
Security Assistance: An Instrument of U.S. Foreign Policy

By

Colonel James D. Blundell, USA, Retired

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U.S. INTERESTS AND THE PURPOSES OF THE SECURITY ASSISTANCE PROGRAM

As a foreign policy instrument meant to enhance the security of the United States, security assistance has retained its fundamental objective. However, the geographical regions of focus and the specific purposes have varied over the last 45 years.

Regional Interests. Immediate post-World War II U.S. security policy focused on containing the influence of the Soviet Union, especially on the European continent. Consequently, principally through the European Recovery Plan (Marshall Plan) established by Congress in 1948, Europe received more than \$15 billion in economic grants and loans. Up until the early 1960s, NATO countries received about two-thirds (\$18 billion) of all U.S. grant military assistance.

As Europe began to recover from World War II, U.S. assistance policies started to shift toward helping developing countries, especially in the Pacific and the Middle East. U.S. interests related to securing the southern flank of NATO, maintaining access to oil-producing regions and trading partners, and helping countries resist the influence of the Soviet Union drove the security assistance programs.

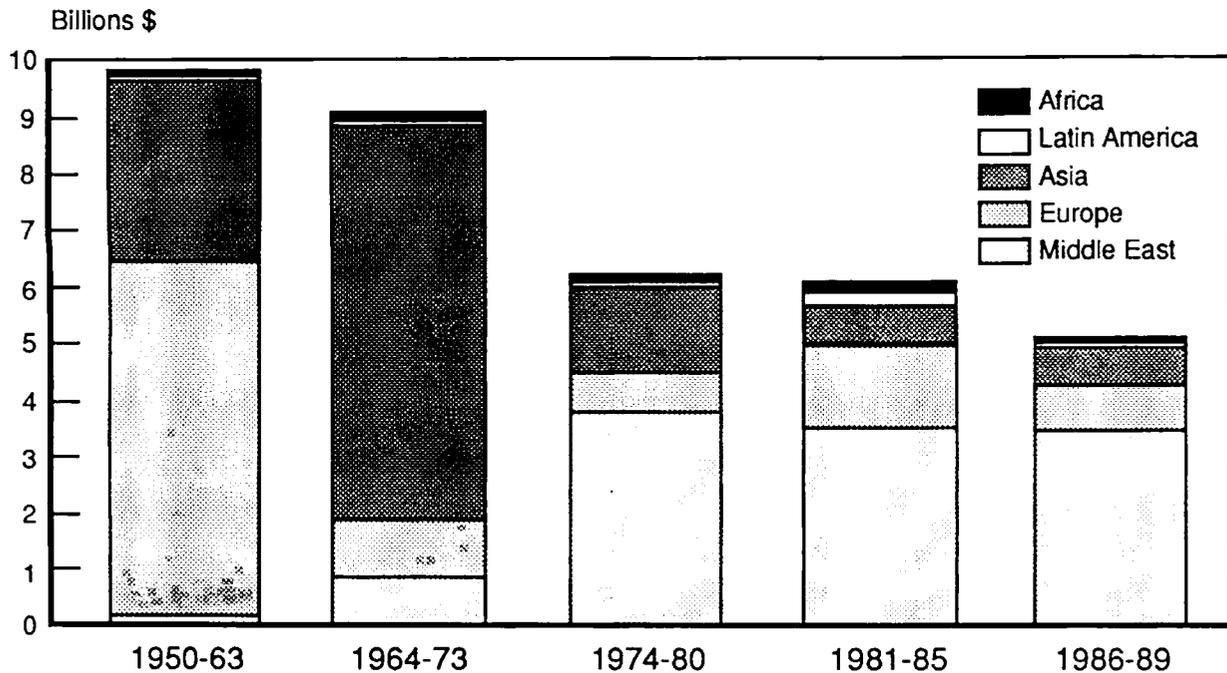
The start of the Korean War in 1950 was the turning point for directing aid to other than European allies. U.S. interests in a viable Japan, Korea, Taiwan, and South Vietnam, as well as securing our access to bases, gave rise to significant levels of grant military aid throughout the 1950s and 1960s (though grant aid to Japan ceased in 1964). Aid to Vietnam was provided under a program separate from MAP from 1966 to 1975.

The Middle East regained prominence as a region of major security concerns in the early 1970s, and especially in 1973 with the Arab-Israeli War and oil embargo against the United States. Vital interests of the United States remain under great pressure in the Middle East today.

U.S. interests in a stable Europe—and with Eastern Europe now on a precarious course to democratically-elected governments—signal yet another shift in geographic focus for some forms of security assistance programs for that region. The U.S., along with Western Europe, is about to return to Europe to complete the job of the original Marshall Plan.

The historic linkage of security assistance to vital U.S. geographical interests is made graphically clear in Figure 1 below, which was extracted from the Congressional Research Services (CRS) overview document by Richard F. Grimmett.

FIGURE 1
U.S. Military Aid, By Region
Average Annual Obligation



Purposes. What are the purposes of security assistance today? The Department of State and Department of Defense FY 1991 security assistance budget request (titled the *Congressional Presentation Document* or CPD) forecasts a continuing role “. . .for the achievement of such traditional American foreign policy objectives as regional stability, reduction of East-West tensions and the spread of democratic forms of government.”

Somewhat more specifically, the FY 91 program has five objectives in support of U.S. national interests. The budget submission states security assistance programs:

- Promote regional stability in such vital areas of the world as the Middle East;
- Aid U.S. friends and allies as they seek to defend against major threats to their security interests: external aggression, internal subversion, terrorism, and the narcotics trafficking-terrorist connection;
- Maintain U.S. defense alliances and related cooperative arrangements in a time of rapidly changing security requirements;
- Defend democratic values and institutions; and
- Support friendly country economies as they experience the disruptions associated with the process of modernizing and liberalizing their economic policies.

These objectives are a continuation of the fundamental objectives that have guided security assistance throughout the post-World War II period. The resulting programs have varied in their

emphasis on grant versus credit, geographical area, U.S. security interests, and degree to which the incumbent administration uses security assistance as an instrument of foreign policy.

To summarize, security assistance includes programs “. . .through which the United States, in pursuit of its national interests, aids other nations to defend and preserve their own national security.” The U.S. government-funded programs include Foreign Military Financing (FMF), International Military Education and Training (IMET), Peacekeeping Operations (PKO), and the Economic Support Fund (ESF). The U.S. government agencies charged with making security assistance operate is the subject of the next section.

PRINCIPAL U.S. GOVERNMENT AGENCIES INVOLVED IN SECURITY ASSISTANCE

Security assistance programs require close coordination among several agencies of the Executive Branch, to include the National Security Council, Office of Management and Budget, Department of State, Department of Defense, Department of Commerce, and Department of the Treasury. The Congress enacts the necessary laws that authorize programs and provides the authority to expend Federal funds to implement the several programs discussed above.

Congress. Since the early 1970s, the Congress has exercised its legislative and oversight responsibilities in the security assistance arena to the fullest. In exercising its constitutional authority, the Congress has reserved for itself the prerogative to disapprove a proposed transfer of military equipment to another country. Since, 1974, Congress has required advance notification of impending arms transfers of \$50 million or more, or major defense equipment of \$14 million or more. To preclude confrontation between the Executive and Legislative branches, the former has instituted procedures to consult with selected Congressional committees before submitting a formal notification.

The Senate Foreign Relations Committee and the House Foreign Affairs Committee, as well as the Senate and House Appropriations Committees, review proposed security assistance legislation, budgets, and programs. Senior officials of the State Department and Defense Department appear before these committees to present Administration proposals and to respond to reviews of program implementation.

President. Setting the national security policy objectives of the United States is the responsibility of the President, who is supported by the National Security Council (NSC). The members and advisers of the NSC include the President, the Secretaries of State and Defense, the Chairman of the Joint Chiefs of Staff (JCS), and the Director of Central Intelligence (i.e., Central Intelligence Agency [CIA]). The major national security policies emerging from the NSC and its staff establish the priorities for the development and implementation of security assistance programs.

The Office of Management and Budget (OMB) oversees the preparation of the President's budget and sets the “budget mark” or amount of the budget to be used for security assistance. The budget is submitted to the Congress which passes the necessary authorization and appropriation acts which allow the security assistance programs to be carried out.

State Department. The overall supervision and major policy and program decisions fall principally on the shoulders of the Secretary of State and his department. Decisions regarding the direction security assistance will take, its priorities, and the decisions regarding whether there will be a security assistance program or particular export for a country are under the authority of the Secretary of State.

Defense Department. The Secretary of Defense has responsibility for the management, operation, and administration of the security assistance program. In this regard, DOD must procure the equipment and deliver it to the foreign country in such a manner that it can be effectively integrated into the country's armed forces, to include training, logistics, and operations. Within the DOD, the JCS provide military advice regarding the coordination of security assistance with U.S. military readiness, plans, and programs, and makes recommendations regarding the transfer of military capabilities to another country, to include the impact on U.S. programs.

The Under Secretary of Defense for Policy is responsible for the integration of DOD plans, policies and other objectives with the broader national security objectives. Other assistant secretaries participate in the policy and program process to the degree that security assistance impacts on their respective functional areas (i.e., international security affairs and policy, defense production and logistics; standardization with allied weapons systems, technology transfer, and financial management).

The DOD organizations responsible for program implementation are the Defense Security Assistance Agency (DSAA), and the Military Departments (i.e., Army, Navy—to include coordination of Marine Corps and Coast Guard programs—and the Air Force).

DSAA. The DSAA is responsible for the administration, coordination, formulation, negotiation, and execution of security assistance programs. DSAA is the DOD point of contact for U.S. business firms involved in direct commercial sales to foreign countries. DSAA manages the FMS financial programs and allocates funds to the military departments that are used to offset costs to administer their respective programs. Finally, DSAA maintains assistance program data, prepares (in cooperation with the State Department) the annual security assistance budget for submission to Congress (i.e., the *Congressional Presentation Document*, or CPD), and establishes written policies and procedures for the implementation of the Security Assistance program by the military departments and other DOD agencies. The major reference publication distributed by DSAA is called the *Security Assistance Management Manual* or SAMM.

Military Departments. The Departments of the Army, Navy, and Air Force implement the security assistance program as approved by the Secretaries of State and Defense. The departments acquire, through essentially the same acquisition programs used to obtain their own equipment, the material included in approved country programs. They are responsible for the development and implementation of equipment packages tailored to meet the particular needs of the foreign country.

Further, the military departments are charged with insuring that the delivered equipment can be operated, maintained, and repaired by the country within stated parameters. In carrying out this responsibility, the Services institute logistical procedures to keep the country supplied with necessary parts and maintenance equipment items to keep the equipment items operational at the standards expected within the U.S. armed forces. Unless provided for otherwise in the agreement with the recipient country, the equipment delivered is of the same configuration and capability as that delivered to U.S. forces.

For the most part, security assistance program matters are an integrated part of a military department's day-to-day operations. The agencies that implement materiel, services, and training programs for the military service also handle the foreign requirements. This means equipment destined for a foreign country is usually indistinguishable from that intended for the U.S. armed forces. Additionally, foreign students attend the same training courses that U.S. personnel attend to prepare both to operate and maintain the equipment.

Issues involving finance, logistics, medicine, engineering, information management, and policy are generally handled by the same organizations that handle the subject matter for the military service. Within each military department, unique organizations that work solely on security assistance matters are few. Within the Army, for example, the Army Materiel Command has one subordinate command (i.e., U.S. Army Security Assistance Command); the Training and Doctrine Command has two training agencies; and Headquarters, Department of the Army has an assistant deputy chief of staff (major general) responsible for security assistance, and a subordinate directorate. In each case, these unique security assistance staff agencies are responsible for close coordination with other staff elements of their respective headquarters, as well as between headquarters.

The costs incurred by a military department to perform day-to-day security assistance activities are offset by funds from DSAA. These administrative expenses incurred by DOD are added to the purchase price of U.S. military equipment, training, or services.

Other DOD Agencies. A number of other defense agencies have involvement in the security assistance program. The Security Assistance Accounting Center (SAAC) handles billing, collecting, and country fund accounting. The Defense Logistics Agency (DLA) handles requisitions for DOD and foreign countries for consumable items. The Defense Language Institute English Language Center (DLIELC) conducts English language training for U.S. and foreign military service personnel. The Defense Institute of Security Assistance Management (DISAM) conducts courses of study to prepare U.S. and foreign personnel for security assistance assignments, as well as research, information, and consulting functions.

Overseas Organizations. The overseas organizations provide the all-important interface with the foreign country that can make or break a country security assistance program. The in-country U.S. diplomatic mission is composed of many functional components. Directly responsible to the Ambassador, the Security Assistance Organizations (SAOs) (which have different titles, such as Military Assistance Advisory Group [MAAG] or Office of Defense Cooperation [ODC]) perform the management activities to assure a viable security assistance program in close coordination with the mission, country, and the U.S. unified command. The staff of the unified command plays an important role in making security assistance plans and proposals to JCS, and in coordinating regional, administrative, and specific technical aspects of security assistance.

SECURITY ASSISTANCE OPERATIONS

Security Assistance is managed and operated by DOD on a no-profit and no-loss basis. Countries participating in the program pay for defense articles and services at prices which recoup costs incurred by the United States. This includes a fee (three percent of items and service cost, in most instances) to cover the cost of administering the program.

When defense articles or services are required, the requesting country's representative in the defense establishment of the country (or stationed at the embassy in the U.S.) provides a Letter of Request (LOR) to the representative's U.S. counterpart, usually the Security Assistance Organization (SAO). The U.S. counterpart forwards an information copy of the request to the Unified Command, the Department of State (DOS), and DSAA. The original is furnished to the appropriate DOD military department (Army, Navy or Air Force) or defense agency (i.e., DLA) which will prepare the response.

Subject to approval by DOS and DSAA, the response may be in the form of Price and Availability (P&A) information. Due to a shorter preparation and staffing cycle, P&A data are normally used for preliminary planning purposes. Information may be provided in summary form

at the country's request, but is usually provided in the form a draft contract the country would eventually sign, called a Letter of Offer and Acceptance (LOA). The LOA is a formal offer which, when accepted, forms the basis for the U.S. to provide the materiel and services.

LOAs take three forms:

Defined Line. Certain articles and services are provided on Defined Line LOAs which offer items at an individually estimated price and availability. The Defined Line LOA requires that the item or service be requested in the LOR, that an LOA be developed and implemented, and that normal contracting be completed prior to the article or service delivery.

Blanket Order. Most repair parts and routine services can be offered under Blanket Order LOAs. These LOAs include a range of items or services within a specific dollar value and performance period. Once established the Blanket Order LOA requires only the processing of an order and contracting for the item or service, thus reducing the time needed for administrative processing.

Cooperative Logistics Supply Support Arrangement (CLSSA). Under the CLSSA, the country buys into the U.S. logistics pipeline for the support of specific equipment. This allows supply of repair parts without waiting for completion of the procurement cycle. CLSSAs are normally established for countries with well-developed logistics systems and with larger quantities of equipment to be supported.

Major defense systems, subsystems, support equipment, repair parts, and publications are provided under security assistance. Services, including training in U.S. military schools or through mobile training teams (MTTs) sent to the county, engineering, contact administration, program management, technical support, and repair are also provided. Due to interest in encouraging standardization and interoperability among the U.S. and other countries, items which have been fielded with U.S. forces are normally transferred to the country. Under certain conditions, cooperative programs such as coproduction and coassembly of U.S. equipment under international agreements, technical assistance services, technical data, and lease of defense items are available.

Once the LOA is signed and all financial arrangements are completed, the military department handles the acquisition in the same manner as that used to obtain equipment for the U.S. armed forces. Necessary training is requested at U.S. military schools for the foreign students, to include English language training, if needed. Sometimes the training is conducted in the foreign country by an MTT.

In most cases, the equipment is obtained through the standard DOD contracting process wherein bids are invited from firms to manufacture the items. For major items of equipment, the period from country request to actual availability for delivery (the latter usually arranged by the country through a freight forwarder unless sensitive military equipment is involved, in which case the U.S. will arrange delivery) can be 3-4 years. In the event of a pressing need or military emergency, or for major political reasons in the best interests of the United States, equipment can be obtained from stockage under the Special Defense Acquisition Fund (SDAF). Equipment can also be obtained from U.S. military stocks and replacement equipment obtained through the normal acquisition process.

When equipment is delivered to a country, all components, to include test equipment, spare parts, lubricants, munitions, and training are included. Known as the Total Package Approach (TPA), the application of this concept assures that the country is provided all that is required to operate and support the major item of equipment for years.

BENEFITS AND COSTS OF THE SECURITY ASSISTANCE PROGRAM

The FY 91 *Congressional Presentation Document* (CPD) states the following: "Underlying much of the security assistance program is the belief that aiding foreign countries to defend themselves (and to counter domestic threats from guerrillas and narcotics traffickers) will be more cost-effective than using U.S. military personnel and equipment to the same end."

Greater reliance on other countries to absorb a greater share of the mutual defense burden is inevitable in an emerging period of smaller U.S. defense budgets. The security assistance program is the instrument of U.S. foreign policy that can facilitate the modernization of friendly countries' armed forces in order to deter adventurism by neighbors and other adversary groups, and in reducing the need for direct involvement of U.S. military forces in combat operations.

The funded and unfunded security assistance programs also have significant economic benefits for the United States. In this regard, security assistance improves the international trade position of the U.S. since the emphasis is on "buy American." There are savings that result from reduced unit costs of equipment that both the U.S. military and foreign countries purchase; longer production runs translate into jobs for Americans.

The FY91 CPD goes on to say, "security assistance is an investment in the national security and well-being of the U.S. Without strong and self-reliant friends around the world, the United States itself would have to assume much more of the burden of defending freedom and free nations." With this reminder, the cost to the United States for security assistance is small. In fact, the military aid portion of \$5.1 billion, compared to a defense budget of \$295 billion, represents an additional cost of less than 2 percent.

MAJOR ISSUES RELATED TO SECURITY ASSISTANCE TODAY

Congressional Role in Security Assistance. The military aid portion of the security assistance funding levels has been on the decline since FY 85. The FY90 level of \$4.683 billion has been reduced about \$1 billion from the FY85 level of about \$5.7 billion. The economic portion—Economic Support Fund (ESF)—has been reduced from \$3.826 billion to \$3.191 billion in the same period. The reduction in appropriations by the Congress during this period reflects government-wide efforts to reduce the budget deficit. Nevertheless, as pointed out in the FY 91 CPD, "the reductions, when combined with pervasive earmarking, continue to jeopardize our ability to maintain a much-needed American presence and influence in many countries and regions."

The penchant for the Congress to "earmark" or direct in budget authorization and appropriation bills that specific levels of security assistance will be provided to a few specific countries, has for all practical purposes, transferred program execution policy to the Congress. The trend of increased earmarking started in the mid-1980s, when about half of security assistance funds were earmarked. In FY90, earmarks took up 92 percent of military assistance (4.3 billion out of \$4.7 billion) and 82 percent of ESF (\$2.7 billion out of \$3.1 billion).

The consequences of earmarking is loss of flexibility for the Government to meet the security needs of countries. As a result, several countries that would normally receive security assistance funding receive no aid at all (i.e., Caribbean and African countries) and the programs of several others are substantially reduced (i.e., Honduras). The impact of earmarks is particularly significant in countries where the United States maintains military bases. Figure 2 reflects the FY90 reductions to security assistance programs budget requests in three important base right countries.

FIGURE 2
FY 90 Security Assistance Shortfall for Base Rights
(Dollars in millions)

	Economic Support Fund		Foreign Military Financing		Total		Percent Reduction
	Request	Actual	Request	Actual	Request	Actual	
Philippines	160	124	200	140	360	264	26.6
Portugal	50	40	125	85	175	125	28.5
Turkey	60	14	550	500	610	514	15.7

Foreign Base Rights Negotiations and Security Assistance. When negotiating base rights agreements, commitments to multi-year aid levels to meet the host country's defense needs cannot be made by U.S. negotiators. Only the Congress can make such commitments through the annual appropriations process. This means that diplomats can only pledge the "best efforts" of the U.S. Government to obtain the requisite appropriations from the Congress.

In spite of such a conditional U.S. commitment, host countries often express base negotiations outcomes in terms of a harder commitment of aid, usually to gain domestic political support for the U.S. presence. When the Congress imposes other constraints on funding levels or reduces the proposed level, the U.S. is seen as renegeing on its "commitment." In recent years this has led to threats of base closings and to strains in relationships with the host country (e.g., the Philippines, Greece, Portugal, and Turkey).

Security assistance is provided to a country to meet its defense needs. Security assistance is not provided as "rent" for U.S. bases in the country. However, aid levels are usually a primary focus of base rights negotiations. Perhaps it is time to regard the two as being necessarily interdependent. Additionally, consultations between the Executive and Legislative branches regarding aid levels (linked to base rights) should be conducted more extensively to seek agreement. Worldwide U.S. commitments will require foreign bases in the future.

Commercial Export Licensing. Controlling the export of military equipment, technology, and information to other countries is necessary to insure the U.S. armed forces maintain advantages in selected capabilities. To keep U.S. advantages in technology as well, some commercial requests for exports are denied by the State Department's Office of Defense Trade Controls (ODTC). The consistency in denials, as well as approvals, is an area that needs close scrutiny, principally because the magnitude of export license requests processed by ODTC that require interdepartmental review, particularly by DOD and the Department of Commerce.

Export license requests involve a process of exchanging paperwork between departments that, due to time lost in transit, reduces the actual time available to conduct a thorough review. Feedback on export license decisions and rationale is difficult to provide to other departments simply because of the overwhelming workload. The solution may be a commitment of resources to upgrade the management information system so that all actors, to include commercial firms and countries can obtain information on policies and the status of export requests. The outcome would be better protection of U.S. advantages in technology and weapons capabilities.

CONCLUSION

Security assistance involves a complexity of diplomatic, financial, political, and security issues. As a consequence, the overview presented in this special report is necessarily oversimplified. There are a number of topics that are not addressed. These include, for example, transfer of technology, coproduction of U.S.-origin equipment, the ability of countries to absorb and maintain equipment, disposal and support of equipment no longer in the inventory of the U.S. armed forces, adequacy of support in direct commercial sales, and, most importantly, the overall effectiveness of the security assistance program.

With regard to the latter topic, this report can serve a useful purpose by providing the reader with the basic information needed to examine security assistance and formulate more informed assessments regarding its effectiveness.