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One Team, One Fight: The Need for Security Assistance Reform

Matthew L. Merighi and Timothy A. Walton

> Helping other countries better provide for their own security will be a key and enduring test of US global leadership and a critical part of protecting US security, as well. Improving the way the US government executes this vital mission must be an important national priority.[1]
>
> —Robert M. Gates, Former Secretary of Defense

US defense strategy requires an improvement in its security assistance program to adequately empower allies and partners to provide for their own security and to support the US defense-industrial base. A struggling global economy and shrinking defense budgets, however, may hamper such efforts. Allies and partners struggle in their attempt at spending adequate amounts on defense, and US budget reductions may reduce America's defense spending, thus curtailing foreign military aid and revenues available to US defense contractors. Without adequate levels of revenue, the already brittle defense-industrial base may be incapable of developing technologies and offering the American military the best capabilities in the future.

Ultimately, major reductions in defense spending will lead suppliers, as well as research and development projects, to fall by the wayside. An "American Way of War" that has utilized technology to offset quantitative advantages of our opponents may not be sustainable.[2] Accordingly, with a limited defense budget, the United States needs to find new ways to simultaneously provide for national security, while maintaining its industrial base. Improved security assistance will be a key pillar of this effort. Without significant reforms that increase US responsiveness and competitiveness in the global defense market, efforts to innovate will be impacted. Fortunately, the United States can improve the existing security assistance apparatus by reforming export controls, updating

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legislation, expanding financing programs, and developing a dedicated security assistance workforce.

The Value of Security Assistance

Security assistance is a form of security cooperation that contains programs through which the United States provides defense articles and services to international organizations and foreign governments in support of US policies and objectives. Although usually administered by the Department of Defense (DOD), specifically the Defense Security Cooperation Agency (DSCA), these programs are legally under the control of the Department of State. Major security assistance categories include Foreign Military Sales (FMS), Direct Commercial Sales (DCS), and International Military Education and Training. Through the FMS process, the US government procures defense articles, services, and training on behalf of the foreign customer country, under the auspices of the DSCA. Sizable sales also occur through the DCS process between a foreign country and a US contractor.

The strategic rationale for increased security assistance is two-fold: it empowers regional partners and allies, and it sustains the defense-industrial base through increased US exports. US efforts during the Second World War and the US security architecture throughout the Cold War utilized security assistance funding to bolster the defenses of regional allies against the spread of fascism and communism. Although the Cold War has ended, US support of strategic "strong points" continues as an economical means to check power imbalances among countries and counter state instability.

Although security assistance consists of much more than arms sales, the transfer of major weapons systems does permit the United States to access and influence various nations. For example, a nation will not simply buy a squadron of F-16 fighters. It will send its pilots to the United States for training, bring in US contractors to conduct maintenance and logistics activities, and engage in a strategic dialogue with the United States on the employment of assets. Common technology and materiel builds similar Concepts of Operations (CONOPS), promoting interoperability with nations that may later become coalition partners. Thus arms contracts are not only an end to themselves but also serve as a means to develop a relationship with a particular nation. Indeed, foreign countries often relish the chance to procure American technology and equipment beyond the obvious material benefits, leveraging the experience and geopolitical strength of the United States is a potential asset for their own national security.

Additionally, security assistance activities build relationships between the United States and partner militaries in a way other activities often do not. As last year's events in Egypt demonstrated, the professional relationship between militaries can open avenues of communication necessary for the United States to fully comprehend a situation, exercise its foreign policy, and promote peace and stability in what otherwise may be a chaotic situation.

The persistence of counterterror and counterinsurgency campaigns over the past decade reinforces the value of access to theaters that security assistance

enables. These campaigns also highlight the extended duration of these types of conflicts and the associated political and financial costs. In the future, America will need to maximize the ability of national governments to handle crises and conflicts without direct US involvement. Building a partner's capacity to undertake operations is a cost-effective matter that addresses their own security challenges while reducing the prospect of US military action, and heightens the likelihood of saving blood and treasure for all concerned. This approach has succeeded in the Philippines, Saudi Arabia, and a host of other countries.

The challenging fiscal environment the United States is facing will accentuate these trends, pushing the United States to encourage other states to spend more on defense. The fiscal challenges of allies and partner states will, however, also simultaneously reduce available defense revenues. For example, NATO Secretary General Anders Fogh Rasmussen worryingly pointed out in 2011 how "over the past two years defense spending by NATO's European member nations has shrunk by some 45 billion dollars—that is the equivalent of Germany's entire annual defense budget."[3] The United States' fiscal situation will likely reduce the level of US funding available to other nations. Proposals to simply increase the amount spent on security assistance will not resonate well either within the Pentagon or on Capitol Hill. Consequently, the existing US security assistance apparatus will need to become more capable and efficient.

Another motivating factor for improving security assistance is the continued success of the US defense-industrial base. Without a strong industrial base, bolstered by international transfers, prices of US acquisitions could increase at a time when other nation's defense budgets are falling. Decreased US defense spending will aggravate market deviations already prevalent in the relatively closed and single-buyer, or monopolistic, arms industry. Throughout various defense sectors, few major prime contractors are capable of producing key products, hampering competition. The situation is even more perilous among subcomponent manufacturers. For example, in the precision guided munitions sector, Eagle Picher produces almost all thermal battery units; Honeywell produces Inertial Measurement Units (IMU); and Rockwell Collins produces Global Positioning System (GPS) receivers. All three are primarily the sole-source suppliers of Raytheon, Lockheed Martin, and Boeing.[4] Another example can be seen in the world of mine warfare where the Navy's Mk71 Naval Quickstrike Mines program has faltered as the only company manufacturing a component of the Target Detection Device went out of business. Further defense cuts, absent compensating offsets, could significantly affect the industry. Critics might argue defense cuts will stabilize the market and rectify market errors. In doing so, however, they assume the defense industry is a truly competitive market, which is certainly not the case. Rather, a key element of sustaining the defense-industrial base will be export sales as a means for sustaining production lines and generating revenues (profits) necessary for long-term research and development.

Recognizing these trends, a number of national defense companies around the globe, particularly in Europe, such as BAE Systems and Fincantierri,

have shifted the majority of their operations abroad, including to the United States, establishing parallel "home markets." With a number of major actors in the defense market generally spending less on defense, international competition will be fierce.

US defense companies have made adjustments. For example, in Boeing's defense unit foreign sales currently make up 18 percent of its sales, compared with 7 percent six years ago, and the company has a goal of boosting this market share to 25 percent within the next five years.[5] According to the DSCA, despite fierce competition, US companies are expected to have sold a record $46.1 billion in military hardware to foreign governments in 2011.[6] By value, the United States already is the largest arms exporter in the world, and defense goods and services are one of the strongest US exports.

Additional exports will be needed to pick up any slack generated by US defense reductions. Also, more exports are required in an effort to sustain the US strategic advantage in such areas as aerospace systems. To sustain this US advantage, internal government and industry procedures require comprehensive reform.

Limits of the Security Assistance Apparatus

The aforementioned demands on security assistance capabilities often encounter a system that is inadequate to support the task. The current process is primarily founded on a collection of programs authorized by the US Foreign Assistance Act of 1961 and the Arms Export Control Act of 1976. In the 2010 Quadrennial Defense Review, Secretary Gates said the existing system is "constrained by a complex patchwork of authorities, persistent shortfalls in resources, unwieldy processes, and a limited ability to sustain such undertakings beyond a short period." In the 2011 Chairman of the Joint Chiefs of Staff Guidance, Admiral Mullen stated the current process is outdated, cumbersome, top-heavy, and adversely affects US military posture.[7]

Not every aspect of the security assistance system needs reform, but certain outdated elements and sclerotic bureaucratic processes have left the United States lagging behind other nations. Secretary of Defense Gates wrote that other countries have been "more quickly funding projects, selling weapons, and building relationships."[8]

Over the last decade, the United States attempted to improve its security assistance capabilities in response to overseas contingency operations. Section 1206 of the National Defense Authorization Act (NDAA) for Fiscal Year 2006, as amended and regularly extended, provides the Secretary of Defense, through requests by Combatant Commanders, with authority to train and equip foreign military forces for two specified purposes: counterterrorism and stability operations, and foreign maritime security forces for counterterrorism operations. Funds need to receive the concurrence of the Secretary of State. For fiscal year 2010, the United States dedicated $340.6 million to support bilateral programs in 18 countries and one multilateral program for seven recipients (including three receiving bilateral aid).[9] Congress, thus far, has refrained from codifying

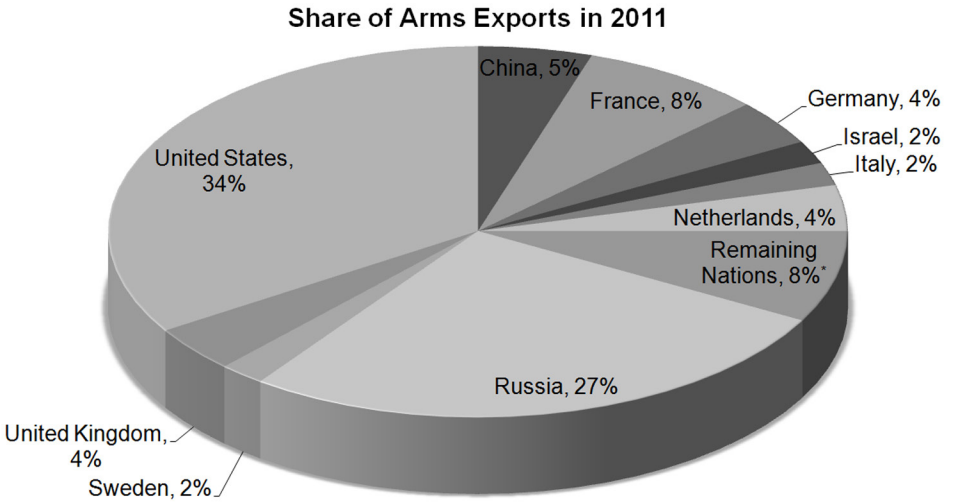
Section 1206 in permanent law, as requested by DOD. More importantly, though, the successes in counterterrorism and stability operations aid dispensation through Section 1206 funding have not translated into improvements in US Foreign Military Sales or Direct Commercial Sales effectiveness or efficiency, especially with regard to major systems which could boost the sales. For these reasons, further security assistance reforms are required.

The Global Perspective

The United States is not the only global provider of defense materiel and services. Numerous other nations have sophisticated arms industries that compete with the United States. Some, such as Sweden, have specialized industries in aerospace or small arms, while others, such as Russia, compete across a wide spectrum of capabilities. The majority of these competitors are not military opponents of the United States. Of the 15 largest arms exporters in the world, nine are allies (Canada, France, Germany, Israel, Italy, Korea, Netherlands, Spain, and the United Kingdom) and a further two are close US partners (Sweden and Switzerland).[10] In the future, the United States should pursue defense-industrial collaboration among allied countries through mechanisms such as codevelopment to achieve necessary economies of scale in research and production. In spite of any future collaboration, international competition between the United States and its allies will continue and, in all likelihood, intensify.

Overshadowing this competitive arena is the global economic downturn. With a few key exceptions among major actors such as China, India, and Brazil, defense budgets are shrinking. Concomitantly, international defense-industrial competition remains at an all-time high. The demand for defense products is generally decreasing while capacity remains constant. In the current decade, the United States will need to compete more intensely for each arms contract if we are to enjoy the national security benefits security assistance provides.

Defense procurement decisions are not just about capabilities or even geopolitics; they are also, at their core, business and fiscal decisions. Restrictions placed on the use of US hardware and total cost competition can at times reduce the US sales advantage. This is particularly true in the case of large acquisition projects, such as aircraft; most countries are unable, or unwilling, to pay exorbitant prices upfront. As with any other business venture, sellers offer financing programs to fund these large-scale projects. The US financing system, once robust during the Cold War era when there was a strong political incentive to ensure nations had equipment to fight communism, atrophied in the 1990s when there was no longer a pressing need to deliver materiel and technology to counter strategic threats. Now that the global economy is struggling, access to financing is crucial in nations faced with fiscal concerns. In certain cases, the initiative taken by various countries to provide competitive financing makes their offerings more palatable to national parliaments. This is often the case even when the militaries want to build a relationship with the United States. If the United States does not have the means to make competitive offers, then it stands at a disadvantage versus competitors.



Data was obtained from Stockholm International Peace Research Institute Arms Transfers Database. *Canada, South Korea, and Spain had a zero percent rate and are not included.

The acquisition of fighter aircraft in Eastern Europe is a good case study of how financing can affect security assistance. The SAAB Gripen fighter aircraft, manufactured by Sweden, often competes for sales against the American F-16, F/A-18, and F-35. Many nations in Eastern Europe, such as Bulgaria, Romania, the Czech Republic, Croatia, and Hungary, are in the process of finding replacements for their aging Soviet-era MiG fleets. Sweden offers a competitive financing plan that gradually shifts from early low annual payments while the buyer's economy is struggling to higher payments later. Even though nations like Romania and Bulgaria are more interested in US platforms and the accompanying partnership, they may be forced to select the Gripen due to fiscal constraints. To counter this situation, the United States needs to maximize the use of creative financing and authorize greater financing related to defense sales. This would be a task well suited for Secretary of Defense Leon Panetta whose experience and connection with the Office of Management and Budget could provide the advocacy necessary to secure the modest yet instrumental funds to underwrite these investments.

Reform Export Controls

Under the mandate of President Obama, who vowed in his 2010 State of the Union address to "reform export controls consistent with national security," the government is taking action to radically improve the system. Export control reforms aim to ensure laws and processes erect high walls around unique systems that give the US military major advantages, while permitting firms to sell other systems to America's allies. These reforms will rectify the overzealous yet ineffective export control policies instituted in the 1990s. Possibly the clearest example of US ineffectiveness and the unintended side effects of export

control policy is the satellite industry. In the mid-1990s, the United States sought to retain its lead in space systems by instituting strict International Traffic and Arms Regulations (ITAR) controls on military and commercial technology pertaining to satellites and launch vehicles. Over time, this policy fostered the growth of foreign satellite developers and launchers, significantly reduced US market share, and did little to protect national security interests. In fact, in some areas other countries established parity or possibly a lead over US systems, such as Germany with the SAR-Lupe constellation of synthetic aperture radar reconnaissance satellites. As Dr. John Hamre of the Center for Strategic and International Studies asserted with regard to space technology: "we need to refresh our approach to technology and export controls, so that we limit access to truly unique American technology but not create perverse incentives to block American industry and provide sheltered markets to foreign entities."[11] The new policy approach will provide the US government with the ability to adequately safeguard critical technologies while retaining the United States' technological advantage and international competitiveness.

Accordingly, the White House's new approach will create standardized policies and processes consolidating resources in four key areas: control list, a single information technology system, enforcement coordination capability, and licensing agency. This ambitious approach was created by an expansive task force that included the Departments of State, Defense, Commerce, Treasury, Justice, Energy, Homeland Security, and the Office of the Director of National Intelligence. The approach reaffirms America's commitment to multilateral controls, namely the Missile Technology Control Regime, the Nuclear Suppliers Group, the Australia Group, and the Wassenaar Arrangement. Looking beyond the White House's current plan, changing military-technical conditions may require reexamination of the Missile Technology Control Regime and the Wassenaar Agreement if we are to improve their effectiveness and relevance.

Phase I of the White House process defined and categorized lists of sensitive technologies and established guidelines to harmonize definitions across agencies. It also initiated the creation of an Export Enforcement Coordination Center and a consolidated licensing database.

Phase II of the plan will feature a new export control law that will balance efficiency with safeguards. A new, unified computer system will permit agencies to communicate with each other and with exporters, reducing the burden on the State Department's Directorate of Defense Trade Controls (DDTC). At present, that office manages over 60,000 annual applications for commercial arms export licenses. The system will free government experts to focus on the more complex or suspicious cases, increasing speed and thwarting criminals and adversary governments.

Phase II will also revise two of the existing registries, the US Munitions List and the Commerce Control List, reflecting common terminologies and structures. Positive lists that classify articles based on objective criteria (i.e., technical parameters) will be adopted instead of the current subjective lists that

are overly broad or rely on design-intent. The new lists will increase clarity and reduce workload.

Phase III will execute the planned changes and merge the Commerce Control List and US Munitions List into a single list, create a single licensing authority, and form a single enforcement-coordination agency. Complemented by efforts to augment the capabilities of the present cadre of national security administrators, these new lists will improve the efficiency and effectiveness of the technology transfer regime.

Beyond the ambitious and hopefully effectiveness of currently planned reforms, more action is needed. Industrial offsets are one area that requires further examination. Increasingly, developing countries seek industrial offsets in which the supplier agrees to buy products from the client country in an effort to curry the country's favor and offset the buyer's outlay. These offsets can range from direct offsets (technology transfer, subcontracts awarded, training, licensed production, foreign direct investment, or credit assistance and financing) to indirect offsets (export assistance, purchases of customer products, or offset swapping). The US government correctly views offsets as market-distortionary and generally opposes them. Consequently, it does not get involved in offset negotiations, leaving such matters to the contractor and client country, often to the consternation of both. As developing nations increasingly demand offsets and other foreign competitors offer them, US firms are placed at a competitive disadvantage. This issue requires the US government's attention and the possible consideration of granting agencies the ability to discuss, albeit not promote, contractor offsets.

Executing Security Assistance: Prioritizing Process and People

Each service has a different way of executing security assistance cases. In 2010, Secretary Gates lauded the Air Force's centralized organization which oversees most security cooperation activities, ranging from foreign military sales to military training exchanges, all under the Under Secretary of the Air Force for International Affairs (SAF/IA).[12] To a lesser extent, the Navy has a similar structure with the Navy International Programs Office (NIPO). The Army, however, has an entirely different structure in which the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (DASA-DEC) oversees security assistance activities, and two different International Logistics Control Organizations (ILCOs) execute security assistance policy, while other security assistance functions fall under Army International Affairs. What emerges is a security assistance system that varies drastically from service to service and makes unified coordination on programs difficult. For example, the Surface Launched Advanced Medium Range Air-to-Air Missile program was under the Army's oversight but required approval from the Air Force for export of the missile component. Situations such as these dramatically increase the risk of failing to successfully execute programs. If the security assistance program in the United States is going to be successful, it will need to have a

certain level of uniformity across the services to ensure that it functions in an efficient manner.

One of the largest overall problems is the number of decisionmakers and level of effort necessary to inform each step of the process. At any given time, a security assistance sale will require approval from the specific logistics agency, its owning service, DSCA, the State Department, and Congress. As the approval moves further and further up the chain, the level of effort necessary to properly staff the action gets more and more complicated. Particularly at the Congressional level, the effort needed to brief Congress and the limited schedule times available to get approval can add months to executing a single security assistance case. Even relatively insignificant sales can be delayed for months due to the approval chain.

The price of bureaucratic inflexibility and delay has become increasingly apparent over the last decade. Providing materiel in the case of overseas contingencies is difficult to accomplish and nearly impossible to do expeditiously. Quickly delivering capabilities to coalition partners has impacted cases ranging from delivering Mine Resistant Ambush Protected vehicles to Bulgarians in Afghanistan to munitions for NATO partners operating over Libya.

Recognizing that prompt service is a critical part in developing relationships, reforms are necessary to reduce the number of decisionmakers required to approve smaller article transfers, such as maintenance components. The most effective approach would be to shift more decisionmaking authority to DSCA and the military services, which possess the preponderence of the technical expertise. One aspect of this effort can be raising the monetary ceiling on sales that must be approved by Congress, currently at $14 million for major defense articles for nations besides Japan, Australia, New Zealand, and NATO members. Another aspect can be adding close US partners and allies, the Republic of Korea in particular, to the list. The current ceiling does not adequately take into account the effect of inflation on the cost of weapons and places an undue administrative burden on the services, DSCA, and Congress.[13]

Some devolution of authority would remove the extra workload on innocuous cases while permitting the State Department and Congress to render decisions on larger cases that have a true, strategic impact on US foreign policy. In the meantime, defense articles of less critical sensitivity, such as tanks, trucks, and other military vehicles, should be shifted from their current position on the restrictive US Munitions List to the less restrictive US Commerce Control List. Thankfully, the State Department has already begun this process.[14]

In order to further maximize Congressional oversight, the new ceilings could include caveats for sensitive weapon classes such as Man Portable Air Defense Systems, which might fall under the new ceilings but are of special interest. This reduction in workload would reduce demand on the security cooperation workforce, improve responsiveness to foreign demand, and possibly, provide room for efficiency reductions.

Expanding the use of information technology (IT) could also increase efficiency, not just in managing export control lists but across the entire security

assistance process. A greater degree of automation would remove complications arising from country requests for articles and permit human resources to focus on strategic rather than administrative tasks. One example of such a tool is the Letter of Request automation tool in use by the Air Force. Utilizing an online portal with a series of drop-down menus to automatically generate official Letters of Request to the US government, foreign governments can minimize the potential for misunderstanding actions that could expedite the submission of requests. The automation tool is but one way IT could streamline the security assistance process, increase efficiency, and save resources.

Managing security assistance at the ground level is an art rather than a science. Many practitioners rely on experienced professionals to provide direction, primarily because the architecture that governs security assistance is so complex that many of its nuances can only be learned through experience. That being said, the level of formal training provided to security assistance practitioners is minimal and needs to be expanded. One idea proposed by the Security Cooperation Reform Task Force is to create a new civilian career field focused exclusively on security assistance. This initiative would codify training and create a more cohesive community of practitioners. Actions such as this would require minimal investment, consisting primarily of reorganizing existing structures and programs. One benefit of better trained security assistance specialists is they would exhibit the degree of expertise necessary to anticipate the capability requirements of allies and partners, thus preparing the groundwork for expediting the FMS process, even before a formal letter of request is issued.[15] Along with updating relevant legislation, organizations, and IT systems, a better prepared work force would go a long way toward improving the speed and efficacy of security assistance.

Overall, the unification of security assistance functions in similar structures across the Services, and the devolution of more power to them, would expedite functions without adversely affecting the role of the State Department and Congress in determining US foreign policy while considering human rights. Removing the ambiguities and redundancies of the system will go a long way toward improving the system's overall efficiency.

A Stronger Security Assistance Regime

An increased emphasis on security assistance would address many of the imbalances that will result from a rapidly shrinking defense budget. At present, the US stock is high; it has the most to offer in terms of technology, training, and benefits of partnership, but we cannot assume that those factors will remain consistent or will sustain the United States through a new era of international competition. Faced with the impacts of fiscal austerity measures, the United States needs to rapidly reform its security assistance apparatus if it is to maintain its competitive edge and secure the associated benefits ensuring its national security.

Notes

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12. "One institutional challenge we face at the Pentagon is that the various functions for building partner capacity are scattered across different parts of the military. An exception is the Air Force, where most of these functions—from foreign military sales to military training exchanges -- are grouped under one civilian executive (the equivalent of a three-star general) to better coordinate them with larger goals and national strategy. This more integrated and consolidated approach makes better sense for the Pentagon and for the government as a whole."- Robert M. Gates, Remarks as Delivered by Secretary of Defense Robert M. Gates at the Nixon Center (Security Assistance), February 24, 2010, http://www.defense.gov/Speeches/Speech.aspx?SpeechID=1425 (accessed August 2, 2012).

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