back brief that came out of it.

Participants: Strategic Communication and Outreach Starts Here

The NESACenter's ability to continue to generate programs that bring NESACenter region participants together is due in large part to our participating countries. Their commitment to the NESACenter is demonstrated every seminar when they send us their best and brightest. Importantly, NESACenter participants are not all military, as one might expect. Our participants are almost equally divided between military and civilians as shown in Figure 1. They are also spread out across our Combatant Commands Figure 2. In addition to our core region, we invite several North Atlantic Treaty Organization (NATO) member countries to send participants as our region is of vital concern to them as well.

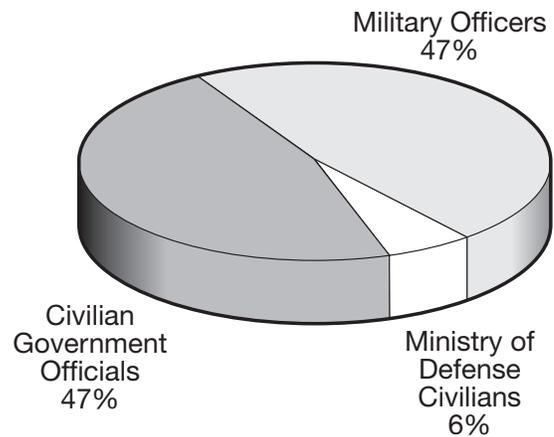


Figure 1. NESACenter Participant Composition for 2000 through 2006.

The Center's core programs are held in Washington, D.C. in our new facilities with video conference capability. For each seminar, we provide simultaneous interpretation into Arabic, French, and Dari. Providing interpretation affords us the opportunity to bring participants who might not be able to attend other U.S. government programs because of language limitations.

While participants are here, we also arrange separate meetings outside of the seminar. For example, CT specialists attend meetings with the Pentagon's J-5 office dealing with the Global War on Terrorism. A deputy spokesman for a NATO country Foreign Ministry spoke with the Rapid Reaction Unit in Under Secretary of State Karen Hughes' office. And a one-star participant met with a Congressman to whom he had been introduced while the Member toured the Middle East.

But it is not all work. We pride ourselves on making our participants part of the NESACenter family with events such as a tour of Washington, D.C. at the end of their first week with commentary provided by one of our faculty. Rather than listening to how policy is made, they learn why the stone on the Washington Monument is a different color one-third of the way up or what material was used to construct the Capitol dome. Not only do NESACenter staff and faculty come along on these tours, we also frequently bring family and encourage our participants to bring family or friends they have in the DC area.

Figure 2. NESACenter Alumni Representing Thirty Countries for 2000-2006							
CENTCOM		EUCOM		PACOM		Other	
Afghanistan	25	Algeria	21	Bangladesh	47	United States	51
Bahrain	15	France	6	India	54	Canada	2
Egypt	45	Israel	67	Maldives	18	Total	53
Iraq	146	Italy	7	Nepal	50		
Jordan	78	Mauritania	32	Sri Lanka	47		
Kuwait	21	Morocco	39	Total	216		
Lebanon	10	Spain	2				
Oman	54	Tunisia	44				
Pakistan	57	Turkey	39				
Qatar	79	United Kingdom	2				
Saudi Arabia	39	Total	2				
United Arab Emirates	58						
Yemen	57						
Total	654						

After almost three very intense weeks of seminar (and eating the same American food every day), we turn the table on our participants and hold a potluck supper where they have to cook for each other. Friends have been made and it is one of the most enjoyed events of the entire three weeks. We not only get to try some of the best food from across our region, we and the participants can sit and talk for hours about the widest range of interesting subjects.

While our participants are here, we stress the benefits of technology. We loan each of them laptop computers for their time in Washington, and encourage their use. We provide computer instruction during lunch breaks and have the NDU librarians give detailed training on how to use the NDU library online resources, including Military Education and Research Library Network (MERLN). These NDU resources are available to our participants for the rest of their lives. In addition, they receive training on Blackboard, the NDU web site interface, and our alumni web site that has a document library in multiple languages.

Alumni: Strengthening Networks and Improving Communication

In February of 2006, Ambassador Eric Edelman, Under Secretary of Defense for Policy made it clear that the regional centers should “focus on improving networks and alumni outreach efforts to communicate better.” A primary regional center focus for many years has been our alumni. We found, however, that simply calling them alumni did not do justice to the vital role they play in the Center’s work. Our newly-renamed “Continuing Education, Exchange, and Relations” (CEER) office handles much more than alumni relations. CEER in Arabic means progress or advancement.

We maintain daily communication in both Arabic and English with our alumni by e-mail and phone. The CEER office is staffed with a fluent Arabic speaker and that fact alone enables us to reach out in a way that resonates positively in the region. We do not have automated, machine-generated e-mails. Our alumni notes are all compiled by CEER staff with articles, regional center news, and alumni updates. Because of sporadic internet connectivity throughout the NESACenter region, we are always looking into new ways to reach out to alumni. For example, we are in the process of acquiring SMS and text messaging capability. In addition, we have a robust, password-protected alumni web site that contains a wealth of information; documents in English, Arabic, French, and Dari; as well as access to the NDU library online resources. Importantly, it also has tools to help alumni stay in touch with us and each other.

Maintaining such close connections becomes even more important as the Center matures and our alumni advance in rank in their countries. We count many senior national security policy makers among our alumni, including the following:

- Chiefs and Deputy Chiefs of Staff
- Current and former ambassadors to the U.S.
- Directors of Intelligence (MOD)
- Ministers

Among the Americans, our alumni include the Deputy Commander of CENTCOM, as well as the Senior Military Assistant to the Secretary of Defense. Our alumni efforts help reinforce the interagency jointness concept stressed by Under Secretary Edelman. The Regional Centers' regions overlap and the NESACenter is setting up joint alumni groups in some of the 13 countries we share with the Africa Center, the Asia-Pacific Center, and the George C. Marshall Center. In an initiative unique among the regional centers, the NESACenter is also reaching out to U.S. professional military education institutions, National Defense University, the Army, Naval, and Air War Colleges, seeking to incorporate their alumni from our region into our alumni activities. We have an active growth plan for increasing our alumni efforts and envision supporting a large variety of new programs.

- Continuing Education
 - Substantive meetings and seminars planned in region for alumni
 - Sharing useful articles and educational resources like MERLN and the NDU Online Library
 - Online moderated discussion boards
- Continuing Exchange
 - Graduates receive weekly e-mails consisting of NESACenter updates, NESACenter faculty and staff travel plans, and interesting articles related to the region
 - Graduates are frequently asked to write on regional topics for distribution to other interested graduates
 - Summaries of alumni responses to U.S. government statements and publications are regularly distributed on a non-attribution basis to our U.S. government stakeholders
- Continuing Relations
 - When NESACenter faculty or staff visit the region, a graduate event is organized to bring our alumni together again
 - The NESACenter recommends its outstanding graduates for other similar seminars around the world (e.g., Track Two discussions)
 - Graduates have steady and personal contact with the CEER office via phone, e-mail, and fax

Alumni Community Chapters

In direct support of the National Security Strategy, DoD, and DoS policy, the NESACenter has launched its Community Chapter program. This program will foster stronger civil-military relations and promote regional cooperation among senior-level NESACenter region leaders. In support of Office of the Secretary of Defense strategic communication policy guidance, the Community Chapters will serve simultaneously as outreach activities and increase our already extensive two-way communication with the region. Active participation in these chapters will allow community members to network with U.S. officials, as well as colleagues in their country and region.

In addition, programs initiated by these chapters will continue to advance U.S. security policy, strengthen relationships in local governments, and enhance regional cooperation. They also will provide a means for the center to maintain contact with its community, communicate up-to-date U.S. policy on the Near East and South Asia, and share information about activities and promotions of other community members and chapters. In addition, we are looking into linking our alumni chapters to the Regional Network of Strategic Studies Centers wherever possible.

Reaching Out in Times of Need

Just as we try to make our seminars more than just work, our alumni relations are more than just e-mails. When participants leave a seminar, they leave as part of the NESACenter family. As such, we stay in touch and try to assist them as problems arise. For example, when the Pakistan earthquake hit a year ago, we immediately contacted our alumni over the weekend to ensure that they were alright and helped them get in touch with the U.S. Center of Excellence in Disaster Management and Humanitarian Assistance in Hawaii. During the recent Lebanon conflict, we helped facilitate contacts between our alumni and the U.S. Defense Attaché's office in Lebanon to expedite the evacuation of U.S. citizens from that country. Due to chaotic conditions on the ground, going through the center facilitated the process and our close alumni relations and our previous work with the U.S. Embassy in Beirut paid off. In addition, our alumni insights on the ebb and flow of regional public opinion on the Lebanon conflict was instructive for our U.S. government stakeholders as always on a non-attribution basis.

What Else Do You Need to Know About Us?

If you are reading the *DISAM Journal*, you are a security assistance professional. You may have questions about how NESACenter programs relate to the goals of your office or how attending NESACenter programs can contribute to your professional development. For information about NESACenter activities, contact John D. Lawrence, Strategic Communications and Outreach at (202) 685-3848 or by contact him by e-mail at: LawrenceJ4@NDU.edu.

Using Foreign Military Sales to Support Military-to-Military Cooperation

By

Bob Van Horn

Defense Institute of Security Assistance Management

The United States (U.S.) military organizations have a variety of programs available to cultivate relationships with foreign militaries. These run the gamut from subject matter expert exchanges (SMEEs) and conferences to large bilateral and multilateral exercises. Most of the time, U.S. funds are allocated for these activities since they serve to enhance U.S. capabilities. However, in some cases funding for a proposed exchange may be problematic, usually because the activity benefits the foreign partner rather than, or at least more than, the U.S. In these situations, it may be possible to use funding provided through foreign military sales (FMS) cases.

We normally do not think of FMS as a way to strengthen military-to-military cooperation. Instead, FMS is most often seen merely as the way we sell stuff to other countries. However, FMS may also be used to supplement military cooperation efforts. For example, let us assume that the country of “Bandaria” has purchased large quantities of U.S. military equipment. The Bandarian Ministry of Defense (MOD) recognizes that it cannot just rely on hardware if it wants to get full benefit of the weapon systems that it has procured. It also wants to focus on the non-material tools it needs to more effectively use what it has bought. These may include organizational structure and procedures, training techniques, leadership development models, needs assessments, information management, and many more areas of concern. Bandaria may ask the U.S. for assistance with this effort in the form of military-to-military activities such as U.S. assessments of Bandarian units, U.S. observers at exercises, conferences, mobile training teams (MTTs), and SMEEs. These cooperation programs may be conducted between organizations at the national level, service-to-service, or between military organizations in theater. Since this is a Bandarian initiative for the benefit of Bandaria, MOD may offer to fund U.S. participation via FMS.

There are at least four kinds of FMS tools we may use in this scenario. All have advantages and disadvantages. Moreover, they are not mutually exclusive. It may be possible to use all four tools in concert to develop a more robust cooperation program.

Defined Order Cases

One option would be to write a separate Defined Order (DO) case to fund a particular cooperation program. The greatest strength of a DO case is that it specifies the assistance Bandaria has purchased. This may allow the program managers on both sides of the partnership to focus on specific, clearly defined objectives rather than being distracted by competing priorities. Note, however, that while the scope of a DO case must be spelled out, it is not necessary to tie the case to a specific piece of equipment. For example, we should be able to write a case to support a SMEE on attack helicopter operations without specifying the model of helicopter under discussion.

Availability of funds is another strength of a DO case. When Bandaria MOD signs an FMS case, it is obligating the funds to execute it, so we can be sure that money has been earmarked and is available for this particular event. Since the case specifies what the money is for, we also can be reasonably sure that our funding will not be diverted elsewhere. Furthermore, FMS funds do not expire with the fiscal year but rather should be available for the life of the case.

If specificity is the greatest strength of a DO case, that is also its greatest weakness. DO cases lack flexibility. First, it can take a long time to write and implement a DO case, the standard target metric is four months which makes it difficult to respond quickly to sudden opportunities or pressing needs. Furthermore, any deviation from the specified scope of a DO case requires a formal Amendment, which also takes time. Each time we change our scope, we need a new Amendment.

Another challenge when using a DO case would be to identify which organization in the U.S. should provide case management. At first blush, it would seem that the security assistance training activities of military departments (MILDEPs) are most appropriate for this function, but it may make more sense to assign this responsibility to someone else. For example, if our cooperation program focused on rationalizing logistics in Bandaria's Air Force, the U.S. Air Force Security Assistance Center (AFSAC) may be the best place for case management, since AFSAC is a subordinate organization of the U.S. Air Force Materiel Command (AFMC), which is the USAF's top logistics organization¹.

Given their lack of flexibility, DO cases are perhaps best suited to one-time events or recurring routine activities that are well-defined and structured. For example, we may elect to use a DO case to fund an assessment of Bandaria's attack helicopter units by a U.S. attack helicopter unit in theater. After the assessment, we may decide to write another DO case to fund week-long SMEEs on attack helicopter operations to be conducted in Bandaria semi-annually over a three-year period, specifying the number of U.S. participants and requiring that the majority of them come from organizations in theater. Alternatively, if we know before the assessment that we want to hold SMEEs, we may elect to just write one DO case with two lines, one for the assessment and the other for the SMEEs. Now both sides can program these SMEEs into their annual training schedules for the next three years, knowing that the money needed to make them happen should be available.

Amendments to Existing Defined Order Cases

Rather than write a completely new case in support of a military-to-military cooperation event, it may be possible to add the event as a line to an existing DO case via an Amendment instead. This option has all the advantages of specificity and funding outlined for DO cases, but also may take less time to prepare than a new case. Additionally, while using a new case might mean that MOD must request funds from Bandaria's budget authorities (e.g., Ministry of Finance, President's Office, Bandarian legislature), there may be existing cases with excess unprogrammed funds that MOD can use at its own discretion.

Like DO cases, Amendments also lack flexibility. Most DO cases are tied to a specific weapon system, so that any Amendment would also have to be system-specific. For example, if we wanted to hold a SMEE on a topic regarding F-16 aircraft, we probably would not be able to fund it with an Amendment adding a line to a case related to C-130 aircraft, even though the C-130 case had excess funds.² Moreover, many of the issues on which we want to cooperate (e.g., leader development or streamlined acquisition procedures) may not be tied to a specific system, thus making it difficult to find an appropriate case on which to piggy-back. Amendments to DO cases, then, may be appropriate vehicles to fund one-time events or structured, routine, recurring events related to specific systems.

1. It is important to distinguish between case management and program management. An FMS case manager will likely reside at a security assistance organization in a military department, whereas the program manager may be at another DoD agency, a Combatant Command headquarters, or even in an operational unit. For example, in our scenario, the case manager may work at AFSAC, but the program manager may be at AFMC, HQ Pacific Command (PACOM), HQ Pacific Air Force (PACAF), or the headquarters of a numbered Air Force (NAF) in the Pacific theater. The case manager and program manager obviously would have to work in close coordination.

2. However, we might be able to fund an amendment to the F-16 case by transferring money from the C-130 case.

Blanket Order Cases Specifically for Cooperation Programs

Blanket order (BO) cases are on the opposite end of the spectrum from DO cases. BO cases are used to fund a category of items or services without specifying in advance what they might be. The scope of a BO case is limited only by the sum of money Bandaria puts on the case and the category of item or service called out (e.g., we cannot buy spare parts with a BO case established for training). In this scenario, Bandaria simply may elect to set up a BO case for “Bandarian and U.S. Military Cooperation Programs.”

The greatest advantage of a BO case is its flexibility. Generally, BO cases take less time to write and implement. Once a BO case is in place, we can react quickly to cooperation opportunities. As long as we stay within our broadly defined scope, we simply have to draw money from the case for our cooperation events. Additionally, a broad scope obviates the need to write an Amendment every time we want to do something new or different. For example, if the scope of the case was written broadly enough, it may be possible to conduct a SMEE on attack helicopter operations, hold a conference on air force logistics, and have U.S. personnel observe shipboard operations during a Bandarian naval exercise, and fund it all with just one case.

We of course are not limited to using a single BO case. For example, as its cooperation program with the U.S. matures, Bandaria’s MOD may decide that managing all programs under one case is too cumbersome. MOD may then decide that it wants to establish a case just for MOD and DoD exchanges and that each of the Bandarian military services will set up a case for cooperation efforts with its U.S. counterpart. Then, if Bandaria wanted to pursue exchanges on a particular topic, say, modeling and simulation, MOD could fund meetings with the U.S. Defense Modeling and Simulation Office (DMSO) off of its case, while the Bandarian Army funded exchanges with the U.S. Army Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) with the Army BO case.

As with DO cases, the greatest weakness of a BO case lies in its strength. The flexibility of BO cases adds the risk that we may lose focus and dilute our efforts. Program managers on both sides of the partnership will be faced with competing priorities as commanders and action officers alike clamor for case money to fund their pet projects, each more important than the next. Someone, probably more senior than a mere program manager, will have to conduct triage to determine which few of the many worthy programs proposed will go forward.

Responsibility for case management is as problematic for BO cases as it is for DO cases. Normally, BO cases are managed by the security assistance training activities of the MILDEPs (for training cases) or by the MILDEPs’ International Logistics Control Organizations (for everything else). Neither of these organizations may be appropriate for cases supporting cooperation programs. Instead, it may be better to assign case management to the senior security assistance organization in a MILDEP, e.g., Navy International Programs Office (NIPO) or the Office of the Deputy Undersecretary of the Air Force for International Affairs (SAF/IA). For cases supporting MOD–DoD exchanges, it may even make sense to assign case management to the Defense Security Cooperation Agency (DSCA).

From a Bandarian perspective, a stand-alone BO case may cause additional problems when MOD requests money for activities that are still undefined. Budget committees may be unsympathetic to requests for funding to “cooperate with the American” without further detail on what that cooperation will entail. Another legitimate question might be, “If cooperation is so important, why are not the Americans funding it (or at least part of it)?” As this discussion indicates, a separate BO case dedicated just to military-to-military cooperation is an excellent funding vehicle, provided that program managers can deal with myriad demands on their limited resources and that budgets can be justified to the relevant authorities.

Blanket Order Training Cases

Our fourth option for funding military-to-military cooperation through FMS is to include cooperation efforts on existing BO cases dedicated to training. Many countries have such cases in place, often down to the military service level, to fund attendance at courses in U.S. military schoolhouses. These cases give Bandaria the flexibility to pull funds quickly as approved courses become available. Additionally, BO training cases may also be used to fund U.S. mobile training teams (MTTs) that train Bandarian personnel in Bandaria. Therefore, if we can portray our cooperation efforts as training, which in a very real sense many of them would be, we should be able to roll them into these larger BO cases. This also may mean that we must define proposed SMEEs, conferences, or exercise observation as MTTs.

This option gives us the flexibility of any other BO case as long as we can define and support our proposed activities as training. It may also be easier for Bandarian MOD to defend a budget request for increased training vis-à-vis cooperation. It also renders moot the question of who should be the case manager, since training cases are by default managed by the MILDEP security assistance training activities.

The obvious disadvantage of tying cooperation to training is that if we are unable to justify our efforts as training, then we cannot fund them with a training case. Could a series of presentations by a panel of U.S. military flight surgeons to the Bandarian Defense College of Aerospace Medicine be considered training? How about an Army-to-Army conference on junior leader development? A Navy SMEE on different approaches to maintenance management? Perhaps, but the final answer may lie in the eyes of the beholder.

Another disadvantage of using BO training cases is that, as with separate BO cases, we still have to deal with competing priorities for funds. Unless the Bandarian program manager can fence off money for cooperation, it is possible that other training managers will try to use those funds for other training opportunities. If competing for the same pot of money, which should take precedence, a SMEE, conference or a seat in a course at the U.S. College of Naval Warfare? Odds are that the Naval War College slot would win out.

Another disadvantage to calling cooperation exchanges MTTs is that it may further limit our ability to respond quickly to immediate opportunities and needs. Although U.S. policy states that MTTs should be used when “assistance must be accomplished as rapidly as possible”,³ in reality programming MTTs is a time-consuming process. First, MTTs must normally be programmed at the annual Combatant Command (COCOM) Training Program Management Review (TPMR), usually held each Spring for the upcoming fiscal year (i.e., 6 to 7 months out). Additionally, the same document that recommends MTTs for “rapid” responses also stipulates that requests for MTTs should be no less than 180 days in advance (120 days for some exceptions).⁴ Realistically, given the operations tempo (OPTEMPO) of U.S. forces over the last several years, even 180 days to put together an MTT for Bandaria seems wildly optimistic.

In addition to the pros and cons addressed above, depicting cooperation efforts as training has another angle not present in our other three options, that is, for some countries we may also be able to use U.S. funds provided under the International Military Education and Training Program (IMET). This approach comes with its own set of challenges and opportunities. For example, it does not give us the flexibility of a BO case since IMET does not fall under the rubric of FMS and so FMS rules

3. Army Regulation 12-15/SECNAVINST 4950.4A/AFI 16.105: Joint Security Assistance Training (JSAT), 5 July 2000 w/changes, para. 13.2a(1) (29 December 2006, [http://www.disam.dsca.mil/itm/References/JSAT/JSAT .pdf](http://www.disam.dsca.mil/itm/References/JSAT/JSAT.pdf)).

4. JSAT, paras, 13-2a, 13-2f, and 13-43b.

are not in play. What can be justified as training under FMS may not be justifiable for IMET funding. Additionally, U.S. policy is that “in principle” IMET should not be used to fund MTTs,⁵ although exceptions may be made with COCOM and DSCA approval.⁶ Furthermore, although in theory IMET funding is good for one fiscal year, in practice Congress usually does not approve IMET funds until well into the second fiscal quarter. Since IMET money may not be used to fund MTTs under the “fifth quarter” concept,⁷ this means that we will likely not be able to use IMET for any cooperation MTT in the first quarter of any given fiscal year. We will probably also not be able to use IMET to fund MTTs that cross fiscal years into the “fifth quarter.” Nonetheless, all the caveats above notwithstanding, IMET funds may still prove useful for certain kinds of cooperation exchanges.

Conclusion

All too often, military-to-military cooperation and FMS are seen as parallel programs, with no overlap or synergies. However, it is feasible in some circumstances to use FMS to support cooperation. This article does not argue that exchanges funded under FMS or IMET should replace the myriad other programs that support cooperation exchanges between U.S. and foreign military establishments. Instead, it suggests only that these security assistance programs may be used to supplement such efforts. Additionally, it should be obvious from the discussion of the pros and cons of our four options that interjecting security assistance into cooperation programs can often bring as many problems as it does solutions. Furthermore, using FMS does not relieve U.S. military organizations from obtaining the necessary policy approvals for proposed exchanges from the COCOM, Office of the Secretary of Defense (OSD), or the Department of State (it may in fact increase these requirements.) Moreover, these approaches will all require close coordination among organizations and people who may not be used to working together, e.g., case managers at MILDEP security assistance organizations and program managers at operational headquarters. The U.S. Security Assistance Office (SAO) in Bandaria will also play a critical role in choreographing these disparate efforts. Coordination among program managers, case managers, and the SAO must begin early and be continuous. Still, when used appropriately, judiciously, and in concert with other initiatives, FMS and IMET can significantly enhance a bilateral military-to-military cooperation program.

About the Author

Bob Van Horn has been an instructor at the Defense Institute of Security Assistance Management since August 2004. He served in the U.S. Army from 1973-1994 as an Armor Officer and a Foreign Area Officer (China). While in the Army, his security assistance tours included Chief, Army Programs, Office of the Defense Representative, U.S. Embassy, Islamabad, Pakistan, and Chief, Performance Evaluation Group, Logistics and Security Assistance Directorate (J44), Headquarters, U.S. Pacific Command, Camp Smith, Hawaii. After retiring from the military service in 1994, he worked for a short time as the Director, Trade Development, Kansas Department of Commerce and Housing in Topeka, Kansas. In July 1997, he joined the security assistance office in the American Institute in Taiwan (AIT), located in Taipei, Taiwan, where he served till July 2004. His academic degrees include an MBA from the University of Kansas, a Master’s Degree in Political Science from the University of Arizona, and a BS in Economics from Iowa State University.

5. JSAT, para. 13-2b

6. DoD 5105.38-M: *Security Assistance Management Manual (SAMM)*, 3 October 2003 w/changes, para. C10.6.3.3 (29 December 2006, <http://www.dscamilitary.com/SAMM/Chapter%2010%20-%20International%20Training.pdf>).

7. Although IMET funds are normally only good for one fiscal year, there are provisions that permit using money from one fiscal year to fund training in the first quarter of the next fiscal year, provided the training has been programmed and obligated by 30 September. Hence, the term “fifth quarter.” JSAT, para 5-4d. MTTs are specifically excluded from fifth quarter funding. JSAT, para. 13-9b.

The Ultimate Solution to the Foreign Language Deficit in the United States

By
Thomas Molloy (Retired)
Defense Language Institute English Language Center

Statement of Problem

In the 11 October 2006 edition of the *Washington Post*, some five years after September 11, 2001 there was an article about the Federal Bureau of Investigation's lack of ability to cope with tasks requiring Arabic language because of a lack of Arabic speakers. On December 7, 2006 the Cable News Network reported that only six Americans at the U.S. Embassy in Baghdad were fluent in Arabic and added that the training of Iraqi personnel was faltering because of a severe shortage of interpreters. If you read between the lines of the September 11, 2001 *Commission Report*, the September 11, 2001 tragedy might have been averted had there been enough Arabic linguists to listen to all of the flagged conversations between suspected terrorists. Just go to any browser and key in "Lack of Arabic speakers" or a similar phrase and you can read numerous articles about the lack of qualified Arabic linguists in U.S. government agencies. Of course, Arabic is just one of those critical languages for which there is a shortage of linguists. Reportedly, various U.S. government agencies cannot cope with the demand for personnel proficient in such "exotic" languages as Arabic, Farsi, Dari, Tajik and Uzbek. I suspect that there are recordings of suspicious conversations that are not being listened to on a timely basis because of a lack of qualified linguists.

To a layman, who has never had any affiliation with the intel or security business, it is astonishing and downright frightening that The U.S. government does not have a sufficient cadre of linguists. Judging from the pitiful state of foreign language training (FLT) in our schools and colleges, one would never guess that the foreign language deficit (FLD) is a source of great peril for our country. In general, compared to many other countries, the expectations of students in high school or university language programs are low and fluency is not demanded. I learned from reading spy novels that most of the people in the world who want to harm us do not conspire against us in English. It behooves us to understand what they are saying to one another.

United States Government Foreign Language Training Resources

One interesting initiative is the National Security Language Initiative. There is a fact sheet about this initiative in the *DISAM Journal*, Winter 2006, page 115. The purpose of this multifaceted initiative is to strengthen national security by providing money to train Americans in critical languages such as Arabic and Farsi.

It appears to me that the structure of this initiative is flawed. I believe it leaves open the possibility that many students will take courses in these critical languages, but few will study long enough (six to eight years) to achieve a high level of proficiency. Undoubtedly, students who study two or three years of Arabic will derive educational benefit, but the purpose of this initiative is not to educate students; it is to reduce the FLD. For example, one leg of the initiative calls for providing resources for 400 high school students and 400 teachers in five states in 2007 and up to 3000 students and 3000 teachers by 2011 in additional states. At first blush, these are impressive numbers, but I predict that, whatever, the results of this allocation of resources, there will be very little impact on the FLD.

In the Winter 2006 issue of the *DISAM Journal*, I presented guidelines for the allocation of resources for language training. I have not seen this initiative before I wrote the article. This initiative appears to be a text book case of what not to do. One of the guidelines I set forth with respect to

FLT is: “Don’t give a little, if you won’t give a lot.” That is to say, training individuals to a low level of proficiency is futile unless they continue to study the language and achieve a high level of proficiency. To the degree that the following conditions are met, the high school FLT program will be successful:

- Only academically gifted students with a high level of language aptitude should be admitted into the program
- High standards must be established and maintained
- Students who fail to meet the standards should be eliminated from the FLT program
- High school students should study the language for four years
- Courses should be a minimum of 5 hours per week
- After four years of high school FLT, the students should achieve a minimum Oral Proficiency Interview (OPI) of 2. Detailed information about the OPI is on the DLIELC web site: <http://www.dielc.org/>. Click on “testing” and then click on OPI
- There should be a mechanism for those who meet the OPI requirement to continue study on the college level
- After four years of college study, students should achieve a minimum OPI of 3+
- An individual who achieves an OPI of 3+ is on the threshold of high proficiency

I may be selling the managers of this initiative short, but I have evaluated language training programs all over the world and I smell a rat. Foreign countries have launched similar initiatives to train their personnel in English and had poor results. There is simply no room in this article for me to point out all of the apparent inefficiencies in this initiative. I would suggest that those who implement the various legs of this initiative contact Defense Language Institute English Language Center (DLIELC) or Defense Language Institute Foreign Language Center (DLIFLC) for assistance and read the following articles:

- “Resources for English Language Training, a Managerial Headache” (*DISAM Journal*, Winter 2006)
- “Academic Attrition in Training Programs: Friend or Foe.” (*DISAM Journal*, Fall 2005)
- “Why Some In-Country Language Programs Don’t Work: What Every Security Assistance Officer Should Know.” (*DISAM Journal*, Summer 2002)
- “Projecting Soft Power through English Language Training”, (*DISAM Journal*, Volume 28 No. 3 2006)

There are some first-rate U.S. government FLT facilities. Among them are the Defense Language Institute Foreign Language Center (DLIFLC) and the Foreign Service Institute (FSI). These facilities provide excellent training, but their goal is not to produce graduates with near native proficiency. That simply takes too much time. The graduates possess proficiency in the 1+ to 2 range as measured on the OPI scale. Given the relatively short duration of the training, these are excellent results. Individuals with this level of proficiency can perform many useful linguistic tasks, but they can not perform some critical tasks that require near native proficiency. We need many individuals who function at the OPI

level of 3+ and above, individuals whose target language proficiency is sufficient to negotiate a treaty, conduct sophisticated interrogations and immediately engage in high level discourse. Unfortunately, they are a rare commodity. It takes years to achieve such a high level of proficiency. Most agencies cannot spare any significant number of personnel for years of language training. I doubt that the FBI can afford the luxury of assigning many agents to language training for five, six or more years. To make a rather clumsy analogy, we have a lot of Edsels, some Chevies, a few Buicks, and far too few Cadillacs.

I spent almost forty years in the English language training (ELT) and FLT business. I will say quite unabashedly that I probably know as much as anyone about FLT. I am going to propose what I regard as the ultimate approach to solving our FLD. In my opinion, this approach, although very large in scope, is the most cost-effective, sure-fire way to eliminate the FLD.

Proposal Phase 1 - Establishing Charter High Schools for Area Studies and Language (CHSASL)

Representatives from U.S. government agencies that require linguists with a near native level of language proficiency should convene to establish their requirements and establish a plan to meet these requirements. They should form a National Foreign Language Project Oversight Committee (NFLPOC) to oversee the initiatives elucidated below.

The NFLPOC, in cooperation with city officials, should establish CHSASL in cities throughout the United States. The primary purpose of these schools is to teach languages in demand (LID) as well as the culture, literature, history, economy, geography, religion, government of the country or geographical area in which the target LID is spoken. The ultimate goal is to eliminate the FLD in the United States. Graduates of the CHSASL should achieve a minimum proficiency level of 2+ on the OPI. Those who advance to the National University (See Proposal Phase 2) should have the potential to attain near native proficiency in four years of intensive undergraduate study.

Each CHSASL should concentrate on teaching a particular LID. For example, we might have the Pittsburgh School of Persian Language and Area Studies or the El Paso School of Arabic Language and Area Studies. Extant high schools do not possess the expertise or resources required to provide the level of foreign language training FLT required. The federal government and the cities should share the costs of founding and operating the CHSASL. In addition to concentrating on a target LID, the CHSASL should have strong college-prep programs. Each CHSASL should devote itself to teaching one particular LID such as Arabic, Farsi, Uzbek, Korean, Dari, etc. Initial selection of students should be made by competitive examination to assess academic achievement. A language aptitude test should be part of the screening process. Students admitted to a CHSASL should not be required to pay tuition or pay for learning materials. Needy students should be able to apply for subsidized transportation costs and meals in the cafeteria.

Candidates for admission into the CHSASL should commence study in the target LID during a summer institute before entry into ninth grade. They should be informed that their admission into the CHSASL is contingent upon their performance in the summer program. The summer program should consist of five weeks of intensive training, 5 hours per day, 5 days per week. The first week should consist of an intensive review of grammatical concepts and the following four weeks should consist of training in the target LID. The purpose of this training is not only to give candidates a solid foundation in the target LID, but also to screen the candidates for ability to learn the target LID.

Based on my experience with language training, I estimate that only about 30 percent of the candidates who enter the summer institute will demonstrate an ability to achieve a high level of proficiency. Candidates who demonstrate the potential to master the target LID and who comport

themselves properly should be admitted to the CHSASL. Candidates who fail to demonstrate this potential or whose comportment is not satisfactory should be denied admission.

Languages in demand teachers should be either native speakers or approximate the fluency of native speakers. When feasible, CHSASL should be established in cities in which the target LID is the native language of a significant part of the population. There are two reasons for this. First, it will facilitate the recruitment of native language speakers for the faculty. Second, it will afford the students the opportunity to interface with native speakers. If it is necessary to import faculty from outside the city for any discipline, relocation costs should be reimbursed provided that the teachers sign a three-year contract.

In all disciplines, standards for faculty members should be high. They should be very knowledgeable in their fields, personable, enthusiastic about their subjects, and pedagogically superior. To put it succinctly, they should be all stars. If at all possible, those hiring teachers should observe them teach several times before they are hired. Alternatively, a trusted surrogate might observe candidates in other cities and provide feedback. Classroom performance is where the rubber meets the road. Academic credentials are an important factor and an MA in a related field such as English, teaching ESL/EFL, linguistics, or a foreign language should be a requirement. However, it should be possible to waive the MA requirement for teachers with a BA who are exceptional classroom performers. They can be hired on provision that they obtain an MA within a specified time period. Undergraduate and graduate degrees in education should not be considered to meet the academic credentials requirement. In my experience, degrees in education are not even a guarantee of basic literacy. Teachers should have to sign a three-year contract and be on probation for the first six months of employment. The contract should contain a clause that management can fire an employee without stating the cause during the probationary period with two weeks notice.

Background checks should be conducted on faculty members. Graduates of the CHSASL as well as graduates of other high school college prep programs should be eligible to compete for scholarships to attend the National Foreign Language and Area Studies University (NFLASU) (See Phase 2 below). Scholarship applicants should apply to The National CHSASL Oversight Committee. Before consideration can be given to their applications, they must have achieved an OPI score of 2+ or higher in their target LID. The OPI can be administered telephonically.

Sample Charter High Schools for Area Studies and Language

There is a lot of latitude for establishing the curriculum and I do not suggest that the curriculum presented below is the final word. One may, for example challenge the inclusion of Latin as a requirement and basic electronics as an elective. The main point I wish to stress is the prominent place of the LID in the curriculum.

College Preparatory and Persian Language Training

First Year Curriculum

Pre-High School Summer Language Training and Screening Program, (five weeks): One week review of basic grammatical concepts (five days, five hours per day) followed by four weeks of Persian IA Introductory Persian (five days, five hours per day). The purpose of this program is twofold: To put the students on the path to fluency in Persian and to screen out those who lack the aptitude and/or motivation to learn Persian.

- Latin I
- Persian IIA Grammar
- American History
- Science
- Algebra
- Persian IIB Conversation
- English I

Electives: Students must take one of the electives below:

- Computer basics
- Mathematics for Electronics

Second Year

Summer Session (five weeks): Persian IIIA Grammar and Conversation (five days, four hours per day) and mathematics (five days per week, two hours per day)

- Latin II
- Persian IIIB Grammar and Conversation
- American Government
- Geometry
- Biology
- English II
- Persian IVA Reading and Discussion Persian Newspapers and Magazines

Electives:

- Mathematics for Electronics
- Basic Electronics

Third Year

Summer Session (five weeks): Persian IVB Conversation and Advanced Grammar (five days, four hours per day) and Mathematics (five days, two hours per day)

- Latin III or French I
- Persian (VA)
- World History
- Topics in Ancient and Medieval Persian History (VB) taught in Persian
- English III
- Trigonometry
- Chemistry

Electives:

- Basic Electronics
- Intermediate Electronics
- Statistics

Fourth Year

Summer Session (five weeks): Persian VIA Modern Persian History taught and tested in Persian (five days per week, three hours per day) and precalculus math (five days, three hours per day).

- Latin IV or French II
- Persian VIB Topics in Science and Mathematics taught and tested in Persian
- Introductory Calculus
- Physics
- English IV
- Persian VIIA Newspaper Readings taught and tested in Persian

Electives

- Statistics
- Biology

Proposal Phase 2 - National Foreign Language and Area Studies University

Most U.S. universities are not equipped to provide the depth and breadth of LID training that the U.S. government requires. Therefore, I am proposing that the U.S. government establish its own facility to provide this training.

The CHSASL should serve as the primary source of students. A minimum OPI level of 2+ in the target LID should be required for admission. To put this standard in perspective, I do not believe the typical college graduate who majored in a foreign language would meet this standard.

The National Foreign Language and Area Studies University (NFLASU) should not be a research-oriented institution. The focus of NFLASU faculty members should be excellence of instruction. In general, only research that directly benefits instruction in CHSASL or NFLASU should be conducted by faculty members. All students who enter NFLASU must sign an agreement to work a given number of years for a U.S. government agency when they graduate. NFLASU should have an

The Reserve Officers Training Corps program to train those who will render their obligatory service as military officers. Students who do not reach an agreement with an agency, will, at the discretion of the U.S. government, either be assigned to an agency or their scholarship will be terminated. Students must major in their target LID. To obtain a BA, the student must successfully complete 42 hours of LID and area studies courses. The following is a sample of a course syllabus for a major in Persian Language and Area Studies. All courses are taught and tested in Persian.

Course	Credits
Persian Literature 101	3
Persian Literature 102	3
Persian Composition 109	3
Persian Composition 110	3
Persian Conversation 114	3
Persian Conversation 115	3
Aspects of Persian Grammar 112	3
Aspects of Persian Grammar 113	3
Topics in Science 209	3
Topics in Chemistry 212	3
Topics in Physics 213	3
Topics in mathematics 214	3
Study of the Koran 201	3
History of Islam 202	3
History of the Middle East 220	3
History of the Middle East 221	3
Modern Persian History 225	3

The student must take all 24 hours of 100 level courses and choose a minimum of 18 hours of 200 level courses. All courses are language courses and taught and tested in Persian. They do count towards a degree in science or mathematics.

The student must minor in one of the following areas:

- Middle Eastern History

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- World History
 - Mathematics
 - English
 - Chemistry
 - Classical Languages

Working Assumptions

The basic assumptions upon which my proposal rests are the following:

- The U.S. government needs a constant supply of native or near native speakers of some of the more exotic foreign languages.
- Although mastery of a foreign language as an adult requires intelligence, not all intelligent people have the necessary aptitude.
- Some highly intelligent individuals cannot master a foreign language in any reasonable amount of time.
- Mastery of a foreign language takes a long time. There are no miracles, bromides, or nostrums.

It is not wise to require everyone in most agencies to achieve a high level of foreign language proficiency. Many highly intelligent, competent individuals do not have the aptitude to master a foreign language. Such a lofty requirement leads agencies into the bizarre situation of having to fire excellent employees or fudging language standards. Pass the fudge.

Giving an individual a little foreign language training is of little benefit because the individual cannot function at a level high enough to be useful. It is only worth giving a little foreign language training if you are going to give a lot.

Excellent instruction reduces the amount of time necessary to master a language. Therefore, excellence must be the standard. Given excellence as the standard, satisfactory instructors are by definition unsatisfactory. Progress in achieving proficiency motivates language learners to study; lack of progress dampens their enthusiasm. Today's pedagogical fads become tomorrow's bad ideas. FLTP managers should avoid fads. An FLP should employ tried and true methodology. The general instructional approach should be to proceed from the simple to the complex. This may seem like common sense, but there are academics who would challenge his approach. Residing in the country in which the target LID is spoken is not necessarily an aid to learning unless learners are placed in a structured environment, where they are forced to use the target language.

If at all possible, FLTP managers should avoid launching projects to develop curriculum. FLT curriculum development projects are costly, take a long time, rarely produce the anticipated results, and divert attention from instruction.

When possible, the curriculum should consist of commercially available materials selected by FLTP managers and the department chairmen with input from teachers. In order to ensure that the required learning objectives are taught, the FLTP manager should standardize the curriculum and give little latitude to teachers to use supplementary materials. The FLTP manager should ensure that standardized achievement and proficiency tests are used. If the FLTP has to develop its own tests, the

FLTP manager should hire an experienced testing specialist to oversee the development. The FLTP manager should employ the tests to measure the achievement and proficiency goals. For example:

- After twenty weeks of instruction the student must achieve a minimum score of 50 on the LID proficiency test. Students should take a weekly achievement test and must maintain an average of 80.
- A proficiency test should be given about once every three or four months. The FLTP manager should ban instructor-made tests from inclusion in the formal evaluative process. They cannot be used to compare rates of student progress. Students should take the OPI at the end of their second and fourth years in high school and at the end of each year in college. FLTP LID class size should not exceed twelve students.

Conclusion

It takes a long time to attain a high level of proficiency in a foreign language. Agencies generally do not have the funds to send their personnel for the required six to eight years of language training. My proposal calls for training personnel in the language before they begin to work for various agencies. Unfortunately, I believe agency directors, practical individuals, are going to find this proposal a bit too elaborate and costly. To those unwilling directors, I will simply ask, “What are you going to do to eliminate the FLD?” I warn you that, unless you implement this proposal or something like it, 10, 15, or 20 years from now you will still have an FLD. Can we risk going another 10, 15 or 20 years without being able to decipher what our enemies are saying to one another?

About the Author

Thomas Molloy is a retired Department of the Air Force civilian. He served two years in the Peace Corps and then worked almost 38 years at the Defense Language Institute English Language Center. During his tenure, he served as Chief of the General English Branch, Chief of the General English Curriculum Branch, Chief of the Evaluation Division, and Chief of the Programs Division. He spent some 20 years overseas as an instructor, advisor, and manager. He also did consulting work in 21 countries and for several major corporations. He is fluent in Turkish and conversant in several other languages.

