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# Annual Report to the President and the Congress

by

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## STABILITY THROUGH OVERSEAS PRESENCE

[Excerpted from Chapter 1, "U.S. Defense Strategy," p. 6.]

The need to deploy or station U.S. military forces abroad in peacetime is also an important factor in determining overall U.S. force structure. In an increasingly independent world, U.S. forces must sustain credible military presence in several critical regions in order to shape the international security environment in favorable ways. Toward this end, U.S. forces permanently stationed and rotationally or periodically deployed overseas serve a broad range of U.S. interests.

Specifically, these forces:

- Help to deter aggression, adventurism, and coercion against U.S. allies, friends, and interests in critical regions.
- Improve U.S. forces' ability to respond quickly and effectively in crises.
- Increase the likelihood that U.S. forces will have access to the facilities they need in theater and enroute.
- Improve the ability of U.S. forces to operate effectively with the forces of other nations.
- Underwrite regional stability by dampening pressures for competition among regional powers and by encouraging the development of democratic institutions and civilian control of the military.

Through foreign military interactions, including training programs, multinational exercises, military-to-military contacts, and security assistance programs that include judicious foreign military sales, the United States can strengthen the self-defense capabilities of its friends and allies. Through military-to-military contacts and other exchanges, the United States can reduce regional tensions, increase transparency, and improve its bilateral and multilateral cooperation. (See Appendix J, Military Assistance.)

By improving the defense capabilities of its friends and demonstrating its commitment to defend common interests, U.S. forces abroad enhance deterrence and the odds that U.S. forces will find a relatively favorable situation should a conflict arise. The stabilizing presence of U.S. forces also helps to prevent conflicts from escalating to the point where they threaten greater U.S. interests at higher costs.

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## **INTERNATIONAL COOPERATION: NEW WAYS OF DOING BUSINESS WITH GOVERNMENTS**

[Excerpted from Chapter 9, "Economic Security," p. 75.]

In military operations, U.S. forces often fight or work -alongside the military forces of other nations. Deploying forces in cooperation with those of other countries places a high premium on interoperability—ensuring U.S. systems are compatible with allied systems. This new emphasis on interoperability, to include military operations other than war, is especially important because it comes during a period of declining defense budgets not only in the United States, but also in allied nations. The United States and its allies are being challenged to do more with fewer resources; interoperability provides needed leverage. International cooperative efforts offer a real chance to enhance interoperability, stretch declining defense budgets, and preserve defense industrial capabilities. Thus, the Department has renewed its efforts at international cooperative development. Such cooperation can range from simple subcontracting relationships to licensing and royalty arrangements, joint ventures, and bilateral and multilateral cooperative programs. Some of the more notable success stories in international industrial cooperation include the F-16 Falcon, AV-8 Harrier, T-45 training aircraft, CFM-56 engine, the continuing cooperative efforts under the NATO Airborne Warning and Control System (AWACS) program, the Multifunctional Information Distribution System (MIDS), Theater Missile Defense, and Allied Ground Surveillance. The Department is now working with allies in Europe and Asia to explore new possibilities, including the Medium Extended Air Defense System (MEADS) and NATO Airborne Ground Surveillance efforts.

The international cooperative R&D program has led to the sharing of military technology among allies, as well as to the development of joint equipment to improve coalition interoperability. Such items include advanced aircraft; combat vehicle command and control; communications systems interoperability; and ship defense.

As DoD takes greater advantage of the opportunities in international defense cooperation and commerce, it continues to address the risks of the proliferation of weapons of mass destruction and advanced tactical systems. DoD has worked to ensure that agencies understand the nature and importance of the February 1995 Conventional Arms Transfer policy and take its tenets fully into account when pursuing cooperative international defense programs and sales. As a result, both economic security and national security interests are pursued and protected.

DoD has also taken steps to improve the effectiveness and efficiency of international cooperation. An International Armaments Cooperation Handbook has been developed to provide a compendium of current policy, key processes, and points of contact for use by persons working cooperation issues in the Department. In addition, by streamlining the international cooperative agreement review process in the Office of the Secretary of Defense, the average processing time for such reviews has been reduced from 130 days to 30 days.

## **MILITARY ASSISTANCE**

### **INTRODUCTION [Appendix J.]**

Military assistance is a valuable instrument of U.S. national security and foreign policy. It helps friends and allies deter and defend against aggression and contributes to sharing the common defense burden. Military assistance is a range of programs that enable friends and allies to acquire U.S. equipment, services, and training for legitimate self-defense and for

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participation in multinational security efforts, such as coalition warfare and peacekeeping operations.

Military assistance promotes overseas presence and peacetime engagement by improving the defense capabilities of U.S. allies and friends, while demonstrating U.S. commitment to defend common interests. Adequate military capability among allies decreases the likelihood that U.S. armed forces will be necessary if conflict arises, and raises the odds that U.S. armed forces will find a relatively favorable situation should a U.S. response be required. As an integral part of peacetime engagement, military assistance programs contribute to U.S. national security by enhancing deterrence, encouraging defense responsibility sharing among allies and friends, supporting U.S. readiness, and increasing interoperability among potential coalition partners.

Programs under military assistance include Foreign Military Sales (FMS), Foreign Military Financing (FMF), International Military Education and Training (IMET), emergency drawdowns of defense inventories, and grants of Excess Defense Articles (EDA). The structure of each program provides the capability to respond to the needs of foreign friends and allies by addressing their security concerns, while supporting U.S. armed forces and promoting U.S. foreign policy and national security interests.

### **FOREIGN MILITARY SALES**

The FMS program is the government-to-government channel for selling U.S. defense equipment, services, and training. Sales in FY 1995 were approximately \$9.1 billion. Responsible arms sales further national security and foreign policy objectives by preserving regional stability in areas important to U.S. interests through ensuring balance of military forces, strengthening U.S. bilateral defense relations, and reducing incentives to acquire weapons of mass destruction. National benefits derived from these sales include an improved balance of trade, sustainment of highly skilled jobs, and generation of revenue for U.S. companies. DoD benefits from FMS through enhanced coalition capabilities of U.S. friends and allies, as well as extension of production lines and lowering of unit costs for key weapon systems, such as the M1A2 tank, F-16 aircraft, AH-64 (Apache) helicopters, and F/A-18 aircraft.

### **FOREIGN MILITARY FINANCING**

FMF is the primary U.S. government financing arm of military assistance. Congress appropriates funds in the International Affairs budget and the Department of Defense executes the program. The majority of FMF grants are designated to meet the continuing security needs of allies in the Middle East, but funding is also provided to assist defense development, counternarcotics, and demining efforts. FMF grants in FY 1995 totaled \$3.154 billion, roughly equal to the FY 1994 level. After funding Israel and Egypt (\$3.1 billion) and other earmarked programs, the less than \$32 million in discretionary FMF funding was distributed to Jordan, counternarcotic country programs, Haiti, demining, and the Baltic Peacekeeping Battalion. Greece and Turkey received market rate loans through FMF.

### **INTERNATIONAL MILITARY EDUCATION AND TRAINING**

The IMET program is a low-cost grant program (\$26.35 million in FY 1995) that provides professional military education and training to more than 3,300 foreign military and civilian personnel from over 100 countries annually. Over half a million foreign personnel have been trained through IMET sponsorship over the past three decades. By attending IMET-sponsored courses and programs in the United States, future leaders of foreign defense and

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related establishments are exposed to U.S. values, regard for human rights, democratic institutions, and the role of a professional military under civilian control.

To meet the challenges posed by recent transitions to democracy in countries throughout the world, IMET has been expanded to include programs focusing on human rights, defense resource management, military justice, and civil-military relations. The IMET program remains one of DoD's highest priority military assistance programs. It is one of the least costly and most effective programs for maintaining U.S. influence and assisting countries in their transitions to functioning democracies.

### **Peacekeeping Operations**

The number of situations requiring peacekeeping operations has risen dramatically in the past few years and can be expected to increase further in the years ahead. Military equipment and services may be provided to individual countries or international organizations participating in selected regional peacekeeping operations through security assistance sale and lease programs or grant authorities. During FY 1995, military equipment was provided to member nations of the Economic Community of West African States involved in a peacekeeping effort in Liberia, and to the nations contributing to the Baltic Peacekeeping Battalion, using FMS procedures and funding provided by the Department of State. The United Nations has also obtained a variety of military and support equipment on reimbursable lease and purchase agreements in support of peacekeeping programs in Somalia, Rwanda, Bosnia, and Haiti.

### **Emergency Drawdown Authorities**

Section 506, Foreign Assistance Act (FAA) authorizes the President, on a grant basis, to draw down defense articles from DoD inventories and to provide defense services and military education and training to foreign governments and international organizations in response to military emergencies or to provide assistance for international narcotics control, international disaster relief, or refugee assistance. In FY 1995, Section 506(a)(1), FAA drawdowns for military emergencies totaled \$32 million to support and help equip the Rapid Reaction Force for Bosnia. Section 552(c)(2), FAA authorizes drawdowns for Peacekeeping Operations. In FY 1995, Section 552 Peacekeeping Drawdowns for commodities and services were \$5 million to help equip Palestinian police forces in support of the Middle East peace process and \$7 million to support accelerated training of the new Haitian National Police Force.

### **Excess Defense Articles**

EDA are equipment (other than military construction equipment) which are in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock levels at the time such articles are dropped from the DoD inventory. Such articles may be sold to eligible countries and international organizations under the FMS program, or transferred on a grant basis under the provisions of Sections 516 through 520 of the FAA. During FY 1995, Congress was notified of EDA transfers totaling \$504 million (current value at time of notification). Bahrain, Turkey, Greece, Egypt, and Spain were the largest recipients of EDA. Several Central European countries are now eligible to receive non-lethal grant EDA. Trucks and uniforms have been provided to Estonia, Latvia, Lithuania, and Albania under the program.

<b>MILITARY ASSISTANCE PROGRAMS</b>						<b>Table J-1</b>
<b>Program</b>	<b>FY 1991</b>	<b>FY 1992</b>	<b>FY 1993</b>	<b>FY 1994</b>	<b>FY 1995</b>	<b>FY 1996</b>
FMS (\$B)	21	15.2	33	12.9	9.1	9.8 <sup>a</sup>
FMF Grants (\$B)	4.25	3.93	3.27	3.15	3.15	3.21
FMF Loans (\$M)	478	345	855	770	558	544
IMET (\$M)	47.2	44.6	42.5	22.25	26.35 <sup>d</sup>	39.0
EDA Grants (\$M) <sup>c</sup>	406	178	290	170	308	<sup>b</sup>
EDA Sales (\$M) <sup>c</sup>	29	52	88	97	196	<sup>b</sup>

<sup>a</sup> Estimated.

<sup>b</sup> EDA transfers are not projected for future years.

<sup>c</sup> EDA figures reflect current value at time of notification.

<sup>d</sup> IMET for FY 1995 includes \$850K transferred from Voluntary Peacekeeping Account.

## CONCLUSION

As the U.S. armed forces continue to downsize and the requirement for potential coalition defense operations increases, military assistance programs will remain critical. The importance of such programs is recognized in both the National Security Strategy and the National Military Strategy.