

COVER FEATURE

Security Assistance and Commercial Arms Sales: The Role of the State Department

INTRODUCTION

This article examines the role of the U.S. Department of State in the global U.S. Security Assistance Program, to include the management of commercial arms sales licensing functions. The State Department is responsible for defining the broad outlines of U.S. policy for all security assistance activities, under a Congressional mandate derived from the Foreign Assistance Act of 1961 (FAA), and the Arms Export Control Act (AECA).

The Secretary of State, on behalf of the President, is charged with the preparation and submission of the annual security assistance budget to Congress. In addition, the Secretary must decide whether there will be a U.S. sales or assistance program to any individual country, the amount of such a program, and the conditions under which sales or aid will be provided. In turn, major elements of the State Department operate in support of the Secretary's statutory role in this area of policy concern.

THE ROLE OF THE UNDER SECRETARY FOR INTERNATIONAL SECURITY AFFAIRS ("T")

The Secretary of State has delegated responsibility for his oversight duties in the spheres of security assistance and commercial arms sales to the Under Secretary of State for International Security Affairs, whose office is known by the acronym "T."¹ The current Under Secretary is Ambassador Reginald Bartholomew.

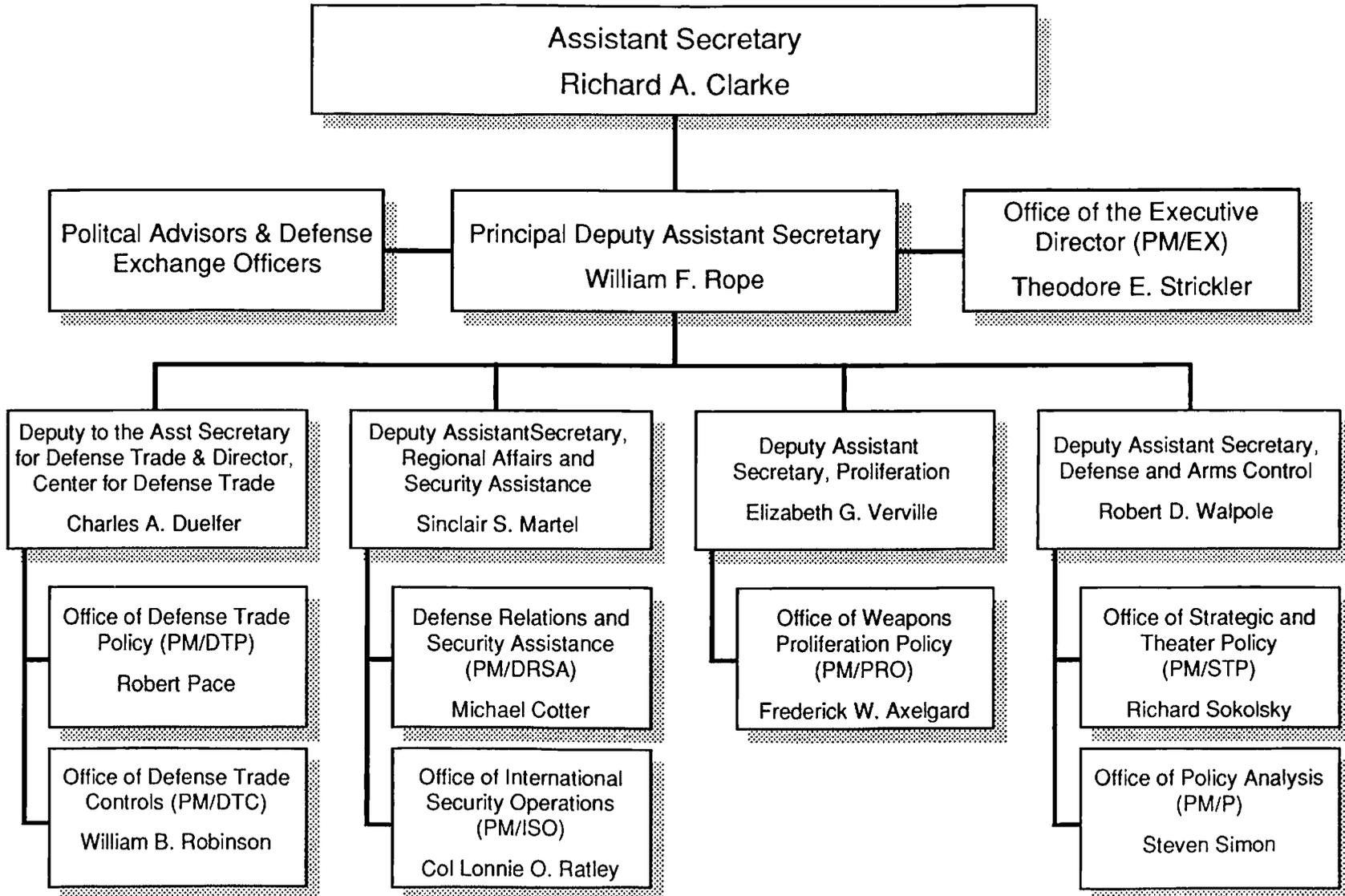
The office of the Under Secretary of State for International Security Affairs provides coordination for all aspects of the security assistance program, including budget planning, country funding allocations, and the formulation of departmental positions and priorities for presentation to Congress in proposed authorization and appropriations legislation. The Under Secretary chairs the Security Assistance Program Review Working Group (SAPRWG) as his chief tool in managing the security assistance program. In addition, the Under Secretary has oversight responsibility for the Department's management of its munitions licensing function, for the commercial transfer of defense articles, services, and technology. In turn, "T" delegates day-to-day responsibility for administering these programs to the Department of State's Bureau of Politico-Military Affairs (PM).

THE ROLE OF THE BUREAU OF POLITICO-MILITARY AFFAIRS:

The Under Secretary of State relies on the Bureau of Politico-Military Affairs (PM) to coordinate all security assistance issues, including arms sales, security assistance funding and formulation of the annual presentation document to the U.S. Congress. (See Chart 1, which illustrates the current structure of the PM Bureau.) Since 1961, PM has acted as coordinator of the U.S. Government's security assistance program on a global basis, and serves as the principal

¹This position was formerly identified as Under Secretary for Security Assistance, Science and Technology.

**U.S. Department of State
Bureau of Politico-Military Affairs**



liaison between the Departments of State and Defense. PM, currently headed by Assistant Secretary Richard A. Clarke, coordinates policy formulation within the State Department on issues including arms control, arms transfers, security assistance, nuclear, chemical and biological and missile proliferation, and other international security issues. Such as basing and access agreements.

Within PM, three offices play the leading role in managing security assistance activities. The office of Defense Relation and Security Assistance (PM/DRSA) is primarily responsible for the management of the U.S. Government security assistance programs. On the commercial munitions side of the house, the new Center for Defense Trade (CDT) coordinates the activities of two subordinate offices: the Office of Defense Trade Controls (PM/TDC) for munitions licensing and the Office of Defense Trade Policy (PM/DTP) for commercial arms sales policy.

COMMERCIAL EXPORT LICENSING AND POLICY ISSUES

As with government-to-government transfers under the Foreign Military Sales program, commercial arms sales involve many complex foreign policy and national security issues. Properly used, such transfers can help to deter aggression against friendly and allied nations, strengthen mutual security relationships, foster internal and regional stability, and substitute for the presence of U.S. forces abroad.

Section 38 of the AECA (22 U.S.C. 2778) authorizes the President to control the export and import of defense articles and defense services. Under these legislative authorities, the President may also designate those items which shall be deemed to constitute defense articles and services. Items so designated form the U.S. Munitions List (USML) which is published in the State Department's International Traffic in Arms Regulations (ITAR).

Within PM's Center for Defense Trade, the Office of Defense Trade Controls (PM/DTC), formerly the Office of Munitions Control, implements the ITAR. Among other functions, PM/DTC reviews applications for commercial licenses to export USML items to foreign persons, determines registration requirements for arms manufacturing and exporting firms, and coordinates the review of munitions export license applications with the Defense Department and other U.S. government agencies.

Several major policy concerns are factored into each single decision to permit the export of munitions items from the United States. Among the various considerations involved are:

- The intended end-use and end-user;
- Whether a transfer would contribute to the legitimate national security requirements of the receiving state;
- Whether the proposed transfer can be absorbed by the receiving party without excessively burdening its national financial resources;
- Whether the transfer is consistent with broader U.S. foreign policy and national security concerns, such as human rights, support for democracy, arms control, and regional stability.

In addition, the United States does not normally ship munitions items to countries on the ITAR prohibited list, including the USSR and most Eastern European countries, South Africa, Iran, Iraq, Libya, and a number of other nations.

Countries which have supported international terrorism are also prohibited from receiving U.S. munitions list articles. In addition, proliferation concerns—missile, nuclear, chemical, and biological—have risen in importance in recent years.

PM's Center for Defense Trade has played an active role in developing policies that assist U.S. defense industry's marketing efforts. Embassy officers abroad have been instructed to provide defense industry representatives with information on host-country markets and procurement practices, and to develop key defense procurement contacts in the host government. Sales have become part of our bilateral agenda, especially in the countries of Western Europe and the Pacific Rim.

At the same time, State/PM has pursued a series of steps to improve the speed and efficiency of export licensing procedures in the munitions control area. Among these steps are the addition of new staff and enhanced computer systems in the Office of Defense Trade Controls. The steps have improved dramatically service to U.S. defense industry.

For example, in 1990 the average licensing time for routine (non-staffed) cases was reduced from 13 business days to 4. Seventy to seventy-five percent of all cases fall into this category. For staffed cases, which require inter-agency review, processing time fell from an average of 70 business days to 36. Some 25-30 percent of cases require this form of handling, usually because of the need to consult with the Defense Technology Security Administration. [See "Project Accelerate," *The DISAM Journal*, Winter 1990/91, pp. 91-92, for additional information on this subject.]

Caseload continues to average about 55,000 license applications per year. There are currently over 5,000 manufacturers and exporters registered with PM/DTC. In addition to the improvements at PM/DTC and the creation of a new Defense Trade Policy office, the Center for Defense Trade now publishes a quarterly *Defense Trade News* bulletin, which is distributed to PM/DTC commercial registrants, American embassies abroad, and U.S. government agencies.

THE SECURITY ASSISTANCE BUDGET PREPARATION PROCESS

The Office of Defense Relations and Security Assistance (PM/DRSA), is primarily responsible for carrying out State's role in managing the security assistance program. DRSA prepares each year the annual security assistance budget request and the annual *Congressional Presentation Document (CPD)*, working principally with the Department of Defense. DRSA coordinates the preparation of the security assistance budget from its inception through its submission to the Office of Management Budget (OMB), and subsequently to the President and Congress. Annex A to this article illustrates the annual security assistance budget preparation process.

The annual presentation to Congress is based on information provided in the two-part Annual Integrated Assessment of Security Assistance (AIASA) prepared by all U.S. Embassies in countries which have security assistance programs. The AIASA is critical to the successful management of country security assistance programs; it is a primary source of information on host country acquisition goals and budgetary limits of the next several years. Additionally, the AIASA is the primary tool through which individual U.S. Missions analyze and justify U.S. bilateral security assistance programs.

The security assistance budget process begins in the Spring, when the Office of Management and Budget (OMB) provides the Department of State with budget guidance for security assistance and other programs over the next budget planing cycle. Shortly thereafter, the Assistance Secretary for PM, through PM/DRSA, tasks the AIASA report from country teams. The reports

are due no later than early Summer, including inputs from regional military commands. Incoming AIASA cables are distributed to the Department's regional and functional bureaus, as well as to DOD, JCS, AID, and ACDA.

Based on information contained in the AIASAs, over the summer months each country desk in the State Department which has a security assistance program prepares a recommended country funding level for presentation to PM. PM/DRSA, in turn, prepares a global budget, drawing from the OMB guidance, AIASA reports, and from the analyses prepared by the Department's regional bureaus. Inputs from other government departments and agencies are also solicited during this process.

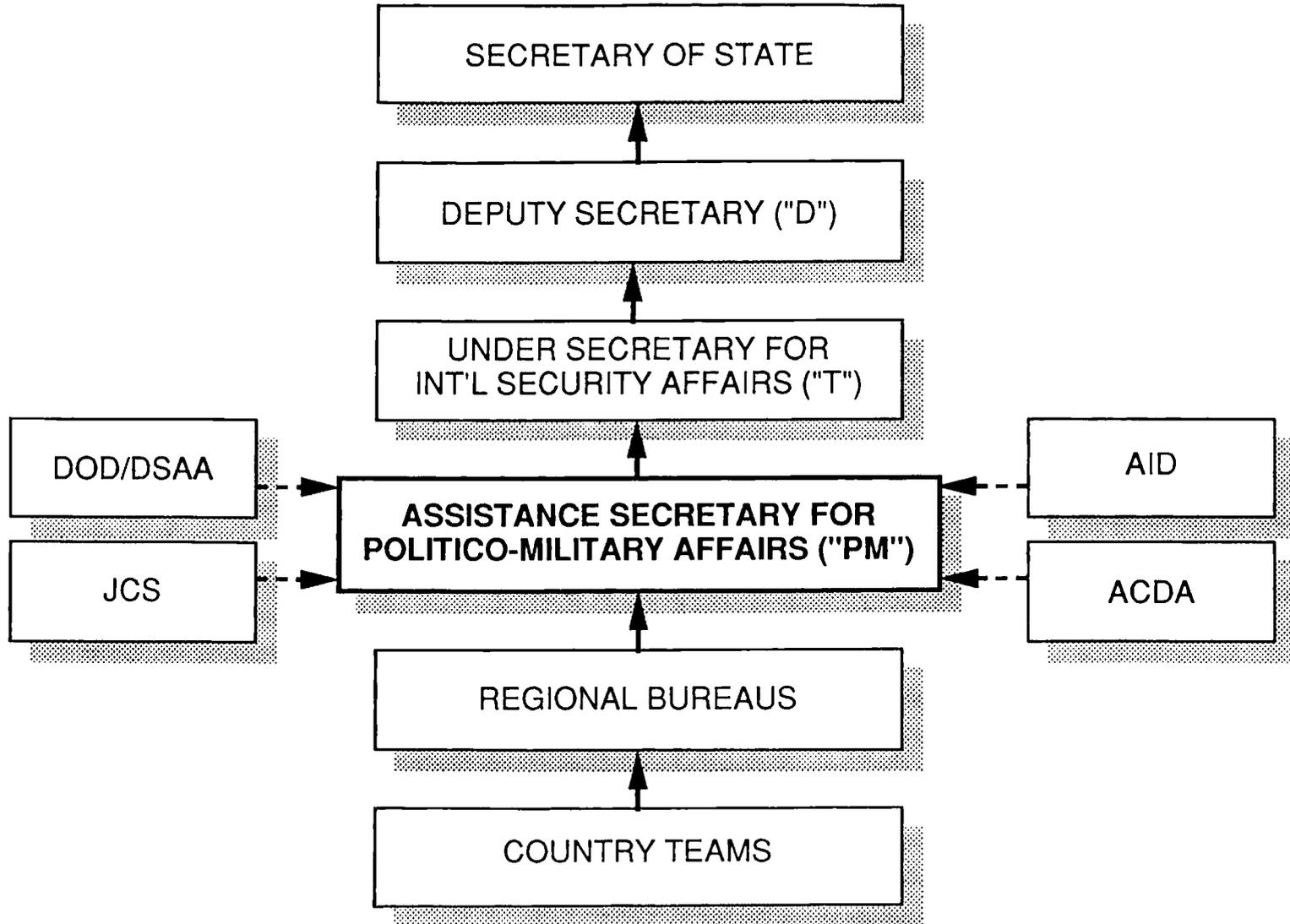
By September, initial meetings chaired by PM under the SAPRWG rubric have attempted to resolve differences over country program content and funding levels. Subsequently, in a meeting chaired by the Under Secretary and attended by all major departments and agencies, the Department attempts to finalize the security assistance budget proposal. The proposal is forwarded, in turn, to the Deputy Secretary of State, who seeks to resolve any remaining differences, and to integrate security assistance funding requests into the Function 150 International Affairs account of the Federal Budget.

Following the resolution of all outstanding issues, the Deputy Secretary provides final programs and funding recommendations to the Secretary of State for his decision. The Secretary may then decide to make further revisions to the Administration's security assistance proposal, before forwarding the package to OMB in the Fall. OMB then reviews the security assistance budget proposal to determine its impact on other U.S. programs, assembles a proposed Federal Budget, and passes the proposal back to the Department of State with new proposed levels of spending. Frequently, the Department—after further study and review with affected bureaus and agencies—will reclaim the initial OMB response, and seek additional funds.

Once a final global figure is agreed upon, the Under Secretary for International Security Affairs again convenes the SAPRWG to re-prioritize program funding levels in light of OMB's allocations. These decisions must then be approved by the Secretary of State. Final funding levels are conveyed to the Congress as part of the January presentation of the Federal Government budget for the next fiscal year.

January and February also are the time when the State Department (PM/DRSA) and Defense (DSAA) jointly prepare the *Congressional Presentation Document (CPD)*. The *CPD* provides detailed supporting information for the Administration's security assistance budget proposal to the Congress. Publication normally occurs in February or early March. Copies of the *CPD* are provided to Congress, Executive Branch offices, and U.S. Embassies abroad.

State Department Structure for Security Assistance Policy and Budget Coordination



Annex A, Chart 1

Annex A
Table 1

SECURITY ASSISTANCE ANNUAL BUDGET PREPARATION PROCESS

SPRING:

- OMB provides budget guidance to State.
- Assistant Secretary for Politico-Military Affairs requests an "Annual Integrated Assessment of Security Assistance" (AIASA) from Country Teams
- Country Teams submit assessments of host country security assistance requirements

SUMMER

- State Regional Bureaus propose country funding levels, based on AIASA recommendations
- Security Assistance Program Review Working Group (SAPRWG) debates Regional Bureau proposals and recommends country funding levels to Under Secretary for International Security Affairs ("T"). (SAPRWG members include regional and functional bureaus at State plus AID, ACDA, DOD/DSAA, JCS/J-5, NSC, OMB, and Treasury)
- "T" chairs meeting at the Assistant Secretary level to finalize the Security Assistance Budget proposal

FALL

- Deputy Secretary of State reconciles unresolved differences and integrates security assistance into the International Affairs Budget; then submits recommendation to Secretary of State
- Secretary reviews recommendation, makes changes and forwards to OMB
- OMB reviews State's submission and passes it back with changes
- State responds to OMB passback and may reclama to White House Budget Review Board

JANUARY

- President submits final budget to Congress