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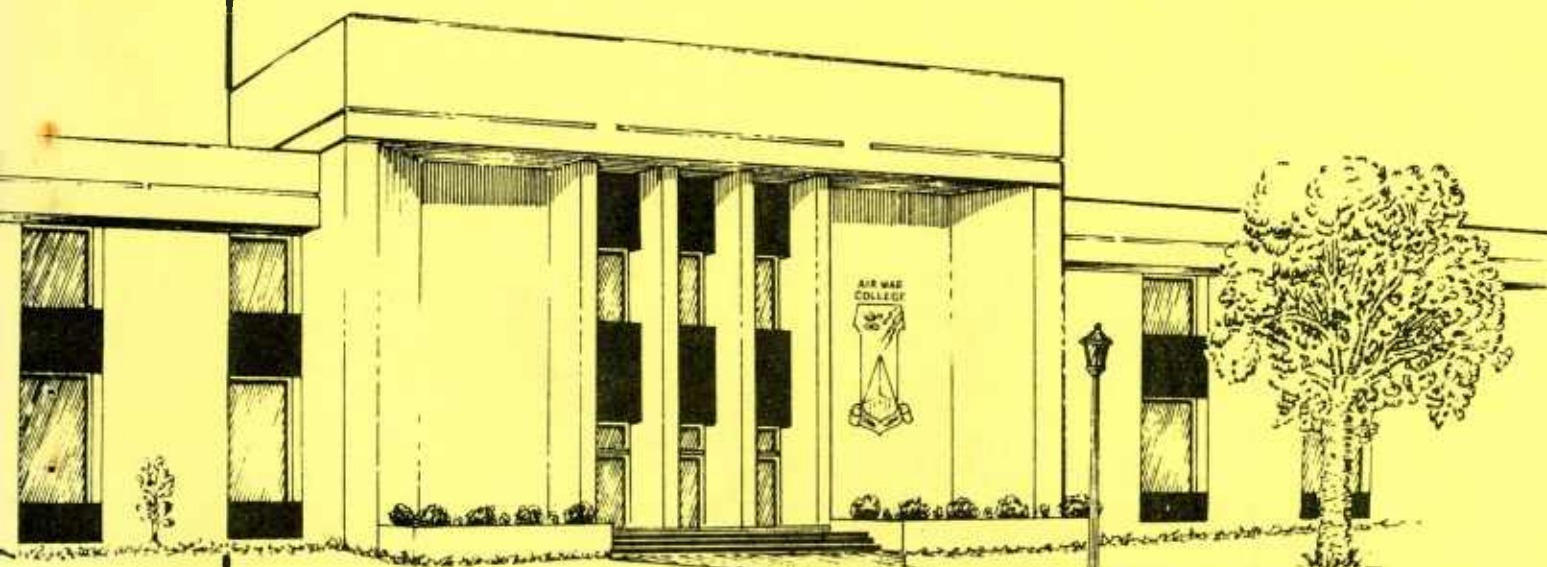
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FOREIGN MILITARY SALES:
THE BUYER'S VIEW OR THE "FAIT ACCOMPLI"

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AIR UNIVERSITY
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FOREIGN MILITARY SALES:

THE BUYER'S VIEW OR THE "FAIT ACCOMPLI"

by

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A RESEARCH REPORT SUBMITTED TO THE FACULTY

IN

FULFILLMENT OF THE RESEARCH REQUIREMENT

RESEARCH ADVISOR: LIEUTENANT COLONEL R. J. ARCENEUX

MAXWELL AIR FORCE BASE, ALABAMA

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ABSTRACT

TITLE: FOREIGN MILITARY SALES: THE BUYER'S VIEW OR THE
"FAIT ACCOMPLI"

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This research project is an analysis of the foreign military sales program written from the perspective of the buyer nation, i.e., customer.

The primary purpose of this paper is to discuss the capabilities of U.S. Foreign Military Sales (FMS) and to review its function as an instrument of U.S. foreign policy. This paper not only supports the purpose of FMS as an instrument of foreign policy, but it also outlines several problems that impact negatively on the customer. This negative impact is especially relevant for developing countries. The paper concludes with several suggestions for improved FMS procedures and argues for increased flexibility for the buyer which will not only increase customer satisfaction, but will also strengthen U.S. security assistance program.

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Lieutenant Colonel Mohamed Afailal attended the French Air Force Academy in 1960 as a maintenance officer cadet and was commissioned in 1962. In 1966, he attended the USAF Maintenance Officer School at Chanute AFB, Illinois. After returning to his home country, he was assigned to the 3rd Base in Kenitra where he served for two years as the Chief of Maintenance of the F-5 base. He was then assigned to Casablanca as the Depot Commander. For the last three years, prior to coming to the Air War College, he was assigned to the Strike Force Command as the Deputy Commander for Maintenance. He has worked on F-5As, F-5Es, Mirage F and Alpha jets. He has been involved with foreign military sales program and their implementation and with the USAF supply system as a retail customer.

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CHAPTER I

INTRODUCTION

A profuse amount of written material exists about military assistance in general, also referred to as security assistance, and foreign military sales (FMS) in particular. Almost all of the literature available is the work of U.S. personnel, very little if any written material by the customer is available. Although considerable attention has been given to FMS rules and procedures, the available literature focuses only on the view point of the U.S. The buyer, however, is the very heart of the system, he is the customer. It is his country's money that is involved, therefore, it is important his views be known.

This research paper, which is only a very small contribution to the FMS system literature, will give the opportunity to a buyer who has on many occasions been directly involved in FMS programs and cases at the country level, a chance to express perceptions of U.S. administered programs and their impact on the customer.

CHAPTER II

MAJOR WEAPON SYSTEMS ACQUISITION

BACKGROUND

Post World War II has witnessed a dominant role of leadership by the U.S. in the western world because of the decline of British and France influence as world powers. With this emergence of a major power, the U.S. has led the sponsorship of military and economic assistance programs promoting it's national security goals throughout the free world. There are seven different individual programs which encompass U.S. security assistance. A broad examination of each follows:

1. The military assistance program (MAP). Under this program, the U.S. provides eligible foreign governments defense articles and related services, other than training on a grant basis.

2. The International Military Education and Training Program (IMET). Under IMET, the U.S. provides training and training support to eligible foreign countries military personnel on a grant assistance bases.

3. The Economic Support Funds (ESF). The program is aimed at assisting developing countries to carry out their development projects and other non-security related projects.

4. Peace Keeping Operations. This program deals with U.S. participation in international peace keeping operations under the auspices of the United Nations.

5. The Foreign Military Sales Credit Financing Program (FMSCR). Under FMSCR the U.S. government provides direct credits and loan repayment guarantees enabling eligible countries to purchase defense articles, services, and training. This is one effective means to help countries transition from grant aid programs to cash purchases.

The above mentioned programs involve U.S. government funds and require congressional approval and review. The next two programs mentioned do not.

6. Commercial Sales/Direct Sales. Under this program the foreign government buys military equipment directly from a commercial source in the U.S. These sales are not administered by the Department of Defense but are subject to the Department of States and Commerce licensing agreements for the export of arms and military equipment.

7. Foreign Military Sales (FMS). To this program eligible countries purchase defense articles, service, and training from the U.S. government using their own finances. This is usually a country to country transaction administered by the Department of Defense for the U.S. Government (USG).

U.S. OBJECTIVES

The U.S. seek to achieve both political and economical goals through arms transfer under security assistance arrangements. In respect to political goals, the administration uses arms transfer as a flexible instrument of foreign policy as stated by Dr. William Schneider, Under Secretary of State for Security Assistance, Science and Technology, before the House Foreign Affairs Committee, 3 March 1983.

With respect to arms transfer and arms transfer policy, I would merely reiterate what many officials of this administration have said before: we consider arms transfer to be an instrument of U.S. policy, not an exceptional instrument as our predecessors tried, but in fact, failed to establish nor as a largely commercial activity as is the case with a number of other nations. We will continue to weigh carefully all of the relevant considerations likely to bear upon any special arms transfer decision in order to determine whether that transfer is on balance in the clear U.S. national interest. These conditions include, of course, the military purpose of the proposed transfer, the ability of the recipient to absorb and operate the equipment, the economic impact of the proposed transfer upon the recipient, the impact upon surrounding states--stabilizing or destabilizing in the region and so on. As a practical matter, we continue to turn down proposed sales at a rate not significantly lower than our predecessors. This approach, we firmly believe, is sensible and ensures that arms transfers are integrated effectively with other instruments of policy and contribute to our broader strategic objectives.
(2:1-32)

Beside being an instrument of U.S. foreign policy, the FMS program has a positive economic impact as shown by the following statement from a section of the DoD military

assistance and sales manual which describes the purpose served by FMS as follows:

. . . standardization of material, doctrine, and training is enhanced among our allies and friends. The U.S. production base is enhanced, U.S. employment is increased, research and development costs are spread wider, unit cost to U.S. services reduced, and forward material support is facilitated. The U.S. balance of payments is aided and closer relations, cooperation, and partnership with other nations are engendered. (3:3)

THE LEGISLATIVE BACKGROUND OF FMS

The Congress of the U.S., by virtue of its legislative power and obligatory interest in U.S. economic and foreign policy affairs, exerts considerable influence over the development and conduct of FMS.

The actual act by which the USG is authorized to sell defense goods and services to foreign countries is the Arms Export Control ACT, as amended (hereinafter referred to as the AECA). The AECA is amended each year by the actual authorization ACT, e.g., "The International Security and Development Act of (year)."

The AECA goes into great details and is guilty of micromanagement. The following is one of many examples of micromanagement contained in the act: "The size of members of the armed forces assigned to a foreign country may not exceed six, unless specifically authorized by the Congress . . ." (2:3-10)

This micromanagement often jeopardizes the conduct of FMS programs and sometimes puts U.S. personnel in charge of the programs in an embarrassing situation vis-a-vis the buyer. This legislative action is also a concern for the customer. In that respect, a head of state said once: "I need two ambassadors, one at the White House and another at Capitol Hill." (4)

Legislative actions, on occasions have had a negative impact on the U.S.'s ability to use FMS as a tool of foreign policy. Should U.S. friends and allies no longer desire equipment from U.S. sources, FMS would then cease to be an effective instrument for the policy makers.

ORGANIZATION OF MANAGEMENT OF FOREIGN MILITARY SALES

The control and conduct of an FMS case within the U.S. usually involves all service components: from the DoD down to the Air Logistics Centers (ALC). The Department of State is also one of the main players within the USG, vis-a-vis FMS cases, especially in the formative stages of a program. Actual program implementation is a service responsibility. For the purpose of this paper, I will briefly describe only the USAF's organization, and how complex a case management becomes as the customer views it.

1. Procedural guidance to subordinate organizations is published by the Defense Security Assistance Agency

(DSAA) in the Military Assistance and Sale Manual 510s.

38m.

2. The Joint Chiefs of Staff are responsible to the Secretary of Defense for insuring that existing and planned FMS programs are accounted for in U.S. national security planning.

3. At the HQ USAF, the key office which monitors FMS program is the Directorate of International Programs (AF/PRI). Within the Office of Deputy Chief of Staff, Programs and Resources. The Directorate (AF/PRI) establishes overall USAF FMS Program Management Procedures, and support policy, determines or approves reporting requirements, and is the focal point for discussion with foreign countries. In the case of major aircraft system, for example, HQ USAF directs portions of the program to several different commands for case management purposes, dividing the program into functional elements such as weapon system procurement, spares, support, aerospace ground equipment, maintenance, flight training, ferry, services and follow on support. Each of these will be assigned to the major command responsible for that activity.

4. Air Force Logistics Command (AFLC). Within this command, the International Logistics Center (ILC) manages and implements specific program lines pertaining to spare support and technical orders publication and munitions items.

The ILC provides guidance to ALC (see below) where necessary, in addition to policy and procedures spelled out in manuals and regulations to provide the specific items required.

5. Air Logistics Centers (ALC). There are five (5) Air Logistics Centers (ALC) in AFLC. They constitute the heart of the FMS supply network and actually transform the specific case requirement into actual hardware or services. At each ALC, there is a security assistance management office. This office has the responsibility to manage and control the ALC assigned FMS program throughout their ALC.

6. Air Force Systems Command (AFSC). This command, through its system program office (SPO), is involved in FMS only when customers buy new production equipment (aircraft or missiles).

7. Air Training Command (ATC). This command implements the training portion of the program, and is responsible for arranging and scheduling all training related to a specific case. Foreign Military Training Advisory Group (FMTAG) is the agency in ATC which is responsible.

8. Unified Command. They are involved when the buyer's country is within their regional responsibility and provide needed input during the formalizing stages of a program prior to actual implementation.

9. Other Commands. Commanders such as TAC, MAC, and AFCC provide needed support as required but are usually not a major player.

10. Military Assistance Advisory Group (MAAG) or Security Assistance Office (SA). MAAGS/SAOS are installed in many developing countries. Some countries in the absence of MAAG/SAOS have a military liaison office (within the U.S. Embassy).

Those types activities provide countries with information and assistance in planning and requesting FMS cases. They have little direct responsibility in the implementation of such programs. This is due, in my opinion, to two facts:

1. Some countries spending their own money to purchase material or services do not feel that MAAG or Liaison Office supervision or control is appropriate.

2. Those offices have no decision making authority on issues. Thus, most countries elect to contact Washington and have direct discussion on actual issues. In most cases, Liaisons Offices are reduced to playing the role of a mail box between the host Air Force and the U.S. Air Force. However, they are not unimportant and their existence is necessary and helpful, especially during the definition stages when the customer defines his requirements.

As we have seen, FMS can be a large complex program. It cuts across several USG organizational lines. I cited only the U.S. Air Force segment of it. But many activities of the complex governmental chain contribute their share to make the entire program effective in support of U.S. national purpose and for the benefit of both this country and the foreign customer.

But from the buyer's point of view and from the discussion I had with some country Liaison Officers at ILC, it appears that the complexity of US FMS organization is somewhat bewildering to many. The diversity within the US organization through which the customer must deal is often confusing. And the purpose, functions, responsibilities, and interrelationship are not clearly understood. There is even a feeling of overlapping. It is hard for the customer to determine who has the authority to make a decision on a specific issue.

FOREIGN MILITARY SALE INITIATION

Foreign countries that want to buy military equipment make a formal request to the U.S. Once the request is approved in principle, the way is clear for planning, data and physical information to be provided the country.

The request is a starting point of a long process which may last more than five years before it can be brought to a close. The following is an analysis of that process with some personnel observations.

Upon receipt of a formal request the USG determines a price and availability and sends it to the foreign country.

PRICE AND AVAILABILITY

The price and availability data provides a program cost estimate, lead time, and scope of the program. From my point of view and also the point of view of many countries liaison officers, a potential for improvement exists in respect to pricing. It is true that in the letter of offer (discussed later) the USG undertakes to deliver items for the amount quoted, but it still requires the buyer to reimburse the U.S. Government if the final cost is higher than what had been estimated. Unfortunately, the latter case often exists, because the compilation and recording of cost data is to some degree, innacurate. These variations can be embarrassing, sometimes critically because the foreign country's defense budget is limited and careful programming of expenditures is necessary. Most of the time, the country is not given a satisfactory explanation for the price increase. And therefore, this area provides room for much improvement and is a sore point with customers.

THE LETTER OF OFFER AND ACCEPTANCE

The next step in FMS process is the preparation of the Letter of Offer and Acceptance (LOA). The LOA is written by the Air Staff Directorate of International Programs. The LOA is the document by which the USG offers to sell to a foreign government military equipment and services. This document, called DD Form 1513, lists the items and/or services, estimated cost, delivery times, the terms and conditions of sale (in the back).

TERMS AND CONDITIONS

One of the articles of the DD Form 1513, states that the USG will deliver items in the condition they are available in stocks, i.e., either new or overhauled. In practice, the foreign country receives only overhauled equipment. For example, out of the entire AGE equipment package bought by a foreign country with the F-5 Squadron, one hundred percent was overhauled. The worst part is that a large portion of the support equipment (MJIs, MALAS, MCIs, and even lox plant) was not in working condition and needed major repair. With all these problems involved, remoteness of the repairing facility (8,000 miles away) and a long time delay. The result was a country with a new weapon system expected to last some 20 years, with a package of support equipment which won't last more than 5 years.

Obviously, there is a major discrepancy in respect to this area. Fortunately, this discrepancy was cleared up in a second buy, where the country involved requested only new support equipment even if it requires a longer delivery time.

The bottom line is that the buyer should read, carefully the "terms and conditions" and make sure he understands them and that they meet his needs. The LOA is a contract so make it work to the benefit of both parties .

When the LOA is signed by both parties it becomes a firm order. It is in effect like a commercial contract under which the U.S. is committed to perform (unless some serious political events interfere) and the customer is committed to pay for material or services received. This is what is known as an FMS case. Calling it an FMS case rather than a contract somewhat obscures this fact.

FMS IMPLEMENTATION

The signature by the customer on the LOA concerning a major weapon system marks only the end of the beginning of a long process which took one to two years. During this time, the country had to fulfill some conditions established by U.S. law. The buyer is to respect human rights and his economy should be able to sustain the weapon system he chooses. The U.S. national interest should also be enhanced. The sale is to be an instrument for U.S. policy. Signing

the LOA means that the buyer has passed the test and now the "case" is ready for implementation, after receiving the initial down payment from the country. Payment in advance of services and material is required prior to delivery.

EVALUATION TEAM OR SITE SURVEY TEAM

The implementation starts with a visit to the country by a team called evaluation or site survey. Some 25 personnel, most of them civilian, compose this team. All their expenses (from tickets to rental car to per diem) are charged to the program. The purpose of this visit is to evaluate the existing facilities, evaluate manning and skills. Every member of the team is a specialist in a specific area (run way, electrical, power shops, supply training, etc.). But they are not engineers. Everyone has a book where he can find information about what is required to operate the equipment in his field. He can hardly understand that the requirements outlined in his book are U.S. Standard. He makes no effort, (probably he is not allowed to) to determine on the spot with the customer the way to diverge from the established requirement, so that the existing facility can be used as is; instead he tells the buyer that when he goes back to the U.S., he'll look into the problem and send the answer through normal channels. The buyer finds himself back to zero waiting for the answer.

DEFINALIZATION LIST

Sometime after the signature of the LOA and the departure of the survey team, another team about the same size pays a visit to the customer's country. The scenario is the same (full expanses charged to the case), but the goal is different. They bring with them about a six foot height file of computer listings which supposedly contain every item needed to operate the weapon system. The lists are broken down by speciality in a national stock number (NSN) sequence):

- Aircraft spare parts (electricity, hydraulic, air frame, etc.)

- Engine spare parts
- AGE equipment
- AGE equipment spares
- NDI equipment
- PM/equipment
- Non-standard equipment
- Spares for non-standard equipment

The team expects the buyer to tell them (or just confirm) the quantity he needs for each line item, in a two week time frame. However, they say that the listing includes what the computer thinks would be your consumption for two year operation of the weapon system. The buyer has no choice but to accept this recommendation, otherwise it will take one full year for some experienced specialists to go through the entire list item by item and determine the genuine need for his specific Air Force. Most countries are not manned for

this and have no time. In two years, the country will find out that at least 2/3 of the spares bought have not been used and may never be. We call this "stock mort," which means "dead supply." It is dead money too! At the same time, the buyer will have two to three A/C under NORS condition.

After two weeks, the team goes back to the U.S. to feed the computer for further delivery.

DELIVERY

This phase is very critical. It requires from the buyer, highly experienced and trained personnel and adequate facilities. A lack of these will jeopardize the program. The rule of the game is to secure physical delivery of items programmed in the FMS case, provide transportation of the material to its final destination in country, check the quantity and quality and store it on the right shelf so it can be easily found.

The freight forwarder employed by the country is commissioned to receive shipments of material from the initial point of issue and forward it to the buyer's designated destination. Misdirection by the issuing facility does happen and this requires a careful control of delivery both from the freight forwarder and the buyer.

DISCREPANCIES IN SHIPMENTS

Discrepancies in shipment is a matter of concern and provides room for improvement. However, the buyer can only detect discrepancies when shipments are received at their in-country destination. For example, the freight forwarder is not expected to open containers received, and will not check the contents or pull an operational check.

USAF Manuals 4000-3 and 67-1. Both require the customer to report discrepancies in shipment received within 45 days, the former manual limits the time to 45 days from date of receipt at the first destination but, recognizing the inability of most buyers to comply, provides that discrepancy report will be honored if received within one year after the date the item is billed. The AFM 67-1, however specifically limits the time for submission to 45 days after receipt at final destination.

The last word is left to "the management of security assistance" edited by the Defense Institute of Security Assistance Management (this document is not an Air Force Regulation):

. . . the discrepancy must not be too old (what what does it mean?) to be accepted, i.e., less than one year from date of shipment or billing, whichever is later . . . (3:21-23)

The delay given to submit a discrepancy report is an area of concern as illustrated by the following example:

A substantial quantity of air-to-ground maverick missiles were shipped by sea to foreign country under a specific program. The country did not have the facility ready to check and store these highly sophisticated missiles for over a year after receipt. When the buyer proceeded to the check, he was surprised to find that almost 50 percent of the missiles had from 1/2 quart to 2 quarts of salt water in the sealed container. Corrosion was evident all over the missile body. It was beyond the repair capability of the country and so was the repair cost. This actual case shows that sometimes a one year delay is too short for some high technology equipment which requires the availability of non-standard facilities to pull a visual and/or an operational check. The related regulations should be more flexible and the good faith of the customer must be taken into consideration.

WARRANTY

If the customer is somehow protected against discrepancies in shipment, he has no claim to warranty when the equipment does not perform satisfactorily even after only few hours of operation. Material purchased from the U.S. military services under FMS procedures does not carry any warranty. The USAF specifically warns the buyer that it makes no warranty for items other than warranty of title. However, according to some informal sources action is in the process of being taken to find a solution.

FMS ADVANTAGES VERSUS COMMERCIAL SOURCES

With all the concerns stated above one may wonder why foreign countries still go FMS. Many reasons make the buyer elect to go FMS:

1. Most of the foreign liaison officers I interviewed at ILC agreed that the USG by its ability to buy in a large scale provides lower prices when compared with commercial sources.

2. When a buyer purchases a weapon system, the USG undertakes to provide continuing logistic support throughout its life. In my visit to the ILS, I found out that AFLC still supplies some countries with the C47 spares.

3. By buying through FMS, the foreign country takes advantage of the USAF quality control.

4. The USAF depots provide a wide range of supplies, from spares to consumables such as sealing compounds and nuts and screws or cleaning papers. One single commercial source can not provide such a service and if it does the price will be prohibitive. Depots also provide expert over-haul repair capability.

5. The buyer takes advantage of the technical orders issued by the USAF. So that his weapon system is kept up to date, and more important, he takes advantage by the fastest means available of all the safety tech orders and urgent action tech orders as they are issued.

All these practical reasons along with some other political reasons, make FMS attractive to foreign countries. However, there is evidence that many customers buy from commercial sources, but they still rely on the U.S. military

services to provide commercial source data. Statistics show that most of weapons systems not involving armament, such as cargo airplanes or transport helicopters are bought from commercial sources.

CLOSING FMS

The FMS case is closed and the financial balance is zero when all equipments are delivered and all services performed. It takes over four years depending on the weapon system involved. During these years, the buyer has probably learned a lot about FMS. He is also prepared to avoid mistakes and to read carefully "terms and conditions" should he get involved in another FMS case.

In order to sustain the operation of his weapon system for the years ahead, the foreign country must enter the USAF supply system. For follow-on support, Chapter III of this paper will address the follow-on support aspects of an FSM program.

CHAPTER III

FOLLOW-ON SUPPORT

SUPPLY: FACTORS OF CONCERN

As I suggested earlier, the buyer is highly interested in the fact that the USAF provides for continuing support throughout the life of a weapon system. When the customer buys a weapon system from the USG, he also buys at the same time, an initial support package (spare equipment, AGE, etc.) which enables him to operate his weapon system for a given period. Whereas follow-on support is defined as "a support which takes up where initial support leaves off."

Chapter III of this paper, will outline the ins and outs of follow-on logistics support, that is the supplies and materials needed to support a weapon system and provide my personal perspective on this feature of FMS.

When the buyer elects to enter the USAF supply system, no matter how his supply organization works, he is to comply with what is called the U.S. Military Standard Requisitioning and Issue Procedures (MILSTRIP), the same requisitioning system used by the USAF.

If the U.S. supply works, it is nevertheless a complex web. It is an area where the customer faces potential problems if he does not have highly skilled personnel, trained in the USAF system, with many years of

experience and a very good knowledge of the English language. Many foreign countries are lacking this capability as it showed up in my interview with some of their representatives in ILC. In addition, the USAF supply system is entirely computerized, and most of the developing countries, if not all, still work with a manual supply system. This difference generates a great deal of obstacles and sometime is a "Catch 22."

Another area of concern is the time delay necessary for the requisition to get to the appropriate ordering point in the U.S. and for the feedback status of requisition to be provided the customer in country. Some countries will use the MAAG or the liaison office in the U.S. Embassy as the focal point for exchange supply information. This procedure is not overly efficient because of the length of time for receiving status is still too long. In an interview with some foreign liaison officers at ILC, it appears that the countries who are using the Automatic Digital Network (AUTODIN) as the input medium are very satisfied with it, the time delay is greatly reduced.

TOWARD A NEW SYSTEM

Up to the seventies, the buyer had mainly two different cases to secure his follow-on support.

1. Defined order case is a closed FMS case where the customer identifies items and quantities he intends to

purchase (used mostly for conventional munitions and personnel equipments, such as masks, casks, etc.). The need for these items can be easily forecasted and the material is lead time away but it does not matter because the buyer can plan ahead for requesting the FMS case.

2. Blanket order case is an FMS case written for a dollar value to support one or more weapon systems. The items are not specifically identified. The customers put their requisition as needed the material is some lead time away, but the buyer may overcome this inconvenience by planning ahead and requisitioning his stock replenishment, taking into consideration the lead time.

The system was very satisfactory, but for some reason it did not fit the U.S. military services. And they came up with a very complicated system called Cooperative Logistics Supply Support Arrangement (CLSSA). One can note that even the title is complicated.

COOPERATIVE LOGISTICS SUPPLY SYSTEM MANAGEMENT

The system was so complicated that the Air Force felt the need to publish a brochure called "CLSSA Country Brochure." This brochure is now in its third edition (the 3rd revision dated June 85). It states in its introduction: ". . . This brochure does not attempt to cover all SAMIS (Security Assistance Management Information System) changes and focussing on all detail of CLSSA processing . . ."

(1:i) Which means that the customers even after reading and assimilating the 170 pages of this brochure, they still don't know all the details.

Let us now analyze what CLSSA is about and how it works. According to the brochure, "CLSSA is an arrangement between a U.S. military service and a foreign military service or organization that sets forth the terms and conditions for providing timely follow-on on spares support because the CLSSA participant becomes a partner in the USAF and Defense Logistics Agency (DLA) supply systems, the CLSSA participant must.

1. (Intentionally omitted)
2. Invest in the USAF and DLA supply system."

(1:1)

That is a lot of words to say that in the CLSSA system, the customer pays in advance for part of the total material value, before he buys and certainly before the spare parts are actually needed.

When the customer enters CLSSA, he has to establish two FMS cases referred to as Foreign Military Sale Order I (FMSOI) and Foreign Military Sale Order II (FMSOII).

FOREIGN MILITARY SALE ORDER I (FMSOI)

In the FMSOI case, the customer defines eligible CLSSA spares (the list is provided by AFLC and may be subjected to changes by the customer), he forecasts the need

for these items and pays a "deposit" of 5/17 of the total value for the case. But what the brochure (the CLSSA brochure is the only official manual available to the customer) does not specify is that this money is not really a deposit. A country may elect to delete one or more items or just down grade the overall quantity, but if deleted items cannot be absorbed by either the USAF or another CLSSA participant, he loses the 5/17 and still pays from FMSOII funds 12/17 and gets back pennies, i.e, salvage value of the item or items.

FOREIGN MILITARY SALE ORDER II

FMSOII is the actual FMS case which enables the customer to order both CLSSA, non-CLSSA spares and consumables through the DOD Logistics system. It is a dollar value case. It is exactly like the blanket case under the old system described earlier in this paper. When a CLSSA item is requisitioned, it is charged to FMSOII funds on 17/17 basis and not a 12/17 as one may suppose. In my interview with a senior executive officer at ILC, I was told that one of the main reasons the CLSSA system was established was to give the U.S. military the authority to buy and stock for another country, because it is against the law to use U.S. funds for buying and stocking goods not exclusively earmarked for the U.S. This is confirmed by the CLSSA brochure when it states: ". . . The FMSOI case

provides the USAF and DLA the authority to buy and stock material in anticipation of the customer requisition."

(1:2-1)

This assessment is, in my view, quite confusing, because I wonder by what "authority" the USAF buys items and consumables which are non-CLSSA and yet can be requisitioned under FMSOII with a lead time almost the same as CLSSA's lead time according to some non-verifiable statistics.

CHAPTER IV

CONCLUSION

The bottom line is that the policies and regulations in which the foreign customer must function when he enters the U.S. market for military equipment are determined by the U.S. There is no effort made to set up policies relative to the country's capability, background, and ability to operate in such a complex system. These policies are general and expected to be followed by all the participating countries. These do not necessarily coincide with those of the buyer. These disparities sometime cause difficulties, dissatisfaction, and inherent conflict of interests.

One should make a distinction between the behavior directed at U.S. policy which may reasonably be expected from a buyer and that which might be expected from a recipient of other forms of aid under the full spectrum of U.S. Security Assistnace. As in any other market; the paying customer expects preferential treatment and he should be in a position to be allowed a voice in determining the terms and conditions of the sale rather than be faced with a "fait accompli."

I cannot persuade myself to conclude this paper without recognizing that the FMS program inspite of some areas of concern is still very efficient. The fact that there is a willingness on the part of foreign governments to

continually buy under FMS guidelines proves this. I understand that it is not an easy task to satisfy every customer in such a worldwide program. However, many people who are engaged in the sales programs (international logistics center) recognize that room for improvement does exist and some effort is being made to consider the buyer's interest. They understand that one of the most important of U.S. foreign policy instruments is at stake.

As customers become more aware of the rules of FMS, the smarter they become in dealing with the U.S. The customer will have more say in establishing the terms of the sale. The USG will have to accept this challenge and make the current FMS system better.

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