

READINGS IN SECURITY ASSISTANCE

current items of interest to security assistance managers

FY 1982 SUPPLEMENTAL APPROPRIATIONS FOR SECURITY ASSISTANCE

On 12 April 1982, the executive branch submitted to Congress a request for supplemental security assistance appropriations for FY 1982. The supplemental seeks to obtain increased appropriations for FY 1982 to meet the levels which were authorized by the Congress (Public Law 97-113) but which were reduced in the FY 1982 appropriations act (Public Law 97-121). Administration officials testified in support of the supplemental request on 13 May 1982 before the Subcommittee on Foreign Operations of the House Appropriations Committee. The following represents excerpts from the formal statement of Richard R. Burt, Assistant Secretary of State (Designate) for European Affairs (and formerly, Director, Bureau of Politico-Military Affairs).

. . . Our need for a security assistance supplemental in 1982 derives from the fact that the assistance levels appropriated by the Congress last December for FY 82 were \$301 million less than were authorized and are simply insufficient to serve the vital foreign policy objectives which the President has charted. Even with the supplemental, Congress will be providing significantly less than the President had requested, but we would have sufficient resources to fill critical gaps between important foreign policy requirements and the resources available to meet our most pressing commitments. . . . I hope you will agree that the case for a Supplemental is compelling; that the consequences of doing without the resources we need are far greater than the cost we must pay now.

Our security assistance Supplemental seeks \$115.5 million in budget authority, which is broken down as follows:

- \$62 million for MAP;
- \$50 million for FMS credits; and
- \$3.5 million for IMET.

In addition, we are asking for \$186 million in off-budget FMS loan guarantees.

With these resources, we will be able to support critical U.S. interests in strategic areas of the world. Let me touch briefly on each.

The first is the gateway to the Mediterranean, which forms NATO's southwestern flank, and is the access route to the Middle East. Here our requirement is for continued access to some bases and the establishment of access to others in order to insure that the Sixth Fleet and our Rapid Deployment Force can effectively project an American presence into the strategically critical Middle Eastern and Persian Gulf Regions. We are on the eve of concluding a new bases agreement with Spain, which will be critical for our deployment capabilities well into the 1980's. The \$25 million we seek for Spain in the way of off-budget FMS guarantees in this supplemental would strengthen the new relationship we are establishing and would enhance Spain's force modernization effort as it takes on formal NATO defense responsibilities. Similar negotiations will soon begin with Portugal. As you may know, Portugal took the

unprecedented step a few days ago of denying us transit through Lajes to show its dissatisfaction over the level and terms of our FY 1982 security assistance program. The Portuguese Government -- a fragile democracy -- is deeply concerned about its prospects, and looks to strengthened U.S. support as a very important stabilizing influence. The \$20 million for Portugal in the supplemental will serve as a demonstration of our firm commitment to Portugal, and more importantly, will maintain Portugal's ongoing force modernization program. We are also seeking \$10 million for Tunisia and \$20 million for Morocco -- both under serious Libyan pressure, and the latter facing a guerrilla war in the Western Sahara -- to provide substance to our past assurances that we would be a dependable friend.

A second area of concern is Southeastern Europe and the Horn of Africa. Turkey and Somalia offer us access to critical facilities for the deployment of our forces, and the safeguarding of Sudan's territorial integrity is essential to stability in the Middle East. For this region, the supplemental would provide \$82 million in off-budget FMS guarantees for Turkey, a grant of \$10 million for Somalia, and \$50 million in FMS credits for Sudan. Both Somalia and Sudan are prime targets of the recent alliance among South Yemen, Ethiopia, and Libya, which supports subversive groups in both friendly countries. The supplemental would accelerate delivery of radar and transportation equipment to Somalia and would enable Sudan to acquire modest numbers of tanks, artillery, aircraft and an improved air defense system. For Turkey, the supplemental would help it modernize its forces, and in particular carry out its plans to replace obsolescent F-100's this year.

The third vital area is Central America. Here Cuba and Nicaragua have coupled an unprecedented military buildup with increased support for subversive groups. The supplemental fulfills the President's pledge to complement the Caribbean Basin Initiative with adequate military assistance to El Salvador and Honduras. Our request provides military assistance grants of \$35 million for El Salvador and \$17 million for Honduras. The supplemental will enable El Salvador's newly-elected government to train additional quick reaction forces to deal with hit-and-run guerrilla attacks and obtain naval patrol vessels, ground support for aircraft, and communications equipment essential for a successful and controlled anti-guerrilla campaign. It will also permit Honduras' new democratic government to purchase transport, naval patrol and ground support aircraft, arms and ammunition, and communications equipment needed to counter insurgent movements.

The fourth area is the Far East. Here North Korea has a two to one advantage in fighter aircraft over South Korea, yet we have consistently cut appropriations to South Korea below our initial planning levels. Korea needs, and we are requesting, \$29 million in additional FMS funding to purchase improved surface-to-air missiles to help to meet that threat. In Southeast Asia, Vietnamese ruthlessness, amply demonstrated by the use of chemical warfare in Cambodia and Laos, threatens Thailand. The supplemental provides

\$25 million in off-budget FMS guarantees to help Thailand, which is facing heightened Vietnamese military pressure on Khmer resistance forces along the Thai border. Such activity has increasingly spilled over into Thai territory.

In brief, Mr. Chairman, we cannot defend America's interests in the Middle East, Asia, and the Caribbean Basin without the cooperation of friendly nations in these regions. Simply stated, this cooperation translates into access to base facilities and transit rights for U.S. forces, as well as the ability to provide these same friendly nations with the confidence and means to address deeply seated social and economic problems. It also translates, Mr. Chairman, into deterring military adventurism on the part of our adversaries, which threatens stability in regions of vital importance to us. To achieve these objectives of cooperation and mutual assistance, we critically need the resources outlined in our FY 82 security assistance supplemental.

Without this additional funding, we cannot meet our vital foreign policy requirements. Without the supplemental, we will:

- First, put at risk access to critical military facilities and expose friendly countries on the periphery of the Middle East to threats from the Soviets or their Libyan/Ethiopian surrogates;

- Second, be unable to provide the modest increases in military assistance needed in the Caribbean area (El Salvador and Honduras) and the economic assistance proposed by the President;

- Third, fail to counter adequately Vietnamese and North Korean threats on the Asian continent; and

- Fourth, be ignoring the new challenges to our worldwide interests which have arisen since the FY 82 security assistance budget was proposed more than a year ago.

In sum, these resources are essential to the prospects for peace and for the defense of essential American interests. Without them, the President will be forced to decide which priority objectives of our foreign policy to pursue and which to neglect or abandon. It is worth repeating that all of the programs in our supplemental were authorized by the Congress last December. We sincerely hope, Mr. Chairman, that we can count on your support in this most difficult but extremely critical request.

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The Honorable Francis J. West, Assistant Secretary of Defense (International Security Affairs) also testified on 13 May before the House Subcommittee on Foreign Operations, and his formal statement is presented below.

I want to express support for Mr. Burt's statement requesting an FY 1982 supplemental to meet the very urgent security assistance requirements around today's seriously troubled world. State and

Defense have worked closely on this supplemental request and both agree that we cannot afford to delay our request for additional funds until FY 1983. The real and immediate requirements of today need to be filled as quickly as possible. Needless to say, we at Defense believe that the security assistance program is not only an indispensable tool in our global foreign policies but also a cost-effective vehicle for enlisting the support of our friends and allies in a collective approach to defending our mutual security interests -- interests which are increasingly under pressure in several key areas of the world.

In a more ideal world, we would not have to return to the Congress seeking additional funds to use in assisting other countries to defend themselves and, thereby, to enhance our own security. Regrettably, we do not live in such an ideal world. Events have not remained static over the months since our FY 1982 budget was formulated, submitted, and acted upon by the Congress. The security assistance requirements of other nations do not always conform to our budgetary cycles -- or to our program levels. It is for these general reasons that we feel compelled to seek a supplemental appropriation for FY 1982.

The series of armed conflicts in the Middle East, Persian Gulf, and African areas have not lessened -- if anything they have intensified. The Soviets have put additional forces into their repressive war against the Afghan people. In the Iran-Iraq war, Iranian forces in a series of offensives have inflicted serious losses on Iraqi forces. This situation vis-a-vis the Iran-Iraq conflict, plus an attempted coup on Bahrain with suspected Iranian involvement, has greatly increased the security concerns of the Gulf states and Saudi Arabia. The situation in Lebanon has resulted in both Israeli and PLO strikes. The low level border war between the Yemens has heated up again to the point where last week the North Yemeni recalled their Ambassador to Moscow. The situation remains unsettled in Chad. The Eritrean insurgency continues against Mengistu's regime and 8000 Cubans in the Ogaden Region of Ethiopia continue to pose a threat to Somalia -- whose loss incidentally would leave the Djibouti enclave as the only friendly territory at the entrance to the Red Sea. The continuation and the intensification of these regional conflicts argues, from a defense viewpoint, for us to do what we need to do to insure our enroute access to Southwest Asia. \$75M of the requested authorizations are designed to assist Spain (\$25M), Portugal (\$20M), Morocco (\$20M) and Tunisia (\$10M) all of which figure prominently in our enroute access planning for Southwest Asia. We are also proposing grants to Somalia of \$10M and the Sudan of \$25M. Both of these nations start far down on the scale of military capabilities, both have been cooperative with us, both are threatened, and the loss of either would do significant damage to our Southwest Asia (SWA) strategy.

We have also included \$82M in guaranteed FMS credits for Turkey which faces staggering modernization needs for its armed forces and whose 600,000 man force sitting at the juncture of NATO Europe and the Middle East provides a powerful deterrent.

In Latin America the supplemental will provide necessary continued assistance to El Salvador and Honduras. We, in implementing previously briefed equipment and training [requirements] for the El Salvadoran military, are approaching the bottom of the barrel. Without the additional \$35M for El Salvador, we will not be able to keep the El Salvadoran military operating effectively through the end of the fiscal year.

The small amount (\$29M) of off-budget guarantees for Korea is urgently needed to counter the significant North Korean advantage and will be effectively utilized by the Koreans. Thailand is assuredly threatened by Vietnamese forces along her border and badly needs the \$25M included in the supplemental.

Specifically, we face real needs which cannot be met from the FY 1982 appropriated levels which fell below what we had requested and what had been authorized. If funding remains at the current levels for the remainder of FY 1982, we simply will not be able to be responsive to the many pressing needs which Mr. Burt and I have outlined. The supplemental request is for a total of \$301 million in military assistance which is the difference between what Congress authorized and what is appropriated in the FY 1982 bill.

Of the \$301M, we are requesting \$186 million in FMS guaranteed loans which do not have a budget authority impact. The remaining portion -- about 38 per cent or \$115.5 -- is for on-budget funds and includes \$62 million for the Military Assistance Program (MAP), \$50 million in FMS forgiven credits and \$3.5 million for the grant military training program (IMET).

I want to return to the theme mentioned briefly at the beginning of my statement and highlighted by Mr. Burt. The links between our own defense effort and our security assistance program are strongly forged. Security assistance complements the defense program, it improves our force projection capabilities, strengthens our allies and friends, and sends a strong signal to the Soviet Union and its surrogates that we will not stand by while they expand their foreign military presence and military assistance programs, which they are certainly doing in SWA, in Africa and in Central America.

It is unfortunate, Mr. Chairman, that in these difficult economic times our international security assistance requirements are outpacing the resources approved for FY 82. But, Sir, we in Defense earnestly believe that the proposed supplemental request will send a welcome and needed message to our friends and an unwelcome message to the Soviet Union and their proxies.

FY 1983 CONGRESSIONAL PRESENTATION DOCUMENT

The Fiscal Year 1983 Congressional Presentation Document (CPD), prepared jointly by the Department of State and the Defense Security Assistance Agency, was submitted to Congress in April, 1982. The 600 page CPD represents a support/justification document for the Administration's FY 1983 security assistance legislation funding proposal, with detailed descriptions of the proposed programs (IMET, FMS Financing, etc) and funding levels for each country participating in the U.S. Security Assistance Program. We are pleased to provide the following excerpts from the CPD which discuss security assistance objectives, proposed FY 82 program funding levels, and the new Special Defense Acquisition Fund.

FY 1983 SECURITY ASSISTANCE PROGRAMS

As long as there are challenges to United States national interests, security assistance will remain an essential instrument of U.S. national security and foreign policy. Security assistance serves our interests by assisting allies and friends to acquire, utilize and maintain the capability for self-defense. It also helps countries, in regions in which the U.S. has special security concerns, to attack the causes of economic and political instability. Defense of the free world is a joint endeavor. The U.S. must continue to strengthen its own military capabilities and be prepared to assist friends and allies to strengthen theirs. In essence, security assistance complements and supplements our own defense posture and contributes to the revitalization of our alliances. As the President stated in his policy directive of July 8, 1981 on conventional arms transfers, the United States "views the transfer of conventional arms and other defense articles and services as an essential element of its global defense posture and an indispensable component of its foreign policy." By helping to finance such arms transfers and providing economic support to countries important to U.S. security, the security assistance programs proposed in the Congressional Presentation Document are an integral element of this policy.

The first years of this decade have witnessed a continued increase in the need for security assistance. Threats to our interests and those of our friends and allies have not abated, but rather in many areas have grown. Defense modernization continues to balloon in cost while the systems needed for this purpose expand in complexity. Many countries must, therefore, continue to look to the United States for the defense articles, services, training, and economic support they cannot provide for themselves but which are necessary for defending their independence and territorial integrity. By providing assistance to nations against potential threats the United States helps to: (1) defend against and deter aggression; (2) contribute to regional stability; (3) demonstrate its concern for the legitimate security problems faced by its friends and allies; (4) diminish both the need and potential for direct U.S. military involvement in local conflicts; (5) avert major economic or political crises; and (6) promote other strategic, political and economic interests.

Unfortunately, these increasing needs come at the same time the U.S. has major economic problems at home. Our budgetary resources are stretched thin and belt-tightening is the rule. In this time of scarcity, therefore, the programs proposed by the President are designed to meet only high priority requirements of national policy.

In determining these priorities, we have concentrated on those factors that bear directly on important U.S. foreign policy and national security interests. Our focus thus has been on countries: (1) of critical strategic and political importance to the U.S., (2) that are alliance partners with which we have commitments; (3) vital to the U.S. because of the proximity to our territory or other geo-strategic locations; (4) the support of which is critical for key foreign policy and security initiatives; and (5) we depend on for essential raw materials.

Within the framework of these broad priorities, our assistance programs are in part determined by the commitment of potential recipients to reduce poverty domestically by adopting and implementing sound economic policies; work to eliminate illicit narcotics trafficking, halt the further spread of nuclear weapons, and prevent terrorist activities; as well as promote the protection of the global environment and the basic human rights of their citizens. With respect to the latter, pursuant to section 502B(a)(3) of the Foreign Assistance Act of 1961, as amended (FAA), our security assistance programs are formulated and conducted in a manner designed to promote and advance human rights. In this regard, we have forwarded to the Congress under separate cover full and factual accounts of human rights practices of countries proposed for security assistance programs for FY 1983, together with the reports required pursuant to section 116(d) of the FAA for countries receiving development assistance.

In the International Security and Development Cooperation Act of 1981, the Congress provided two-year authorizations (FY 1982 and FY 1983) for the five security assistance programs requiring funding. Events of the past year, however, especially continuing challenges to U.S. interests, dramatically highlight the need for resources beyond the levels authorized. In the Middle East, we must underscore our commitment to support the peace process and maintain regional stability in the face of the uncertainties of the moment. The military imbalances in Europe and East Asia need redressing, in part by increased assistance to key allies and friends. Our security relationships with nations in and on the approaches to the Persian Gulf/Indian Ocean region, particularly those providing enroute access, are vital to ensure the integrity of those nations and to reinforce the West's ability to obtain petroleum from that region. Our programs in Latin America and the Caribbean, especially the President's Caribbean Basin Initiative, require additional assistance to forestall economic ruin and prevent further developments inimical to our interests. Adequate levels are needed in Africa to inhibit Libyan intervention, assure Western

access to key strategic resources, reduce the risk of economic instability, and contribute to a Namibian peace settlement.

Consequently, for the FY 1983 security assistance program, the President is requesting authorization and appropriations additional to those already authorized in order to ensure minimally adequate levels of support for our most critical foreign policy and national security objectives. The President's request includes additional funding in four of the five major security assistance programs for FY 1983 and a reduction in the other program:

- The Foreign Military Sales (FMS) financing program by which we furnish credits and loan repayment guarantees to enable eligible foreign governments to purchase defense articles, services and training. For FY 1983, the President's proposal is for a total program of \$5,667.8 million, an increase of \$1,598.3 million over the \$4,069.5 million level already authorized in the total FMS financing program. To finance this program, the President's request includes an added \$939 million in budget authority in order to provide a total of \$1,739 million in direct credits--\$950 million for three countries (Egypt [\$400 million], Israel [\$500 million] and Sudan [\$50 million] for which repayment would be forgiven and \$789 million to be provided at a reduced rate of interest for 19 countries. The remainder of the program, \$3,928.8 million, would be extended in the form of loans from the Federal Financing Bank, requiring no budget authority, with repayment guaranteed by the Department of Defense.

- The Economic Support Fund (ESF) program by which economic assistance is provided on a grant and loan basis to selected countries of special political and security interest to the U.S. For FY 1983, we are requesting \$2,886.0 million, \$162.5 million more than the \$2,723.5 million Congress authorized for the fiscal year. \$2,811 million of the total will be for 31 country and regional programs, of which Israel and Egypt will receive about 55 percent. \$75 million is designed for the special requirements fund (SRF) to cover unanticipated needs, \$50 million of which will be reserved for the Caribbean Basin countries as part of the President's Caribbean Basin initiative.

- The Military Assistance Program (MAP) by which defense articles and services, other than training, have been provided to eligible foreign governments on a grant basis. Although Congress authorized \$238.5 million for the FY 1983 MAP, the Administration believes that concessional assistance is better provided by means of direct FMS credits that are either forgiven or offered on concessional terms. This approach offers the flexibility of tailoring financing programs to the wide range of economic conditions existing among the various countries for which such programs are proposed. This flexibility would permit adequate levels of financing while at the same time reducing the cost of the programs, since the loans, even at concessional interest rates, would eventually be repaid. Accordingly, we are proposing an FY 1983 MAP program of

\$112.9 million which would finance the delivery of materiel funded under MAP in previous years, provide for a \$50 million special requirements fund, and reimburse the Department of Defense \$20.0 million for defense articles and services drawdown under section 506(a) of the FAA.

- The International Military Education and Training (IMET) program by which training is provided in the United States, in U.S. schools in Panama, and, in some instances, either in U.S. military facilities overseas or by the use of mobile training teams, to selected foreign military and related civilian personnel on a grant basis. The President's request proposes to increase the FY 1983 Congressional authorization of \$42 million for IMET by \$11.7 million, for a total of \$53.7 million, which would fund training to personnel from a total of 87 countries.

- The Peacekeeping Operations (PKO) program by which grant assistance is designated for programs assigned specifically for peacekeeping missions. In past years, this included the Sinai Support Mission (SSM) and the U.S. contribution to the United Nations Force in Cyprus (UNFICYP). The President's FY 1983 proposal would continue funding the latter at \$9 million. The SSM is planning to terminate its verification activities on April 25, 1982, when Israel is scheduled to complete its withdrawal from the Sinai. The SSM will then be replaced by the Multilateral Force and Observers (MFO) which was established in August 1981, and must be in place in the Sinai on March 20. The U.S. contribution to the MFO in FY 1983 will be \$34.474 million. Since the Congress has already authorized \$19 million for PKO in FY 1983, we are requesting an additional \$24.474 million for the PKO account, for a total of \$43.474 million. [Pp. 1-2]

SPECIAL DEFENSE ACQUISITION FUND

Section 108(a) of the International Security and Development Cooperation Act of 1981 added a chapter (Chapter 5) to the Arms Export Control Act authorizing the Secretary of Defense, in consultation with the Secretary of State, to establish a Special Defense Acquisition Fund (SDAF) to be used as a revolving fund separate from other accounts, under the control of the Department of Defense. The 1981 Act authorized capitalization levels of \$300 million in FY 1982 and \$600 million in FY 1983, on a cumulative basis. We plan to request a final increase in capitalization authority to \$900 million in FY 1984. The purpose of the SDAF is to finance the acquisition of defense articles and defense services in anticipation of their transfer pursuant to the Arms Export Control Act, the Foreign Assistance Act of 1961, as amended, or as otherwise authorized by law, to eligible foreign countries and international organizations. The objectives to be gained with the SDAF are to:

- enhance the Presidents ability to react to foreign policy requirements involving security assistance by providing the capability to fulfill urgent needs of allied and friendly governments for

military equipment while minimizing the adverse impact on the combat readiness of U.S. forces.

- provide an effective means to assist in smoothing rates of production, thus increasing efficiency and reducing costs of both foreign and Defense Department weapons procurements.

- reduce procurement lead times for delivery of weapon systems to foreign governments or, where items must be taken from U.S. forces, for payback to U.S. forces.

The law authorizes capitalization--through time--by receipts from (1) foreign military sales (FMS) from DoD stocks of defense articles not intended to be replaced; (2) asset use charges (including contractor rental payments for U.S. government-owned plant and production equipment) and charges for the proportionate recoupment of nonrecurring research, development and production costs; and (3) FMS sales or reimbursements due to grant aid transfers of defense articles and services acquired with SDAF funds.

Two additional actions are required in order to make the SDAF fully operational. The 1982 Appropriations Act must be amended so that receipts from sales from stock of defense articles not intended to be replaced can be credited to the SDAF. Secondly, authority to obligate funds credited to the SDAF must be provided annually, in advance, in an appropriations act. The FY 1982 DoD supplemental appropriations request includes proposed changes to the FY 1982 DoD Appropriations Act which would correct these two problems.

The day-to-day management and operation of the SDAF will be under the direction and supervision of the Director, Defense Security Assistance Agency. There will be close synchronization of SDAF procurement planning with the budget processes of the military departments. The annual SDAF procurement plan will be developed by DSAA in concert with the military departments and the Joint Chiefs of Staff. The procurement plan recommendations by the military departments and others will be analysed and a final plan developed by the Defense Department in consultation with the Department of State.

Following the decision to procure an item using SDAF financing, the Defense Department (DSAA) will authorize the military department concerned to enter into a procurement contract. Items will either be sold in accordance with the provisions of the Arms Export Control Act or granted under one of the authorities of the Foreign Assistance Act. Normally, under the SDAF, defense items will come off the production line and be delivered to foreign military sales customers or grant aid recipients identified earlier in accordance with U.S. national security interests. In many, if not all instances, the actual transfer agreement will be completed with the foreign government at some period prior to the actual delivery of the item. Thus, the foreign government will, in many or most

cases, be receiving the item in less than "normal" procurement lead time rather than getting an "immediate delivery." In another instance, an SDAF procurement might be used to pay back a diversion from production for a military department or a withdrawal from DoD stocks.

If an item should be ready for delivery without an already identified foreign buyer, the law permits the appropriate military department to use the item on a temporary basis against its approved acquisition objectives, while paying the operation and maintenance costs associated with that use. If a foreign sale of the item is approved later, the military department will pay the cost of restoring or replacing the item. (In a crisis situation, should the Secretary of Defense determine that the needs of U.S. forces are more urgent than those of the anticipated foreign recipients, he could decide to transfer the items to the military departments, on a pay-back basis.)

Based on the preliminary planning completed up to this time, the following items are candidates for procurement in FY 1982, FY 1983, and FY 1984:

- M60A3 tanks, associated radios, sights and ammunition
- 155mm self-propelled and towed howitzers, associated ammunition, trucks, and heavy machine guns
- Improved-TOW anti-tank guided missiles and ancillary equipment
- SIDEWINDER missiles (AIM-9-P-3)
- Tactical radios (AN/PRC-77 and AN/VRC-12)
- Intermediate export fighter aircraft (selection of the particular aircraft is under review)
- Basic surface-to-air missiles or gun-systems
- Air-to-ground munitions

While these are candidates at the present time, we would change this list as circumstances dictate. [P. 39]