

Today's Profits, Tomorrow's Losses:

The Commercialization of US Arms Export Reform and its Implications
on National & Regional Security

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This paper reflects the views of the author and not necessarily those of the Department of the Army, the United States Military Academy, or the Department of Defense. Comments and suggestions are richly appreciated.

ABSTRACT

Changes in the global arms market during the 1990s heralded a global downsizing of national military establishments, shrinkage of national defense industries, and a domestic loss of appetite for conventional weaponry in the United States. One of the many results has been the increased significance of foreign exporting. Through enhanced exporting, advanced arms producing states, namely the United States, have been able to assist their defense industry and military establishments survive the post-cold war downturn in domestic demand for conventional arms. These international level changes also led to second-order domestic efforts to reform the arms export processes within the United States.

In 1996, then Deputy Secretary of Defense John Hamre issued four white papers throughout the Department of Defense. The Hamre White Papers initiated DOD effort at arms export policy reform. The initiative is known as foreign military sales (FMS) reinvention. This reform is ongoing; a reform effort focused on improved foreign customer satisfaction in US arms purchases (streamlining of US arms export regulatory red tape). In this way, the US government has hoped to enhance US defense firm shares of the foreign arms market, thereby lowering the longer term cost of defense procurement for the US armed services in what at the time (prior to 9/11) a period a relative defense budget austerity.

This paper presents observations, analysis and findings of the FMS reinvention initiative(s). As such, it presents the results of an evaluation of the US effort at comprehensive arms export policy reform during the 1990s. That evaluation reveals a reform process dominated by the short term, commercial interests of the defense firms and the peculiar interests in acquisition of US state of the art weaponry of the foreign buyer country. This has come at the expense of the longer term security interests of both the US armed forces and the United States citizenry.

Evaluation of US arms export policy reform from three vantagepoints (agenda setting; formulation; and implementation, with particular attention given to implementation) reveals unwarranted influences dominating the idea of reform and unbridled and under supervised delegation of authority to the armed services in the implementation of the reform. The result has been a reformed US export policy wrought with unintended consequences detrimental to longer term national, regional, and international security.

Introduction

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense without peaceful methods and goals, so that security and liberty *may prosper together*.¹

Pressure to reform, to *reinvent*, U.S. arms export policy in the 1990s derived from economic necessities – downturns in domestic demand for arms, the consequent shrinkage of the arms industry, and the exponential rise in firm high-tech weapons production cost and US military price for those needed end items. These globalization and industrial policy causes led to unexpected (and unintended) second-order ill effects. The most worrisome of those effects has been the prevalence of a short-sided, commercially centered arms export reform policy in the United States that promotes the economic interests of foreign buyers and defense firms over longer-term interests in non-proliferation. While the stated (formal) reformed policy speaks of security and anti-proliferation as the prime motive, the implementation of the policy has privileged the interests of the foreign customer and the transnationalized defense firm over the general public interest in non-proliferation for security sake and the military services requirement to continue in its ability to acquire high-tech weapons at lowest possible cost for sake of providing for the common defense. What unfolds is a curious situation; a tragic comedy of sorts. While the contemporary security environment calls for greater national state restrictions on the proliferation of arms, the ever-globalizing economic environment promotes free trade of arms and related technology. Perhaps the most tragic figures of all in this play are the US military services – forced to promote arms exports today out of economic necessity in hopes of acquiring the high-tech weapons systems they will need in the future to effectively secure and defend.

This paper takes an in-depth look at the rise of new, and for the most part unintended, consequences in US national and regional security, wrought by the rise of new players (with new stakes) in the global arms trade and by the U.S. arms export policy reform. The misplacement of power and authority involved in the arms trade has taken on new meanings – in many ways more complex and sinister than President Eisenhower conceived back in 1961 when he issued his ‘warning’. The very structure of the policymaking system appears to be the source of the flaws inherent in the ongoing reforms. Any hopes of reshaping the policy into a more comprehensive and effective result must be found in restructuring of those original designs. This study concludes with policy recommendations centered on the redesign of the reform process, and the incorporation of a comprehensive U.S. national security strategy toward arms exports.

PART ONE

New Global Market? New Strategic Realities.

American makers of plowshares could, with time and as required, make swords as well. But now we can no longer risk emergency improvisation of national defense; we have been compelled to create a permanent armaments industry of vast proportions.²

The 1990s arms market was a market in decline. This decline in both the global arms market and the domestic U.S. market resulted from a reduced domestic demand for weapons (result of the end of the cold war), overcapacities brought on, again, by the end of the cold war, the 1980s buildups and the Gulf War production spike, as well as the rise in production autarky amongst former buyers, such as India (O'Prey 1995, 8).

Three structural changes in the US market are important in their effect on the 1990s market and for our story of export policy reform.

A decline in the number of prime contractors. National firms were forced in the early 1990s to choose amongst three survival strategies: (1) conversion of some or all of their production capital to civilian purposes; (2) specialization in only defense production; or (3) complete (forced) exit from the industry to preserve shareholder value (NATO Conference Report 1997). Those firms able to remain in the game, developed “niche strategies”, such as McDonnell Douglas' focus on naval aircraft. (Kapstein 1997, 78). The result, which drives the nature, scope and scale of today's US arms transfer policy process was a leaner, hungrier US defense industry, composed of fewer players, playing for higher shares of the potential benefits, albeit at higher risks to themselves – but better positioned to vie for and win governmental support for their efforts.

Declines in domestic procurement rates and increases in firm/state entry into export markets. Fiscal Year 1991 marked the termination of several current-generation procurement programs, including the F-15E fighter, the AH-64A Apache Helicopter, the F-14D fighter, and the M1A1 Abrams Tank. To offset the drop in domestic demand to international supply-based production. Survival of domestic production today, rests upon success in foreign export markets.

These trends have reached a critical stage. Many staple US weapons programs are nearly completely reliant on foreign demand. The Army's M1A1/2 tank supply and sustainment is easily over 60% reliant on foreign customer purchases. The Air Force's F-16 requirement is nearly 100% reliant on foreign demand (Interview with Williard Mitchell, SAF/IA 11 July 2000).

Increased transnationalization of defense industries. Globalization has altered the face and character of domestic defense firms to a degree that could end up changing the relationship between state and industry. By ‘transnationalization’ typically we refer to the physical unhinging

of firms from national territorial bounds and the internationalization of once-national firms. We are beginning to see this aspect of transnationalization in physical terms. There is, however, another aspect of transnationalization that had a more persistent effect on arms transfer policy in the '90s. The issue of what I call "administrative transnationalization" entailed an increase in the multinational composition of domestic-based defense firms; less contact between subcontractor firms and the government; increases in 'teaming arrangements'; and rises in production strategies, such as co-production, licensing arrangements, consortia, direct/indirect offsets, and cross-border mergers (O'Prey 1995, 13). The overall result is the growing need to consider defense industries as "domestic" in location terms only.

Other influences were also at work, especially the Clinton administration's policy on arms transfers, known as Presidential Decision Directive 34 (PDD34). The policy rested on the concept of arms trading within a broad "Circle of Friends;" it was motivated by the desire both to preserve America's competitive capability in arms production and to preserve national security through a strategy of engagement (National Security Strategy 1998). While the policy followed a traditional US perspective on arms sales as a legitimate instrument of foreign policy (particularly in the case of aid to Saudi Arabia, Egypt and Israel), it also incorporated a greater governmental hand in the marketing of US arms and related technologies—by senior US official promotion of sales (White House Press Release, 17 February 1995).³

Production processes, markets, and US policy processes have become increasingly multinational. The potential for this to muddy the waters in terms of clear, national security-based arms policy is the crux of the policy problem in looking at FMS reinvention.

What is foreign military sales and why focus on its reform?

The Arms Export Control Act (AECA), as amended, provides the statutory basis for the conduct of the FMS program with any eligible country or international organization. Section 21 of the AECA authorizes the sale of defense articles and defense services from stocks of the Department of Defense. Section 22, authorizes the U.S. Government to enter into contracts for the procurement of defense articles and defense services for subsequent sale of design and construction services to eligible countries and international organizations (Arms Export Control Act of 1973).

The foreign military sales program is defined within defense circles as an enabler of the national military strategy and a crucial bridging mechanism between that military strategy and the national security strategy (National Military Strategy 2000). There are three elements of the NMS, which foreign military sales are touted as a critical link.

Foreign military sales enhance security by enabling the *Respond* element of the national military strategy; through training and equipping foreign forces, thus adding to the interoperability of those forces with our own in coalition operations. Foreign military sales enables the *Prepare* element of the NMS, bolstering US prosperity by supplementing federal spending, reinforcing the US industrial base, and supporting the US job market (Office of the Chairman, Joint Chiefs of Staff, *National Military Strategy*, 1999). Finally, foreign military sales enable the *Shape* element of the national military strategy by promoting peace. FMS has always been, and continues to be, a key foreign policy tool. It is a means for promoting American values and ideals abroad. FMS is a mechanism for assisting in nation building. At present the US foreign military sales program links our government, industry, and armed forces to 140 different Armies, 47 different Air Forces, 26 different Navies, and 26 other country entities (United States Army Security Assistance Command, *Partners for Tomorrow*, 2001).

The foreign military sales program has been the subject of governmental reinvention since 1993. The program has undergone radical changes under reinvention, the results of which have to date gone unstudied. Foreign military sales have recently become an important contributor to the sustainment and maintenance budgets of our aging forces. The importance of foreign military sales as a means of affording our defense needs, however, is not recognized in defense circles. This is particularly true in military circles. While the regional commanders-in-chiefs (CINCs) implement the FMS program, they are hard-pressed in describing the importance of the program as a payment mechanism for the national military strategy (Fletcher Conference 2000).⁴

These reasons alone make a study of the foreign military sales program and its reform both necessary and sufficient conditions for realizing a more comprehensive and effective national (regional) military posture.

The “Reformed” FMS Program

Foreign customers have essentially two (2) program choices available to them for acquiring US defense items – foreign military sales and direct commercial sales (DCS). The traditional process maintained a firewall between these two processes, creating an either-or proposition for the foreign buyer – either purchase through DCS or through FMS.

The pure-DCS route has obvious benefits – the greatest of which comes from a simplified process where the buyer deals directly with the defense firm. There are costs as well. First, the buyer is restricted to purchasing only those items available on the open commercial market. Second, and of greater interest, the foreign recipient is exposed to the devices of the defense firm. Experienced foreign buyers can often avoid such pitfalls; new players in the game of defense

purchasing often fall victim. As such, (and somewhat counterintuitively), new recipients are typically the stakeholder demanding to use FMS over DCS. And there is another reason for going FMS. In an FMS case, not only does the recipient have the US government (USG) acting as its purchasing agent, it also benefits from the US-provided “sustainment” (that is, long term maintenance and logistical support) packages that are often linked to FMS purchases as an attempt to sweeten the deal.

Amid increased pressures from foreign recipients to reform the processes, the concept of an FMS “hybrid” program has developed. Under FMS Hybrid, the FMS customer has the option to deal directly with the defense firm for the system/platform purchase and still reap the benefits from FMS-pure by maintaining the USG as agent and by acquiring the USG sustainment packages in the deal.

What drove the US government to accepting the FMS Hybrid proposal? Between 1997 and 2000 there was a steady decline in FMS-requisitions – a 50% decline in just three years. FMS customers perceived DoD logistics (the sustainment side of FMS) as non-responsive because of slow service; FMS backorders had reached 39,000 case line items as of 1998. Moreover, by 1997 the foreign customer had become much more sophisticated in its dealings with the USG on defense item purchases and the DCS-FMS processes themselves. This improvement in foreign buyer expertise was gained largely from the school of hard knocks. Foreign customers learned from their experiences with cost overruns and delays in past dealings with the US government. It should be noted that the FMS Hybrid is intended by the USG to serve as a supplement, not a replacement to existing processes. However, opinions expressed by key decision makers in the security cooperation community suggest that FMS Hybrid is the way of the future, and the USG is currently considering FMS Hybrid tests with Australia, Italy, Japan, Netherlands, Norway, Taiwan, and the UK.

Nevertheless, the USG continues to claim that FMS Hybrid (1) is not for everyone; (2) will not be used every time; and (3) is not for all purposes. This claim is a belief of top-tier decision-makers, but it is not the reality of FMS as an implemented policy.

FMS Hybrid is just one example of what can result from a reinvention process driven largely by a customer-based strategy. When we consider this in light of *who gains* from something like FMS Hybrid, then concerns with national commercial and security interests begin to surface. This is particularly true when you consider that FMS-Hybrid works because many AECA and ITAR restrictions have been waived as part of the reinvention project. When these ‘test cases’ become the normal practice rather than a waived exception to standing regulatory and statutory policy, then full review of standing laws, statutes, and regulations underpinning US

export policy is warranted. Reinvention, as presently conceived and practiced, seems to be a way of avoiding such a full congressional review.

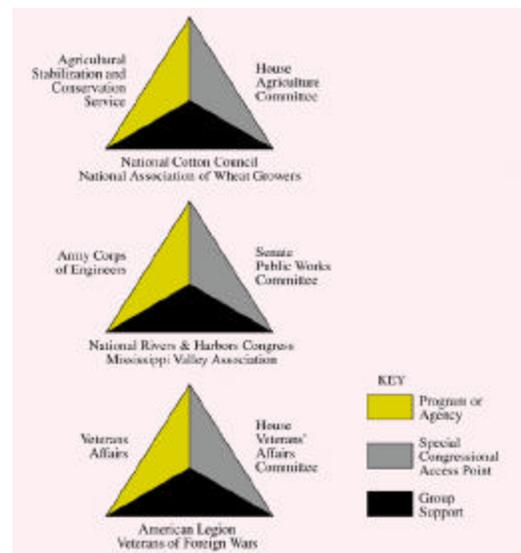
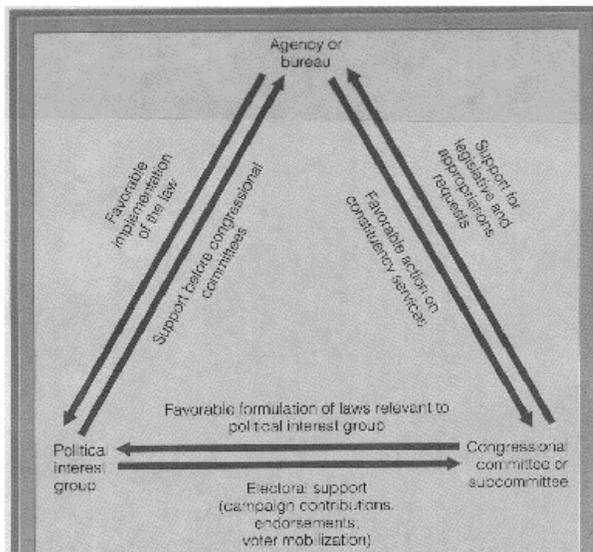
The Military-Industrial-Importer Complex

The end of the cold war now affords the foreign country the freedom to press for its own security and economic concerns in all trade endeavors. No longer overly reliant on the security umbrella provided by the United States, the foreign country buyer has become a much more sophisticated purchaser. Foreign countries are now well adept at negotiating their claims and interests in the complex US arms export policymaking process. Same as in the United States, foreign governments are increasingly hard pressed to justify the increases in demand for defense resources with their citizenry and legislatures. Efficiency-based government reinvention is driving the actions of foreign buyers in their dealings with the US government and US defense firms on arms exports. Future participation in multinational (coalition) peace operations is contingent on the degree of compatibility and interoperability of equipment with the US and US-led security organizations. This reality places harsh financial and security demands on the foreign arms buyer, as they must constantly consider the tradeoff in loss of interoperability with the US (and the degradation in their relationship with the US) by going “other than US” in their force modernization decisions.

New Ideas on Old Notions of the ‘Iron Triangle’

The concept of the iron triangle at one time adequately defined the ironclad (impenetrable) three-way relationship that existed between congress, federal executive agencies, and special interests groups, all having a stake in a particular policy issue. This old definition implied the notion of a *closed* US defense trade policy system. This is no longer the case.

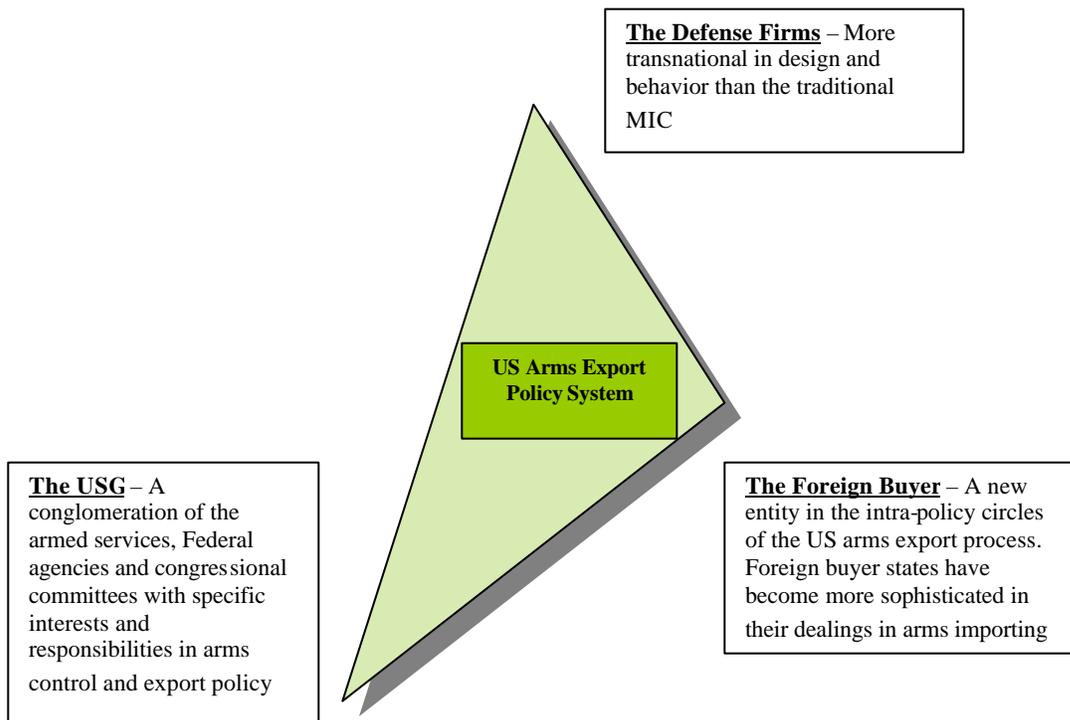
Subgovernments / “Iron Triangles”



Source: Theodore J. Lowi and Benjamin Ginsberg, *American Government: Freedom and Power*, 6th edition, (New York: W.W. Norton & Company, 2000).

Changes in the global marketplace for arms have created a new iron triangle of arms export policy. Forming the triangle are three stakeholders: (1) the foreign country buyer; (2) the defense industrial firms; and (3) the U.S. government (considered here for simplicity sake as an aggregate of the executive agents, congressional committees, and the armed services). All three stakeholders have been altered by the post-1980s changes in the global arms market, and by the relationships among the players that have also altered.

Understanding these new stakeholders and how the relationships among them have changed is necessary to gaining an understanding of the interests that are dominating U.S. arms export policy reform. Understanding the incentives that drive ongoing export policy reform is vital to determining the direction of those reforms and whether that reform is enabling U.S. national security or detracting from it. The following illustration depicts this new military-industrial-importer complex.



The Defense Firm.

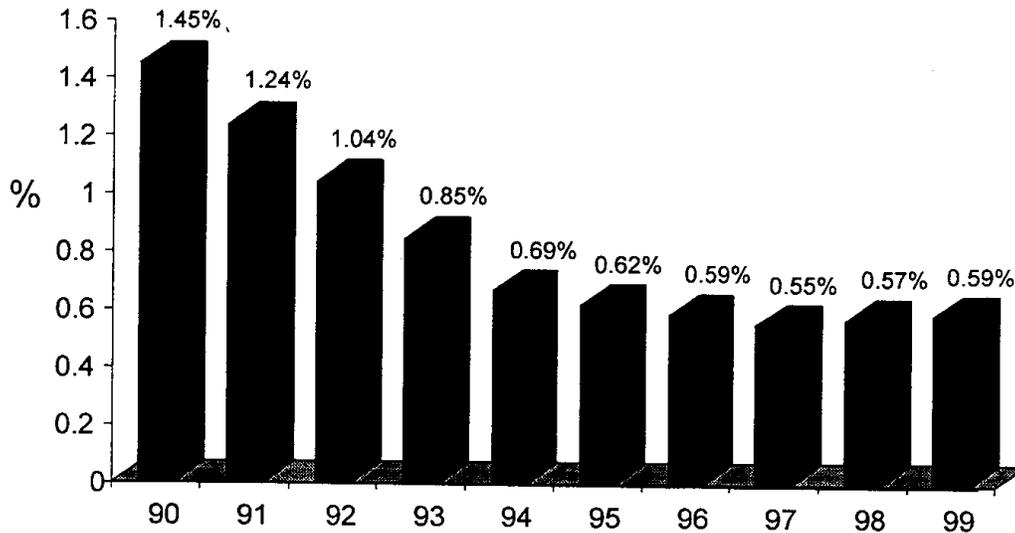
There are three new realities facing those defense firms that survived the 1990s global drawdown.

1. Consolidate, specialize, become more transnational...or risk death. This is a lesson all survivors of William Perry's "Last Supper" have learned well.
2. Secure foreign markets at all cost. Domestic demand for arms and related technologies is not adequate to meet the firms' marginal production cost. The competition for scarce foreign demand perhaps nearing zero-sum; moreover, a loss to a foreign competitor may mean that the US firm will choose not to produce the defense article at all, making the article unavailable to our armed services . . .in the longer run.
3. Secure the aid from government in winning the competition for scarce export markets. It is common today for defense producers to secure the help of US government (i.e., armed services) to assist in efforts to acquire scarce foreign arms orders. The fact that the firm is increasingly reliant on foreign demand gives the firm its greatest power over the armed services – *promote foreign sales or risk higher cost for your own force modernization.*

These realities have led to several challenges unique to the global arms trade today. These can be summarized into four challenge areas: Budgetary pressures; technological complexity and cost; changing customer requirements; and maintenance of skills (defense expertise). What follows here is more on the first two challenges.

Budgetary pressures. Baldly stated, among the myriad of reasons for declines in defense budgets, the fall of the Berlin Wall and the demise of the Soviet threat speak volumes for why defense firms today feel greater budget challenges. Without a widely agreed upon perception of clear dangers to national security, there is less upon which to base request for increases in defense budgets. As a result, the United States, since 1990, has witnessed a sharp decline in dollars for defense procurement.

US Procurement as percentage of GDP



Source : The Lexington Institute

Industry's Global Future - The Next Steps

Chatham House 30 January 2001

Source: *The Globalization of the Defence Industry: Policy Implications for NATO and ESDI*, Royal Institute of International Affairs (RIIA), 29-30 January 2001, Chatham House, London

Defense industry consolidation. All major arms-producing countries have undergone significant consolidation since 1990. The US consolidations to date have been harsher and more progressive than consolidations in Europe.

The US consolidation: Today we see four prime defense contracting conglomerates remaining from what was at one time (1990) at least 18 separate defense entities.

Hughes Aircraft
Texas Ins. (Defence)
Raytheon
Chrysler (Defence)
BAE Corporate Jets
E-Systems

➔ **Raytheon**

Rockwell (Defence)
Boeing
MDC



BOEING

General Dynamics
Lockheed
Martin Marietta
Loral



LOCKHEED MARTIN

Westinghouse (Defence)
LTV(Vought)
Northrop
Grumman
Logicon



NORTHROP GRUMMAN

Source: *The Globalization of the Defence Industry: Policy Implications for NATO and ESDI*, Royal Institute of International Affairs (RIIA), 29-30 January 2001, Chatham House, London

European Consolidation: When we look at European consolidation we see a slower, but progressive consolidation trend.

Evolution of Industry Consolidation

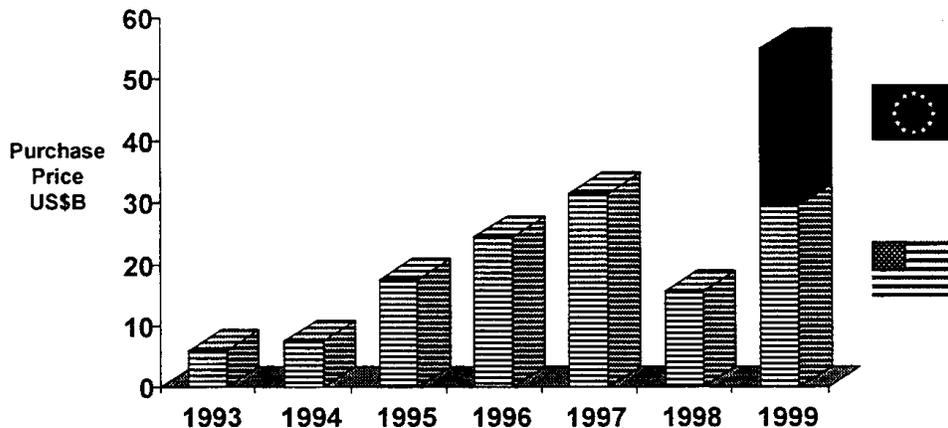
1950-70	1970-80	1990s	2000s
Joint Approach to the Market	Single Approach to the Market	Single Operation	Single Ownership
- Puma - Gazelle - Lynx	- Airbus - Ariane - Eurofighter	- AMS - MBD	- BAE SYSTEMS - EADS



Source: *The Globalization of the Defence Industry: Policy Implications for NATO and ESDI*, Royal Institute of International Affairs (RIIA), 29-30 January 2001, Chatham House, London

The growth in scope and scale of European defense industry consolidation since 1999, however, is significant.

Aerospace and Defence consolidation

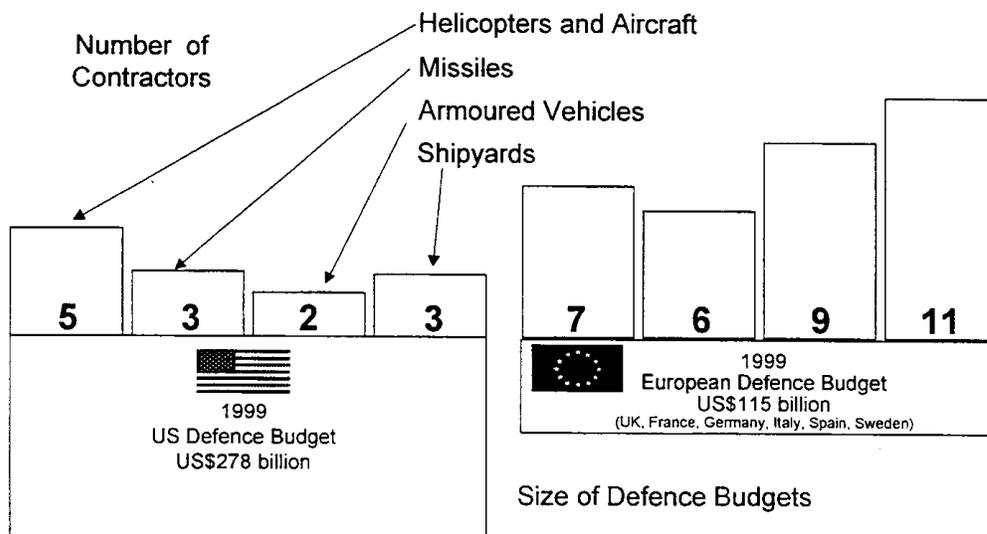


Source: *The Globalization of the Defence Industry: Policy Implications for NATO and ESDI*, Royal Institute of International Affairs (RIIA), 29-30 January 2001, Chatham House, London

Not only is the rapidity of the European consolidation important to note; the motivation behind and nature of the consolidation must be appreciated in order to fully comprehend the new relationship that has developed between transnational (transatlantic) defense industries and the US government with regards to arms export and export policy reform.

The motivation behind the European consolidation is one that derives from imperative – a response to European losses to US firms in the competition for the acquisition of scarce foreign arms markets. The United States’ control (capture) of over 60% of today’s global arm export market has spurred the Europeans into escalations in their own consolidation efforts – to become more competitive with the United States. The nature of this consolidation is of vital importance. The nature of this consolidation has been one of competition; a competition nearing the degree of zero-sum perhaps. Notions of a *Fortress America versus a Fortress Europe* help to support this idea (*Jane’s Defense Weekly*, 14 June 2000; Greider 1998).

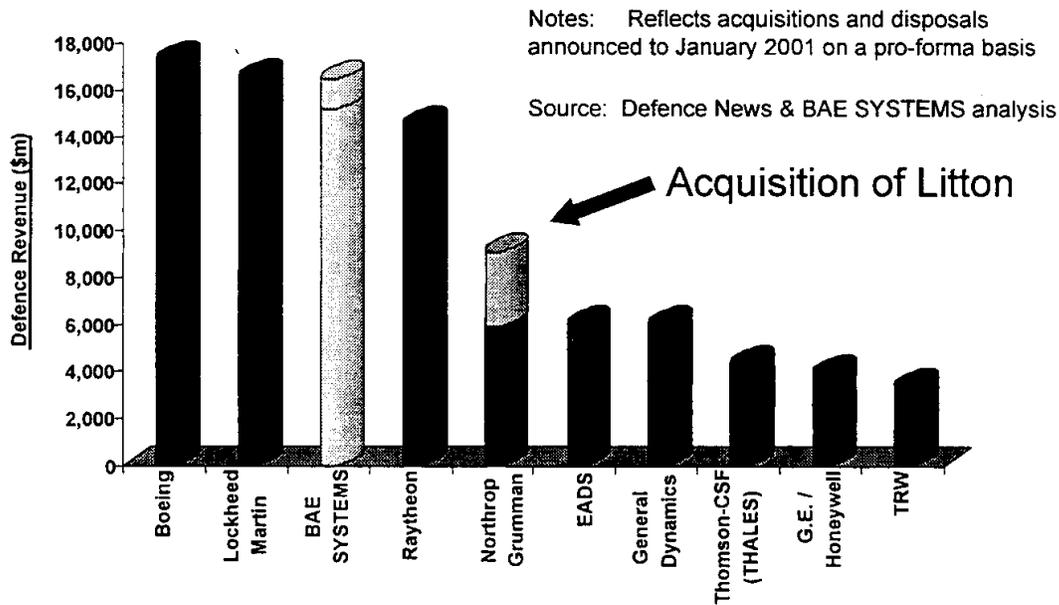
US and European Contractors compared



Source: *The Globalization of the Defence Industry: Policy Implications for NATO and ESDI*, Royal Institute of International Affairs (RIIA), 29-30 January 2001, Chatham House, London

A snapshot of consolidation (year 1999) shows the gains European conglomerates have made on the United States in defense consolidation and competition.

Top 10 Defence Companies - 1999

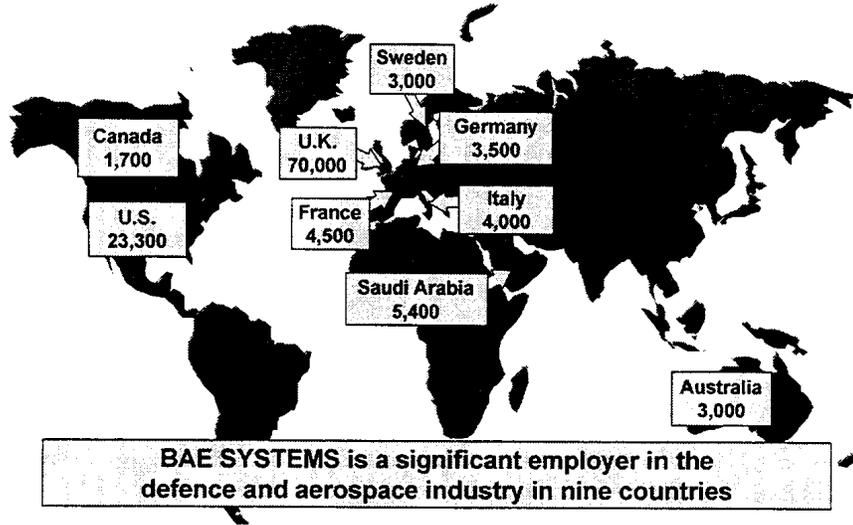


Source: *The Globalization of the Defence Industry: Policy Implications for NATO and ESDI*, Royal Institute of International Affairs (RIIA), 29-30 January 2001, Chatham House, London

Perhaps the most interesting thing to note is that in comparing the US and European consolidations we are witnessing by most accounts the full and complete limits of prime contractor-level consolidation. As such, we may be reaching the limit of the gains in functional and mutually benefiting competition that can be gained from such consolidations. However, as the competition for foreign demand of arms continues the strain on transatlantic relationships over arms exports may increase. This would place more and more pressures on firms (and as we will see in the following section's discussion – the US armed services) to accommodate foreign country and foreign firm demands and smooth foreign country and firm fears and anxieties in arms trading by the bending of existing rules, practices and procedures that underpin previous US arms export policy.

Transnationalization of the Defense Industry. In the mid-90s, discussion of defense transnationalization was more theory than practical reality. Today, we can discuss the growing transnational nature and design of the defense industry – ideas of a global defense industry – in real terms. Europe's BAE Systems plc prides itself on its transnational design and focus.

BAE SYSTEMS - at home in nine markets



Source: *The Globalization of the Defence Industry: Policy Implications for NATO and ESDI*, Royal Institute of International Affairs (RIIA), 29-30 January 2001, Chatham House, London

Through joint ventures and co-production practices, European firms in particular are gaining new positions of parity to compete more effectively against the United States in arms production and export. In fact, joint ventures have become a significant survival practice for European primes and subs.

A More 'Complex' Buyer-Seller Relationship

The tight market defense firms face today complicates the traditional relationships between the US government and the foreign buyer. Firms need the government *on their side* to seal arms deals. Such deals often place the US government in conflict with the foreign country on matters of price, cost, and access to proprietary information.

The increased interdependency between the USG, defense firms, and foreign country buyers, and the transnational nature of each of these players (physical and practical), becomes self-evident. What may not be as self-evident, but equally important to understand, is how the capacity for the US armed forces to unobtrusively prepare militarily to meet national and regional commercial and security obligations may be compromised by these growing interdependencies and complex relationships.

The Foreign Buyer.

Today's foreign military sales recipient can be categorized into four distinct classifications of buyers. Countries fall into a particular classification based on their level of expertise in the FMS process and degree of sophistication in traversing the US arms export policy process.

Classification	Degree of Sophistication in FMS
“Sophisticated”	Requires little help in FMS procedures. Mature logistics; modern processes and systems. Examples: UK, Netherlands
“Middle”	Still need Total Package Support. No professional Logistics Corps. Typically demand greater “offsets” (co-production; disclosure; more participatory role in the process). Examples: Egypt, Saudi Arabia; Singapore; Taiwan; UAE; Turkey.
“Traditional”	Not much money. Competing economic and social needs. Require more US involvement in management of the FMS program processes. Examples: Most African countries; South America
“Emerging”	Desire strong links to the US/West. Foreign Military Financing (FMF) dependent. Needs extend beyond normal FMS. Examples: Former Soviet Union states; Growing democracies

Source: *Partners for Tomorrow*, presentation by the U.S. Army Security Assistance Command, February 2000.

Though all four categories of FMS recipients are having an effect on FMS reform and the character of the relationships that define US arms export policy, the first two categories are the most important for the story told here. Actions and incentives of the *sophisticated* and *middle* recipient states are having a profound effect on the very nature of US arms export policy reform.

One particular sophisticated recipient – the Netherlands – is credited with giving birth to the idea of foreign military sales reform. The Dutch purchase of the AH-4A Apache attack helicopter in the mid-90s revealed many inefficiencies in the FMS program. The Dutch paid handsomely for those inefficiencies. But the education earned from these sales has contributed to the Dutch being considered now as one of, if not the most, sophisticated of FMS participants (Interviews 2000). They are well adept at negotiating the complexities of the US arm export policymaking processes. They know what questions to ask and where in the system to ask them (Interview with Lockheed Martin Executive 2000). The Dutch now lead a semi-formal consortium of 21 countries that deal in FMS with the United States (Wilson, unpublished dissertation, Cornell University, 2002).

From this leadership position, the Dutch have been quite successful in ensuring that the US government and US defense firms hear the same complaints and list of desired changes from everyone: total ownership cost information; more direct input to the FMS system; tailored Letters of Offer and Acceptance (LOAs); Not-to-Exceed (NOE) Pricing; the capability to monitor cases; and opportunity to provide feedback into case development and management.⁵

The Dutch Apache (Longbow) Case has become the model for FMS reinvention. In this case, we see the first use of Not-to-Exceed (NTE) pricing, the first opportunity for FMS customers to have direct observation of FMS contract negotiations (in the past, prohibited by law,

but now waivable under FMS Reinvention). This case also witnesses Dutch “wins” in the approval of waivers of numerous FMS standard terms and conditions, as well as the inclusion of “unique interim capability” items in their FMS package, to include unit training by US aviation personnel (21st Cavalry Squadron at Fort Hood, Texas.) Other countries are asking for and gaining similar benefits from their FMS dealings with the United States. An overall verdict of whether this is good or bad for US security and economic interests must be reserved until the full nature of the FMS reform itself (security-driven or commercially driven) is determined. What can be said at this point is that the foreign recipients are pressing the US export system for more, and the system is accommodating.

The U.S. Armed Services

The armed services have always played a complex role in foreign military sales. Under FMS reform, that role has become even more complicated. We may actually be witnessing some uncommon and highly questionable practices on the part of the armed services to *seal the deal* in the acquisition of scarce foreign markets for defense industry arms sales. These uncommon practices may be damaging the common defense needs of the United States in the long run.

The armed services are an agent for the foreign recipient under the foreign military sales program. The demands placed on the US armed forces as action agent for foreign FMS recipients have increased exponentially. This is particularly true in the case of the middle-countries that demand greater co-production arrangements as part of the FMS deal. At the same time, the armed services are responsible for assisting our own defense firms in the sale of US-made weapons systems to foreign buyers. This role has increased in importance since the mid-90s, as domestic demand for arms has shriveled and consequently, the demand to replace that lost domestic demand with foreign demand has increased.

And lest we forget, there is still a third role for the armed services to play in FMS. The services must act on their own behalf to provide for their own force modernization.

For the U.S. armed services these complex roles present three new security dilemmas. First, our own armed forces are faced with having to design and equip a national military strategy that meets a broadened security strategy – to fight and win America’s wars and prepared to effectively intervene in smaller-scale operations.⁶ This means financing R&D and procurement of a future force capable of meeting the peace operation role, while simultaneously finding the funds for maintaining America’s legacy force (our old cold war heavy force of heavy tanks, artillery, and mechanized infantry).

Foreign exports of the legacy force and co-production of the future force have become a major means for our armed forces to, literally, afford this military strategy. Co-production – the

foreign manufacture of US defense equipment – has become a popular offset⁷ requested by foreign recipients and an offset increasingly accommodated by the armed services as a necessary evil for our forces to afford their own force modernization. At present, the US Army alone has 29 active co-production programs underway with 13 countries plus NATO, with a total program value of \$26 billion. Much of those dollars go toward lowering our own R&D and production cost of future forces by increasing economies of scale (U.S. Army Security Assistance Command, February 2001).

Second, we must be reminded that there are fewer firms in the US defense industry today. There are, consequently, fewer options available for the US armed forces to choose from in meeting its defense needs. These fewer firms may be less the ‘national champions’ they used to be.⁸ Our armed services are dependent on these fewer, more economically motivated firms than ever before. Third, the new security environment US forces face call for a *Revolution in Military Affairs* (RMA). However, our ability to afford this revolution is tied to two critical issues: (1) foreign purchases of the defense items, in order to lower the production cost and (2) the willingness and capability of the foreign partner to modernize at the same time and in the same directions as the United States. Our own forces’ ability to innovate and to realize this RMA could be critically limited by our ties to defense firms and foreign buyers, and the nature of those ties: to preserve market demand over time. The need for greater interoperability demands a coordinated leap-forward in force modernization by producer, buyer, and sales agent alike. The complex nature of the relationships between these three players, however, may prevent a realization of that revolution in military affairs.

IMPLEMENTING REFORM OF US ARMS EXPORT POLICY: Foreign Military Sales ‘Reinvention’

In 1993, throughout Western democratic societies, there was a sweeping interest in *Reinventing Government*. The revolution was born from ideas of devolution of governmental power to the lowest levels and to the lowest common denominator of government. *Reinventing Government* was about downsizing government and bureaucracy, cutting red tape and cost, and as a result, to build into smaller government, greater efficiencies and a greater government response to the customer and customer needs. The business community had already begun to reap great cost savings and to benefit from improved customer sales through Reinvention.

On March 3, 1993, President Clinton gave Vice President Al Gore the mission of leading a six-month review of the federal government. This review resulted in the *National Performance Review* (NPR).⁹ The NPR and its recommendations focused principally on budget and

performance *deficits*. These deficits were addressed through personnel streamlining, procurement process reform, infrastructure consolidation and modernization, and reduced administrative procedures and costs. Savings and performance improvements were to be realized by following four key principles:

1. Cutting Red Tape – *Make people accountable for results; strip away unnecessary, innovation-stifling layers of regulations.*
2. Putting Customers First – *Insist on customer satisfaction; use market dynamics such as competition and customer choice to create incentives to put customers first.*
3. Empowering Employees to Get Results – *Decentralize authority and empower frontline employees to make decisions and solve problems.*
4. Cutting Back to Basics – *Produce better government for less – reengineer processes, abandon the obsolete, eliminate duplication.*

When looked at from the vantagepoint of US defense trade policy and the US arms export regime, the underlying foundation of the NPR and many of its operational principles and methodologies raise critical questions of reinvention's applicability not only to the public sector but also to the domain of defense, security, and arms control policy.

The focus on performance metrics and resource coding by managers of FMS reinvention within the Department of the Army indicates a narrow conception of reinvention, from its purer conception to one of program reengineering and process improvement. More importantly, this management pitch to lower-level implementers feeds the perception of reinvention only being about improving efficiencies, not about making more effective policy. FMS Reinvention, at least in concept, is more than performance metrics and resource codes. But, this fact has not been effectively transmitted throughout the security assistance community – particularly within US Army channels. The results are many. In the Army, we see a rather lukewarm and at times even antagonistic response among the implementers of FMS reinvention. We also see organizational fractionalization, leading to a reality of less unity of effort than the gains in effectiveness hoped for in the formulated plan. In the USAF and Navy, we see greater collective support for FMS reinvention. We also see greater consolidation of offices and administrative practices. Appendix three details some of these findings.

The road to hell is often paved with good intentions .

For the three major armed services, FMS reinvention tells a similar story. In light of the fact that, overall, FMS reinvention is turning out to be more of a commercial than a security venture, the efficiency of the USAF and Navy reinventions may simply be enabling those two services in reaching the point of professional compromise faster than the Army. The point must be made clear that this does not imply that the US Army, with regards their version of FMS

reinvention, sees the errors of its ways in prescribing to a commercially-driven reform initiative and is avoiding consolidation, rightsizing, and program reengineering for the good of the service and the national security strategy. “Reinvention” for the US Army has meant organizational survival for many of its security assistance agencies, particularly at the height of the Base Realignment and Closure movement of the early 1990s. It is more happenstance that this has resulted in the US Army being less culpable in FMS reinvention. Recent trends toward greater consolidations and easing of regulatory controls on licensing and disclosure practices show the Army gaining rapidly on its’ sister services. The following typology categorizes this dialectic between formulated and implemented policy:

FORMULATED POLICY	IMPLEMENTED POLICY	
	“GOOD”	“BAD”
“GOOD”	<i>AMBIGUOUS</i>	
“BAD”	U.S. AIR FORCE (USAF) U.S. NAVY (USN)	U.S. ARMY

What the categorization schema reveals is the design flaw at the middle-tier of the policy-making system (the bureaucratic middle) that perpetuates the mismatch between the intended policy goal and the unintended policy outcome. This realization is not easily arrived at from the typical top-down evaluation methodologies. From an implementation (bottom-up) approach, we can not only identify the mismatch and pinpoint the location of dysfunction, but can also qualify the dysfunction. In this case, we see a poorly conceived reform policy (“bad” formulated policy). However, we see different outcomes between the Navy and Air Force cases and the Army case. The USAF and USN are implementing very well, a poorly conceived policy; the Army, on the other hand, is poorly executing a badly conceived policy. The mismatch that results is, as stated earlier, ‘flawed by design.’

Regarding FMS reinvention and the overhaul of the US arms export policy, regulatory review and revision of statutes and guidelines is cursory at best. Most initiatives are geared toward avoiding the issue of systemic regulatory review, which is seen as a “bridge too far.” The Arms Export Control Act is the statutory bible on all transfer of arms and related technologies, but there have been no major changes beyond cosmetic facelifts of this act since its

enactment in 1973. Its executing regulation – the ITAR – has seen no changes since its genesis in 1976. Daily management of arms transfer and export processes is guided by the Security Assistance Management Manual, or SAMM. While reinvention of the foreign military sales program has been in the works, in earnest, since 1996, no major reviews or revisions of the SAMM have occurred. In short, the key first step in accomplishing the NPR mission of cutting red tape has been skipped. There has been no full and systematic review of existing rules and decision-making procedures.

The second principle, putting customers first, has been realized in word only. All levels of supervisors, managers, and employees understand that FMS Reinvention is to work toward improved customer satisfaction. In deed, however, this is not realized. There are several reasons. First, reinvention of the arms export sector is defining the customer in the narrowest context. The idea of customer satisfaction equates in practice to getting the product (in this case, the wanted weapon system, upgrade, or technology) to the foreign country buyer at a price and a timeline that meets foreign country demands. For a myriad of reasons, the primary customer of concern in US defense trade practices has shifted from domestic buyers (i.e., US armed services) to foreign purchasers.

To state it boldly, *does a reinvention focus that keys on “foreign” customer satisfaction succeed at the expense of “domestic” customers and their security interests?* These “other” customers include the American taxpayer and the armed services that have an obligation to arm themselves in order to defend the personage and interests of the American public. Looking at “Reinvention” from the foreign military sales perspective reveals something peculiar about reinvention of government itself: asking *how* we do what we do before asking *what we do and why* is a flawed proposition. There is a need for a grand strategy in US arms transfer policymaking. While some services (SAF/IA of the Air Force and NAVY IPO of the Department of the Navy) have developed strategies for executing reinvention schemes that are partially-based on their mission requirements and force posture needs, the Army has no such equivalent, nor is there any all-encompassing and effort-rationalizing strategy in place. At present, Theatre Engagement Plans (TEPS)¹⁰ – the operational plans of the major regional areas of operations of the United States, otherwise referred to as the CINC AORs (Commander in Chief Areas of Responsibility) – are not uniformly assessed across the CINCDoms. CINCs are not bound to consider (much less prepare) assessments of FMS needs and purchases in their AORs and their affects on AOR security. Dissimilarities in many of the automated foreign sales reporting systems that exist now that could help to produce clear strategic assessments of foreign arms sales make the systems that do exist today counterproductive.¹¹

THE STRATEGIC IMPLICATIONS OF A COMMERCIALY DOMINATED EXPORT POLICY REFORM

This section discusses some of the negative implications for US national security of an export reform effort that has so far been dominated by short-sided, commercial interests of defense companies and foreign buyers. A discussion of four FMS-Hybrid cases illustrates these implications.

The first case study – the sale of the AH-64 Attack Helicopter to the Royal Netherlands Air Force (RNAF) – tells the story of where the idea for FMS reinvention came from and serves as a perfect illustration of the changes that have taken place in foreign military sales. To understand the new foreign military sales program after reform demands a look at the Netherlands case. The second case study – the Javelin anti-armor missile system sale -- shows how interdependent firms, buyer states, and our own armed services have become due to new market realities and the consequent changes in foreign military sales practices. The third case – that of the intended sale of M1A1 tanks to Turkey – speaks to the pressures a reformed FMS program places on foreign allies to modernize in same fashion, at the same time, and in the same direction as the United States. This case also shows that due to globalization of the arms market and changes in export practices, US armed forces are highly constrained in their abilities to adapt and to innovate in their national military strategies autonomously. The fourth and final case – the case of Joint Strike Fighter – moves the discussion of foreign military sales and export policy reform to the area of Research and Development (R&D), weapons acquisition, and arms production. The escalating cost of state-of-the-art weaponry is rapidly nearing the limits of national economies of scale in defense production. National states are finding it increasingly difficult to produce for its own defense and security. The cost of multinational interventions is moving beyond the interests and capacity of national states to act unilaterally. Military operations through coalition are the way of the present and future. These two factors pave the way for collaborative ventures in R&D and development of weapon systems. The potential benefits are easily identified in improvements in interoperability of forces. The negative ramifications are more obscure. Transnational defense production can lead to over-dependencies on foreign countries and offshore defense firms by national states for the provision of their national (regional) security and defense needs.

The Case of Dutch-Apache Longbow.

The case of the Army's Apache Longbow program provides a telling story. The Netherlands, Singapore, Israelis, British, perhaps even the United Arab Emirates and Kuwait will have had the Longbow version of the AH-64 attack helicopter long before the system is fully

fielded in the US Army. This to some degree is due to the fact that the Army has only recently had the operational need for the upgrade. But to a large degree, the reason why our own forces wait while foreign governments take is because only through foreign-first sales can the US Army afford to purchase the upgrade.

New developments in the Dutch Apache case illustrate another point: foreign military sales are integral to manning, training, and equipping the future forces of multinational peace operations forces. In October 2000, the Royal Netherlands Air Force received orders to prepare for deployment to the state of Eritrea as part of a United Nations peace enforcement operation (UNMEE mission). This mission placed the Dutch in the situation of executing the first ever AH-64D operational deployment. The force is now in Africa (as of February 2001) preparing for operations with five AH-64D Longbow Apaches.

There are several lessons. First, though a very sophisticated FMS recipient, the Dutch were still neophytes in the use and deployment of FMS-provided systems and support equipment. The United States must be prepared to provide wide-ranging logistical support (specialized training; airland and sealand assets and expertise; equipment leases) as new “offset” arrangements in future FMS contracts. Second, FMS recipients are beginning to be the first to use US-made equipment in actual combat and peace operations. This again, changes the relationships between buyer, producer, and the US armed forces. As the Dutch deployment illustrates, Lockheed Martin is counting on a successful Dutch deployment of the Apache for the future of their Longbow system – the program will live or die based on the success or failure of the Africa deployment. For the US Army, a Dutch failure may spell disaster for the Army’s future attack helicopter force. In short, a Dutch failure is a US failure. This is the true meaning of interoperability. Third, with deployment and through-operations support being added as additional case management lines to open FMS cases, the US with every major weapons system sale is committing to long-term security relationships, the conditions of which may be determined more by the UN or individual buyer nations than by our own national security strategy (the ‘entangling alliances’ thesis). This is a particularly stark reality given the relook at US forward presence underpinning the current Administration’s foreign and security policy.

The Case of the U.S. Army Javelin System.

With no clear strategic model for monitoring, regulation of the reinvention of the foreign military sales program could actually *limit* the United States’ ability to clearly and autonomously assess its own national security strategy and design a military strategy to realize it. If the foreign customer has gained a position of relative parity (if not dominance) in FMS negotiations – even FMS reinvention itself – might the US armed services be similarly dependent on foreign buyers

in determining what systems to develop and to purchase? Might this, in turn, limit the types of missions the armed services politically and operationally support? All of this could affect in a negative way the armed services' ability to innovate – to leapfrog to the Army After Next or to 'Transform' to meet new missions in that more responsive and more flexible way the Chairman of the Joint Chiefs of Staff advocates. This may be particularly true if our ability to pay for and to garner domestic (i.e., congressional) support for such innovations and transformations depends increasingly on foreign purchasing countries – their need and willingness to offset these US domestic costs.

The Dutch-Javelin FMS case¹² is a most appropriate case in point. The Javelin is the latest anti-armor, shoulder and vehicle-mountable guided missile system in the Army inventory. It is designed to replace the Dragon missile system, adding lethality to the toolbox of the American light and mechanized infantry soldier. A joint venture group, comprised of Raytheon and Lockheed-Martin, is the sole-source producer of the Javelin. They are the only game in town for the US Army. When the Army approached the House Committee on International Affairs and the Senate Armed Services Committees to justify the need for funding and authorization of the Javelin system, the Army was only able to muster political and budgetary support enough to resource just over 13,000 systems – not enough to meet Total Force operational needs. To exacerbate the problem facing the Army, a 13,000-missile production run was insufficient for Raytheon-LockMartin to accept a long-term production contract for the Army at an acceptable price. The answer to the dilemma was through foreign military sales. Securing foreign buyers would increase the numbers of systems required, thereby lowering the production cost and the cost-per-unit to the buyers (foreign and domestic). Moreover, foreign buyers through the 2.5% administrative fee charged by the FMS program would shoulder more of the overall cost of the program. This might imply that the US government under a reformed FMS can make a de facto profit. Prior to reinvention, profits for US government agent from FMS were strictly prohibited.

So, lower cost overall, and of this cost, less paid for directly by the US Army. A seemingly perfect solution for all concerned, but also a cautionary tale particularly for the United States and our armed services. Cases like the Javelin are more rule than exception these days – a major weapon system needed by one or more of our armed services: sole-source produced demanding foreign purchases to offset the cost. Caution should be taken in looking at these relationships between USG, defense firm and foreign buyer. In such a scenario, the defense firm still has the flexibility (the option) to opt-out of the business; the foreign customer has the most flexibility of all. They can either go with another system and another exporter (as the Finns and

New Zealanders did when they opted with the Israeli Spike system over the US Javelin), or they can simply choose to buy nothing.

The US armed services are the stakeholders with the least options available. The sole-source situation places the US government in a beholding position to the joint venture, demanding that the armed forces sales agent make extraordinary efforts and maneuvers around existing regulations to make the sale for Raytheon-LockMartin to keep them interested for the long haul. The foreign country realizes that the USG needs their purchase to lower the price of their own. This places the US armed services – the Army in this case – in a potentially dependent relationship with the foreign buyer. The accommodations and compromises that the government (military service) agents must make to meet the competing demands of the firm and the buyer limits the services in at least two ways. First, the services are potentially locked in to only a few systems options due to the limited number of defense firms in the game today (in this case, the Army's options are limited to one short-term option). Second, the services are to a large degree limited in their choices of current and future systems by what the foreign buyer is interested in and willing to purchase (in this case, the Army's ability to secure the Javelin system at acceptable cost to congress hinges on the availability of interested foreign buyers). This last point dovetails into concerns over the implications of multi-service (“joint”) and multinational force modernization.

The Turkey-M1A1 Tank FMS Case.¹³

A critical assumption underlying the Army's concept of transformation from the heavy-armor force of today to the lighter, more nimble objective force of tomorrow is the notion that the Army has the strategic and budgetary flexibility to complete the transformation autonomously. The case of the Turkey-M1A1 tank sale illustrates the strategic dilemmas to innovation. In late 1999, Turkey publicly announced plans to upgrade its M60 tank fleet. As a result, Turkey entered into a \$7 billion program for the co-production of 1,000 M1A2 main battle tanks with the US and General Dynamics. The contract would boost chances for General Dynamics Corp's Land Systems unit, maker of the M1 Abrams series, to win Turkey's largest single defense buy ever planned. General Dynamic's Land Systems was the only US contender short-listed in the main co-production program. However, in April 2000, Turkey suspended the contract with General Dynamics, opening negotiations with Israeli Military Industries (IMI) for the modernization of its US-made M60A1 battle tanks, as well as opened the program to competitors such as Satory, France-based Giat Industries, maker of the Leclerc; Munich-based Krauss-Maffei Wegmann GmbH, maker of the Leopard 2; and Ukraine's Kiev-based Ukrspetsex, maker of the T-84 (*Defense News* 3 July 3 2000, 1). The suspension came about largely due to financial

difficulties Ankara was facing at the time. This move by Ankara immediately prompted response from the USG and General Dynamics to “sweeten the deal” originally offered. The Turkish Land Forces Command (TLFC) was urged to consider a US government offer to lease 96 General Dynamics Land Systems (GDLS) M1A1s. The lease would offer training and logistics benefits through the foreign military sales program. Truth be told, the lease was to be largely paid for by General Dynamics itself. This M60 modernization, coupled with the lease deal, would have met Turkey’s tank requirements in the short run. It would also have given American industries the “win” over the European and the Israeli rivals.

This case raises several questions of concern. First, *where would the 100-or so M1A1s come from for the lease deal?* The lease numbers actually reached 200 M1A1 on the negotiation table and would have been supplied to Turkey at the expense of our own National Guard force modernization program being delayed for up to two years (Interview notes June 2000). Second, *what would a US “win” do to European-Israeli-US firm relations?* Quite simply, the competition over such scarce export market resources critically strains US-ally relations worldwide. Third, *what does pressing such a sale on the Turkish government do to Turkey’s political, economic, and strategic situation?* It places perhaps undo strain on the country – a NATO ally. The question of “can Ankara afford” such a modernization rarely if ever came into the discussions. The December 2000 request by Turkey for \$18 billion in IMF funds speaks directly to the country’s strained financial situation.

Fourth, and most relevant to the case made here, is the question of *how do such deals constrain the US in its future modernization capability?* It is clear that America’s current and future heavy-armor force will largely be supported and sustained through foreign sales. Countries like Turkey, Egypt and the like that stake their land force squarely on the M1 series main battle tank will continue to help sustain production and sustainment (maintenance and logistics) of the US legacy armor force. These countries keep General Dynamic Land Systems in the “game.” But what of the Army’s desire to at least to some degree look beyond this heavy-armor legacy force? What is a legacy force to the US Army is the future armor force for many of the countries the US hopes to help defer the cost of its own modernization program. If these countries will not, financially cannot, and/or strategically should not “leap-frog” with the United States to the Army-After Next programs, then what might that say about the Army’s ability to leap-ahead at all? Modernization schemes leveraged through foreign military sales can keep the United States tied to the current and past simply because FMS helps pay for sustainment and modernization.

The Case of Joint Strike Fighter.

This program poses perhaps the biggest potential gain as well as the biggest potential roadblock to future US force development ('transformation'). The latest budget plans see more than 2,800 Joint Strike Fighters (JSFs) for the Air Force, Navy and Marine Corps, for a cost estimated by the Congressional Budget Office (CBO) to be as much as \$223 billion – big money even by Pentagon standards (*Jane's Defense Weekly* 7 June 2000, 24). However, there are large questions being raised as to the warfighting suitability of JSF to future needs of the three services. Short-range versions of the fighter for the Air Force will make it dependent on foreign bases that may not be available in the future or in line with the foreign policy of the present Administration. The limited carrying capacity of the JSF will make it less capable of attaining air superiority (air dominance) like the F-22. And the JSF may not coincide with the Navy's next generation of aircraft carriers, the "CVX program." All of these issues spell problems for joint transformation efforts. And what of 'combined' transformation? To offset procurement cost on JSF, the US government has opened the program up to co-production.

The JSF is now a combined, multinational venture, where countries place a bid and commit to the production and procurement of a certain number of joint strike fighters for the future. The potential benefits are obvious: lower production cost through burden sharing and increased interoperability. The pitfalls are not so obvious but more probable: delayed fielding due to the added complexities in mustering multinational political will; the unavoidable drive by individual stakeholders to 'nationalize' their own variants (potentially working against the aims of 'combinedness'). The most important pitfall to consider from a US-perspective is the potential loss of autonomy (much less, autarky) in our force modernization decision-making. Tying US acquisition and R&D processes to foreign country processes makes the United States all that more dependent on the foreign partner; it limits the flexibility of its service professionals to adapt and to innovate freely. If US acquisition processes are to follow a JSF-like model in the future, it is vital that the service professionals take into consideration joint and combined needs (and limiters) to force modernization, much less revolution and reform initiatives.

A LOOK FROM A STANDPOINT OF IMPLEMENTATION

What do the cases illustrate?

Each of the three cases tells a separate story about foreign military sales *as an implemented policy*. All three of the cases are US Army cases. But keep in mind, due to the fractionalized nature of the Army's policy formulation and legitimization stage of the policy making process, the Army has moved forward at a much slower pace than its sister services. If

these cases reveal compromising behavior on the part of the Army, and opens our eyes to negative consequences from the Army's participation in putting FMS reform into practice, then what might one reasonably expect to find in a similar review of USAF and/or USN foreign military sales cases?

The case studies reveal something relevant at every stage of the export reform policy process.

The Apache FMS case gives evidence of *unwarranted influences* having a significant effect on the initial setting of the arms export reinvention agenda. The problem to be solved in FMS reinvention was largely a problem identified and defined, not by US stakeholders, but instead by the Dutch and the foreign interests they represented. The Dutch government was able to find access into the US policymaking system, at all stages of the process; evidence supports a claim that the overall Dutch strategy was to infiltrate the US process at all levels of the process (Interviews, June-October 2000). At the agenda-setting level, their access was enhanced through the informal (personal) relationship the Dutch government maintained with then Deputy Secretary of Defense, John Hamre. At the implementation level, the Royal Netherlands Air force positioned liaison officers within acquisition and security assistance offices – to foster long-term relationships, and to learn the system from the experts and from the bottom-up. At the bureaucratic tier (formulation and legitimization), the Dutch took advantage of years of developing relationships within USASAC and DUSA-IA and was able to capitalize on the internal turf battles taking place over FMS reinvention to better attain their own aims.

The downsize of the US defense workforce not only effected uniformed personnel; it wreaked havoc on the defense civilian workforce as well. As the United States pressed its *up-or-out* forced retirement program to streamline the force, the Dutch and other foreign customers were hiring this expertise away from the US¹⁴. The Dutch are touted today as being one of the most sophisticated of FMS customers. Their investment in expertise that the USG seems committed to discard has brought great gains (and access) to the Dutch. Other foreign customers are following the Dutch lead.

The Javelin missile case paints an accurate picture of just how stark conditions are in the current arms market. The monopolistic conditions set by low domestic demand, high demand for the product on the part of the US Army, and the availability of only one US producer has led to some significant bending of the rules in foreign military sales activities. The evidence raises legitimate concerns over possible collusion between the US government and the Dutch Ministry of Defense; between US defense firms (Raytheon-LockMartin) and the US Army; and between the US Army and the Dutch government. What is being implemented, while it may derive from a

faulty short-sided policy to begin with, has manifested into a policy driven predominately by economic incentives, and potentially in violation of US laws prohibiting profits from foreign military sales.

The Turkey tank case illustrates just how powerful a force a US defense firm, desperate for a sale and a US Army, spearheading the demands of the firm can be. It also shows how difficult (if not impossible) it can be to say “no” to such a situation. If the US Army is to remain, at least to some degree, a heavy-tank oriented force, the Army must keep General Dynamics Land Systems in the business of building and selling tanks. The recapitalization of the US armor force relies on GD. The evolution of the tank to the next-generation armored vehicle (still unknown at this point) depends largely on General Dynamics’ solvency as a defense firm. So as the case illustrates, when faced with the option of supporting Turkey in their desires for something more affordable (and perhaps more relevant to its own strategic needs) versus force-feeding the Abrams tank upon the Ankara government, the US Army is compelled to support General Dynamics, not only to support the firm, but also to act as “the heavy” in many ways in pressing the Turkish land forces into the Abrams tank.

This takes “dancing with the one who brought you” to a whole other level. This sort of approach, in the short run, may be beneficial to the firm and the US army alike. But in the long run, the Army may find itself so tied to General Dynamics and the heavy tank concept, that it becomes severely limited in its ability as a service to adapt and innovate to a new land-based system. The following sums up the sentiment succinctly:

This is the instability of the implementation phenomenon: the larger the set of conditions that the implementer controls the greater is the probability that the behavior of the implementer will affect the outcomes which may work both ways; more latitude in decision making on the part of the implementer may be conducive to either successful implementation or to implementation failure; it will present the implementer with the opportunity to move the policy closer to the environment, overcoming major faults or minor inadequacies in the original outline of the policy, but simultaneously such local discretion on the part of the implementer opens up the possibilities for reinterpreting of the policy (Pressman and Wildavsky 1971, 249).

The discretion given to decision-makers at the implementation level of the arms export reform process is understandable; even expected, given the special nature of the policy issue and the mere fact that those who know the process best, are those who work the system on a day-to-day basis. That is not to say that all matters of policy should be left to the interpretations of the expert implementer. On the contrary. An appropriate delegation of authority over arms export reform down to the implementers is conditioned on three factors: (1) whether or not the policy agenda (policy goals) were correctly set in the first place; (2) whether or not the structure of the formulation and legitimization stage of the process was originally designed in a manner

conducive to a free-flow of policy intentions down to the implementation level; and (3) whether or not the implementers themselves do not suffer from conflicting loyalties and can therefore implement (rather than reinterpret) the original policy.

If these conditions can be met and maintained, the policy stated should be reflected in the policy that is implemented. As the cases illustrate, this is not the story in foreign military sales reinvention.

Professor Karl Weick perhaps summarizes the inherent problems with poorly supervised delegation of power to lower levels in a policymaking process without adequate amounts of feedback:

Whenever the different members of a group contribute portions of a finished product, and the group is given feedback about performance only in terms of the group product, individual members have no way of knowing how adequate their individual contributions were. If the outcome is judged acceptable, this could mean that individual members will repeat their actions, even if they were actually irrelevant or detrimental to the outcome (63).

It is difficult not to pinpoint the policy failures and flaws illustrated in the three case solely with the implementers themselves. However, the fact that the policy was more than likely flawed in its original design in the first place, and then further manipulated and reshaped by middle management personalities and organizational designs, the implementers can escape the full blame. Without adequate amounts of feedback from the higher levels in the policy process (ideally, from the national public), it is difficult if not impossible to expect the implementers of the export policies, as reformed, to do anything else other than implement the policy as they last understood that policy, or in accord with their own organizational values and practices.

CONCLUSION

Answering the “For Whom?” Questions

In deciding for whom they are evaluating, analyst must consider measures of *constituency satisfaction* (Pressman and Wildavsky 1971, 211). Rather than focus only on outcome measures, it is the “modification and compromise of goals in an effort to reconcile conflicts and accommodate the concerns of those constituency groups, whose goals may shift over time” (211) that is important in the analysis of implementation (Nakamura and Smallwood 1980, 149-50).

Support of policies and those who make them is essential for implementation, but the specific clients or customers of the policy outcome may represent only a fraction of the interested or affected public (150). “Clientele responsiveness” is a critical criterion for evaluation of implementation (150). Determining which clients are, or should be at the top of the pecking order

for first-satisfaction from the policy being implemented is even more important. It is the crucial factor in this study and in this policy issue area.

The gravity of the question “for whom?” in implementation research is especially apparent to researchers who identify themselves with the recipients or would-be recipients of programs (the very purpose of the study of implementation is called into question when these clients are neglected) (Pressman and Wildavsky 1971, 211).

Implementation failures, in which actual policy results fall short of expected outcomes, are especially painful for target populations, who were supposed to have benefited. At the end of the implementation chain, they are often left with unrealized promises, promises that perhaps should never have been made if they could not have been kept (211).

If in this case, the targeted population experiencing the pain of being forgotten in the benefits of arms export reform is the American public and its military services, then the ramifications may go well beyond the simple point of wondering whether promises originally made should have ever been made in the first place.

Recommendations for Structural Changes

Some organizational adjustments at the top-echelon of the export control and transfer policymaking system are necessary. In order to realize such a concept, a rationalization of our foreign military sales processes (revolution, not reinvention of the FMS program) must be undertaken. This means a joining of FMS reinvention’s two separate streams – initiatives underway on the policy side of DoD and initiatives on going on the acquisition, technology and logistics side of the organization. At present, organizational structure within Department of Defense “stovepipes” reinvention efforts down the AT&L pipe or the Policy pipe; there are no formal conduits across these separate channels. These structural realities constrain any effort to balance reform efforts in policy and acquisition and technology. Policy reform should precede acquisition reform, placing in proper sequence force modernization and procurements in support of military and security strategy.¹⁵ The existing structure place acquisition and policy on independent, even divergent, paths. At the implementation level (MACOM level), this manifest in dysfunction – program managers and security assistance officers focusing efforts in a case-by-case (system-by-system or country-by-country) fashion, with little formalized coordination of efforts. At present, there is little if any formal ‘check and balance’ system in place between acquisition and policy-side reform. FMS reinvention is testimony to this claim.

For major weapons systems cases that have been identified as having peculiar efficiency problems, there is an informal mechanism that crosses this AT&L – Policy divide. The Arms Transfer Policy Group (ATPG) was initiated in 1998 by then Deputy Secretary of Defense John

Hamre to deal with such cases.¹⁶ This informal group, to some degree, subordinated AT&L issues to Policy by making the Undersecretary of Defense for Policy, executive agent of the group. One final, but most critical, recommendation is to formalize the ATPG; create it into an agency with principal executive oversight authority over the FMS reinvention initiative. The Defense Security Cooperation Agency (DSCA), at present the Executive agency of the FMS reinvention initiative, would serve as the executing arm of the ATPG. In this way, FMS reinvention would be ensured executive, cabinet-level visibility and political clout, carrying the weight and authority of the Chief Executive.

Recasting the Agenda on US Arms Export Reform

Relook FMS reinvention. A top-down review of the reinvention movement throughout the security assistance and acquisition communities is necessary. This top down review should be presaged with a revision (an update) the 1996 Hamre White Papers, providing additional guidance toward implementation. This would help to add clarity and strategy to the reinvention efforts on-going now. It would also give ground for a rationalization of separate service reinventions. The following two steps are critical to this FMS reinvention review.

Incorporate an FMS review into the future QDR. As argued, foreign sales are a critical payment mechanism for any and all force modernization initiatives that may find justification in the Quadrennial Defense Review. At present, a systematic and formalized incorporation of a FMS review is not part of the QDR process (Statement by General Shelton, Chairman of the Joint Chiefs of Staff (1993 to 2000), *Fletcher National Security Capabilities* Conference, 14-16 February 2000). Current realities of the foreign military sales program place unique opportunities before the US in determining force modernizations and changes to the national military strategy. These realities also present boundaries to the process that must be understood and calculated into all upcoming reviews. This alone may justify a relook at our entire QDR process.

The transnationalization of the defense industries, the exorbitant rise in cost of R&D and production of state-of-the-art weapons systems, and the criticality of interoperability (cross-service and multinational) – all these new realities of the global arms market must be given voice and hearing in the US national security decision making and policymaking processes. Ensuring the US national military and security strategies are reflective of coalition partner and alliance partner needs, wants, and desires is vital to future peace and security. The sure way of lashing US intent and interests on these matters with those of its foreign allies and partners is through the fostering of a more formal multinational policymaking process, where the voice and access

“outsiders” gain in the US process is established formally by US principals; where that access is justifiably and transparently delegated from the public, and regulated accordingly.

Tie the Theatre Engagement Plans to the NSS through FMS. The critical element in NSS—FMS—NMS equation are the regional and functional commanders-in-chief. A strategic understanding of the FMS link to the national security and military strategies – not only of the United States, but also of the regional states within their Theatres of Operation – is vital. A process must be put in place that pieces together daily, country-to-country administration of foreign military sales and training operations to each country’s own security plans; those plans and actions to the *prepare, shape, and/or respond* elements of each CINC’s Theatre Engagement Plan.¹⁷ A centrally controlled regional database cataloging these arms interactions should be established and maintained. These regional databases could then feed into a national database maintained at the presidential and cabinet-secretariat level. These steps would establish for the CINC, useful information for justifying the particular weapon systems and related technologies required by US forces in the region. It would also provide the CINC with a vital tool for accessing whether or not what country A asks for from the US through the FMS program rationally meets their own security profiles and enhances US security strategy in the region. The next step in the process would be linking these regional strategies for FMS to the broad national security strategy of the United States. Such a program should be reviewed at least annually (in a manner similar to the quarterly training briefings required of commanders, Brigade level and below.)

This national system would have global reach and connectivity. Global links to the United Nations *International Arms Registry*, NATO (and other regional collective security organizations), private organizations, non-governmental organizations, and defense industries (and their trade organizations) could be established, lending to a global transparency and rationality of the arms market never before realized. Such a registry, managed centrally by the United States, would subsequently place the worlds’ largest arms exporting nation in a position to regulate the global arms marketplace.

EPILOGUE

Strategic Opportunities through FMS Since 9/11 and the 2001 QDR

The terrorist attacks against the US homeland on September 11, 2001 mark a point of departure from the world of national security and defense policy as we previously knew it. All the previous calculus of security and defense have to be rethought. This brief section discusses two strategic opportunities – new strategic ways of thinking – now available to the United States

since the Bush Administration refocus of US national security in the recent quadrennial defense review: a renewed and central focus on the Asia-Pacific region, and a focus on homeland security/defense and the war against global terrorism (QDR 2001, on-line).

Avoiding the Return to ‘Gunboat Diplomacy’ in Future US Asia-Pacific Policy.

The United States may be moving prematurely toward a predominantly “afloat” strategy in the Asia-Pacific. The 2001 Quadrennial Defense Review (QDR) signals a refocus of US foreign policy and forward-based security policy on the Asia-Pacific. The underlying assumptions of defense studies supporting this policy shift – that the United States, by the year 2015, will have suffered significant loss of influence throughout the region – are suspect¹⁸. 2015 may legitimate the prediction that, by then, the United States will be deprived of land and port access, but only if the assumptions are true and unchangeable. Since the attacks of 9/11 on the American homeland, congress and the public seem to have an unending willingness to keep the checkbook open on defense spending.¹⁹ From a longer-term strategic perspective, however, two “realities” must be recognized:

- Prior to 9/11, the guiding principle for defense ‘futures’ planning was that of “holding the line” on the defense. It is likely that this perspective will eventually reemerge as the guiding line on US defense spending, perhaps leaving the military services in an even harsher catch-as-catch-can position as the United States recovers from current and near-term deficit defense spending.
- The American public (and their representatives in congress) will expect the majority of additional defense funds to go directly to what they can clearly see as the defense of the Homeland. American fiscal conservatism will eventually find defense budgets retracting, returning the military services and defense planners to the austere situation they faced prior to the attacks of 9/11.

The pre-9/11 era of austerity found the four military services facing huge cuts in modernization programs and personnel, with the US Army as the biggest loser in future budget wars. Most strategic assessments, as a result, called for a maritime and/or air-centered military strategy, particularly toward Asia and the Pacific Rim. Such analyses were then, and are today, far too narrow in perspective. An eventual return to pre-9/11 defense and security planning (budgeting) models could once again place the fiscal bottom line ahead of the security bottom-line and deny the United States’ approach toward the Asia-Pacific of all its strategic capacity to ensure a more lasting security in the region.

Strategic Flexibility and Military Innovation through Export Policies

Understanding the process of innovation today and into the 21st century demands an appreciation of the role that exports can play in that process. Denial of land-based strategic alternatives for America’s future stance in the Asia-Pacific risks denial of one of America’s

largest billpayers regarding its own national land-based Research and Development (R&D), acquisition, and procurement programs. The following chart details a few of these programs, financed in part, through FMS.

COUNTRY	FMS PURCHASES (US Army systems)
Korea	Apache; Patriot; MLRS
Taiwan	Significant potential sales*
Singapore	Apache Longbow; “bed- ²⁰ down of Apache units in the US*; MLRS; TPQ-37
Japan	Upgrade on UH-60 Blackhawk Helicopter; Range support at White Sands Missile Range
Australia	Apache sales
New Zealand	SINGGARS/Harris Radios; Javelin
Thailand	Blackhawk Helicopter; Cobra Helicopter; Small Arms; Night Vision Devices*

The Importance of the Asia-Pacific Region to U.S. Security Strategy

The Asia-Pacific region is a vital area of interests and concern in US grand strategy.²¹ Recent RAND studies project that the Asia-Pacific region will become the largest and perhaps the most important concentration of world economic power in the next century (RAND 2001).²² Pure afloat-strategies toward the Asian-Pacific littorals are an anathema to this strategic reality. From a signaling standpoint, moving arbitrarily away from a more joint-oriented strategy – one that includes a land-based presence in the region – could signal a more distanced, response-oriented strategy. It could also signal the adoption of a military strategy centered on forced (opposed) entry.

FMS as an “Enabler of the National Military Strategy”²³

The Asia-Pacific region is the number one recipient of U.S. arms, with Taiwan topping Israel and Egypt as the number one importer of arms from the United States (1998 data).²⁴ The US Army, in particular, enjoys expanded defense and security ties in the region today due in part to revisions to US arms and technology export policy that began in the mid-1990s. The nature of these sales is now one of mutual interests and mutual need – the United States now faces the geo-political reality of intervening through partnerships and coalitions in the future. It also faces the geo-economic reality of no longer being capable of “go-it-alone” strategies toward its intervention policies in the early 21st century.

It is premature and suspect strategic planning that counts America out of land-based and port access in the Asia-Pacific. Evolving U.S. arms export policy is reinforcing old defense relationships in these regions and fostering new ones. These new inroads might prove even more strategic for the United States, as Taiwan becomes the Achilles’ Heel for the United States in the

Asia-Pacific. Post-9/11 strategic planning finds the Caucasus and the Caspian Sea region emerging rapidly as an area of future importance to US interests.²⁵ The defense trade interdependencies evolving today are ripe with opportunities for the US and could, if leveraged correctly, provide for a new and more effective U.S. land, air, and sea-based military strategy in this region.

Peacetime Military Engagement through FMS and the Global War against Terrorism

‘Peacetime Military Engagement’, or PME for short, is the official joint doctrinal term given to describe all military activities that involve other nations and are intended to shape the security environment in peacetime; activities designed to support the combatant commander’s objectives, as articulated in the Theater Engagement Plan (TEP) (Headquarters, Department of the Army, FM 3.0, *Operations*, chapter nine, June 2001). The foreign military sales program serves a critical component of PME. The importance of FMS in this context has risen, unbeknownst to the general public, as evidenced in America’s on-going war against terrorism. *Peacetime military engagement in Central Asia and the Caspian Region.* With the independence in 1991 of the three states of the South Caucasus – the Republics of Azerbaijan, Georgia, and Armenia – and the new states in the greater Caspian region, tremendous opportunities were created for the United States to promote its national interests in the Caucasus and greater Caspian region. Azerbaijan, Georgia, and Uzbekistan each demonstrated strongly pro-American political orientations and ardent desires to be linked to the US led activities in the area, even before the September 11, 2001 attacks on America’s homeland, the global war on terrorism, and the current military operation in Afghanistan (Shaffer 2001, Testimony before the House International Relations Committee, 10/10/2001).

United States strategic interests in the Caucasus and Caspian region have tended to focus around oil and gas resources of the region and associated pipeline issues, as well as on the contribution that the region can make to energy security. However, the importance of the Caspian region for the United States now is recognized to extend far beyond energy; extensive and positive ties with states of the region, most of which are populated by Muslims, can contribute to building important ties in the Muslim world and encourage the development of US-oriented regimes and open societies (Shaffer 2001).

More immediately, the United States has hoped to help Uzbekistan resist the violent Islamic fundamentalism that has taken hold in neighboring nations. And to ensure its cooperation in programs to prevent the spread of weapons of mass destruction (*New York Times*, October 25, 2001, 1). As the State Department has been pressing President Islam Karimov to liberalize his

government, the US military has been embarking on policies and exercises that are designed to promote personal contact between armies (1).

The United States PME relations with Uzbekistan date back to 1995, with the initiation of a military education program and the attendance of US special forces soldiers in training exercises in Uzbekistan's mountains and steppes. Since then, the United States military and State Department has helped the Uzbek military and border guards acquire nonlethal equipment, including helmets, flak jackets, Humvee transport vehicles, night-vision goggles, and radiation detectors used to search for smuggled nuclear materials (1). The FY 2001 foreign military financing (FMF) budget earmarks \$1,7 million in loans to the Republic of Uzbekistan for use in the purchase of US equipment. These figures were determined prior to the 9/11 attacks (DISAM Journal of International Security Assistance Management 2001, 11). Fiscal Year 1998 found Uzbekistan the recipient of \$4.1 million worth of arms and military items from the foreign military sales program (DSCA FactsBook 1999, 5). Two weeks after the attacks, the United States and Uzbekistan announced an agreement that permits American forces greater flexibility in operating from Uzbek bases, in return for assurances to protect Uzbekistan's security destruction (*New York Times*, October 25, 2001, 1).

After the attacks on the US Pentagon and World Trade Center, engagement programs in Uzbekistan have emerged as cases in which cooperation, at least for the short term, appear to be reaping a strategic benefit to all parties concerned, allowing for different political cultures to align their interests in a tense time (1).

Uzbekistan is a strategically important country for the United States, now more than ever, because of its location along Afghanistan's northern border. The United States has been reaping the benefits of a shorter line of operations gained from the access to Uzbek airbases, made available almost immediately after the 9/11 attacks. That base of operation has expanded and formalized since that time. Elements of the US 10th Mountain Division are now based in several undisclosed bases in Uzbekistan. Unofficial reports out of the Pentagon indicate that future basing in the neighboring countries of Tajikistan and Turkmenistan is under consideration.

If not for the relationships developed within the Caspian region by the US military, through FMS and similar security cooperation programs, in the early 1990s, America's capacity to prosecute an effective and efficient war against terrorism in Afghanistan would have been much more complicated, risky, and costly than it has already been. This case is just one example of the types of strategic reach the United States can achieve through a well-designed and rightly executed peacetime military engagement through arms exports.

Final Thoughts

The intent of this article, ultimately, has been to shed light on the potential implications of one change initiative underway in the arcane area of foreign military sales and the link of those reforms to broader strategic interest in military preparedness. Much has been questioned by influences outside the US policymaking system with regards to United States intent behind its arms control and arms export policy and practices. The information imparted in this study will hopefully enlighten senior decision-makers to the potential gains and losses they face in FMS reinvention and the importance of foreign military sales – rightly regulated and monitored – as the enabler of any revision of our national military strategy.

A review of our defense status is incomplete without a consideration of how we will pay for needed changes to that posture. How we *have* leveraged-away cost of force modernization in the past and present – through foreign military sales – does constrain what options we have for paying for US force development and multinational interoperability tomorrow.

¹ Excerpt from Eisenhower's Farewell Address to the Nation, 17 January 1961.

³ A good case in point is seen in the 1996 signing of a \$15 billion Defense Export Loan Guarantee program, under which the US government insures commercial loans taken by countries to buy or lease American-made weapons. This appropriation was, to a large degree, the result of over three years of lobbying on the part of the US defense industry and their foreign partners. ("Fiscally Conservative, 104th congress Grants Billions in New Arms Export Subsidies," *Arms Sales Monitor* (32), 5 March 1996.5).

³ Discussions with four of the nine unified Commands in Chief (CINCs), Fletcher *National Security Capabilities* Conference, Crystal city, Va., 14-16 February 2001.

⁴ Discussions with four of the nine unified Commands in Chief (CINCs), Fletcher *National Security Capabilities* Conference, Crystal city, Va., 14-16 February 2001.

⁵ *Partners for Tomorrow*, a presentation on the foreign military sales program delivered by the Commanding General, U.S. Army Security Assistance Command, 14 February 2001, in Melbourne Australia. This author was present in Melbourne for this presentation.

⁶ The "Two Major Theater War" construct. See the *Quadrennial Defense Review* (1996 and 2001).

⁷ For more on offsets, see Hammond (1992); Kapstein (1992); National Research Council Report (1999); Markusen (2001).

⁸ A counterargument is that with fewer firms needing more help from the government to secure foreign markets for their arms, today's defense firms are more the 'national champions' than they were in the past. I argue that this is true, only if (1) we focus on short-term relationships between firm and the government and (2) the government in those relations with the firms continues to accommodate the commercial interests of the firms. I argue that in such a relationship, the government is subject to take much more risks (gamble) in the denial of a defense firm's desires for higher profits or for the production of a certain system on behalf of its own force modernization desires or those of the foreign country partner.

⁹ Later re-termed, the *National Partnership for Reinventing Government*.

¹⁰ Today, under the Bush administration, Theater Engagement Plans are referred to as 'Theater Cooperation Plans/Programs'.

¹¹ The current system in use is known as FORDIS. This system is no where near "current," has been in existence for at least three decades (a cold war relic), and even so, is only about 80% accurate. Mr. Gordon T. Yim, of CoreProcesses, Inc., a civilian firm placed on contract by DUSA-IA, is working on a new system already partially in use known as TEPMIS (Theater Engagement Planning Management Information System). Theater reports are coming in now to the Pentagon at about 20% reliability – these reports are not standardized; none of them consider FMS as a tool our engagement policy. This information, as well as direct access to TEPMIS, was obtained directly from Mr. Yim during interviews conducted between 3-26 July 2000.

¹² Interviews with members of the Raytheon-Lockheed Martin Joint Venture Group, and members from the Javelin program manager's office and security assistance directorate (AMMCOM, Redstone Arsenal, Huntsville, AL), 27 June 2000. Data on the Javelin case also obtained from first-hand observation of a video-teleconference held between the JVG, Javelin PM, and MG Bruce Scott, commander, US Army Security Assistance Command (USASAC), June 2000 at Redstone Arsenal.

¹³ Information and data obtained from direct observation and participation in General Dynamic-USASAC negotiations on the Turkey tank FMS sale, June 2000.

¹⁴ One of the case line items in the Dutch apache FMS case, was a recurring charge to the Dutch of over \$300,000 for the housing, and care of one (1) US Army Apache maintenance test pilot – CW4 Dan Ward. It just so happened that I had served with CW4 Ward in the mid-1990s during my tour as an Apache Helicopter Company Commander. CW4 Ward at that time (and still) is considered one of the most knowledgeable individuals of the Apache Helicopter system. The degree of detail of the Dutch Program Management Review (PMR) and Financial Management Review (FMR) packages is clear evidence of the success the Dutch have gained in the employment of former US “expertise.”

¹⁵ This would help to avoid the strategy versus capability misconception of the military strategy that we have witnessed over the 2-MTW construct.

¹⁶ Interview with Hon. Walter Slocombe, Undersecretary of Defense (Policy), July 2000.

¹⁷ Discussions with Gordon Yim, *Core Processes, Inc.*, Deputy Undersecretary of the Army for International Affairs (DUSA-IA), July 2000.

¹⁸ The most recent and comprehensive of such defense analyses can be found in the Belfer Center for Science and International Affairs (BCSIA) Studies in International Security edited anthology entitled, *Holding the Line: U.S. Defense Alternatives for the Early 21st Century*, Cambridge: The MIT Press, 2001.

¹⁹ Indicative of this willingness to spend is the approval of a \$317.5 billion Pentagon budget, promising a 7% increase in military spending. See “House Panel Backs budget of \$317.5 Billion for Pentagon Amid Pressure to Go Further,” *Wall Street Journal*, October 25, 2001, accessed on-line at <http://ca.dtic.mil/cgi-bin/ebird.cgi>

²⁰ “Security Assistance in the 21st Century,” United States Army Security Assistance Command (USASAC) briefing, April 2001.

²¹ See recent announcements of Bush Administration National Security Strategy (pending official release). See 2001 Quadrennial Defense Review (QDR).

²² “Sources of Conflict in the 21st Century: regional futures and U.S. Strategy,” RAND Corp. 1997, accessed at www.rand.org/publications/MR/MR897/MR897.pdf/, 3 August 2001.

²³ The U.S. Army Security Assistance Command (USASAC) – the executive agency for all U.S. Army foreign military sales and security assistance programs – define the U.S. FMS program as the “enabling mechanism that links the national military strategy (NMS) to the national security strategy (NSS).

²⁴ Most current and reliable date collected (1998) from the Stockholm International Peace Research Institute (SIPRI). *SIPRI Yearbook 2000: Armaments, Disarmament and International Security*, Oxford University Press, 2000.

²⁵ “Long Before War, Green Berets Built Military Ties to Uzbekistan,” *New York Times*, October 25, 2001, pg. 1. Also see DISAM Journal of International Security Assistance Management, Spring 2001, Vol. 23, Issue 3 (15 pages), and “Uzbekistan Grants US Flyovers, Limited Basing,” FDCH Regulatory Intelligence Database, 5 October, 2001.