



United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-260446

March 2, 1995

The Honorable Cynthia A. McKinney  
House of Representatives

Dear Ms. McKinney:

As you requested, enclosed are cost data that was readily available and short descriptions on selected international assistance and military sales programs. We obtained the information from documents and officials from the Departments of Defense and State and from our prior reports. Because your staff asked that we provide the basic information as soon as possible, we did not verify the information from Defense and State.

I am also enclosing a list of GAO reports on arms export issues that you may be interested in. Additionally, at the request of the House International Relations Committee, we are reviewing the recoupment of nonrecurring research and development costs on foreign military sales, and we are preparing a report comparing U.S. and foreign government support for military exports which will be issued shortly.

Please call me on (202) 512-4128 if you or your staff have any questions concerning this information. The major contributors to this review were John Brummet, Andres Ramirez, Hynek Kalkus, and Ernest Doring.

Sincerely yours,

Joseph E. Kelley  
Director-in-Charge  
International Affairs Issues

Enclosures - 2

**INFORMATION ON THE COSTS OF SELECTED PROGRAMS AND ACTIVITIES**

**DEFENSE DEPARTMENT TRADE SHOWS**

For 1995, the Department of Defense (DOD) has plans to participate in one trade show in Australia at an estimated cost of \$95,000. The DOD participated in three trade shows in 1994. According to DOD, costs for these shows were as shown in table 1.1.

Table 1.1: Cost of DOD Participation in 1994 Trade Shows

Trade show	Cost
Singapore	\$388,000
Eurosatory	149,000
Farnborough	500,000 (estimate)
Total	\$1,037,000

Between 1991 and 1994, DOD expended an estimated \$4.8 million in support of international trade shows. DOD did not have the data to estimate costs incurred at prior shows. For more detailed information see International Air and Trade Shows: DOD Increased Participation, but Its Policies Are Not Well-Defined (GAO/NSIAD-93-96, Mar. 1993).

**INTERNATIONAL MILITARY EDUCATION AND TRAINING**

The International Military Education and Training (IMET) Program provides grants for professional military education and management and technical training to students from allied and friendly nations. IMET is designed to promote military-to-military relations and expose foreign military and civilian officials to U.S. values and democratic processes. Congress appropriated \$21,250,000 and \$25,500,000 for IMET in fiscal years 1994 and 1995, respectively.

**MILITARY-TO-MILITARY CONTACT PROGRAM**

DOD's Military-to-Military Contact Program is designed to promote military-to-military relations. For fiscal year 1995, the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1995 (P.L. 103-306) provides \$12,000,000 for use only in (1) the Pacific Command's area of responsibility, (2) Eastern European

countries, and (3) the Baltic States. There was no specific appropriation for this program in the Foreign Operations, Export Financing, and Related Programs Appropriations Act for Fiscal Year 1994 (P.L. 103-87).

#### INTERNATIONAL NARCOTICS CONTROL

The International Narcotics Control Program, administered by the State Department's Bureau for International Narcotics and Law Enforcement Affairs, is designed to combat the production of narcotics overseas and subsequent shipment to the United States. Congress appropriated \$100,000,000 and \$105,000,000 for this program in fiscal years 1994 and 1995, respectively, in the foreign operations appropriations acts. This program is in addition to the counternarcotics activities funded by DOD, the Drug Enforcement Administration, and others.

#### ANTITERRORISM ASSISTANCE

Antiterrorism assistance in the form of training and equipment is provided to foreign countries to enhance the antiterrorism capabilities of their police and security elements. The program is expected to strengthen U.S. bilateral ties with cooperating countries, protect Americans abroad, assist airport security for U.S. carriers operating in other countries, and increase respect for human rights among foreign participants. Training is the primary activity, but up to 25 percent of the budget may be programmed for equipment such as walk-through metal detectors and X-ray machines. Congress appropriated \$15,244,000 in both fiscal years 1994 and 1995 for this program.

#### INTERNATIONAL CRIMINAL JUSTICE

The International Criminal Justice Program is expected to combat the growing threat to national security posed by international organized crime, help emerging democracies strengthen their national law enforcement institutions, and strengthen efforts by the United Nations and other international organizations to assist member states in combating international criminal activities. There was no program in fiscal year 1994. According to a State Department official in the Bureau for International Narcotics and Law Enforcement Affairs, the fiscal year 1995 program is still being developed.

ADMINISTRATION AND PERSONNEL COSTS ASSOCIATED  
WITH FOREIGN MILITARY SALES

The Defense Security Assistance Agency (DSAA) was authorized to use \$332.1 million in fiscal year 1994 and \$335 million in fiscal year 1995 from the Foreign Military Sales (FMS) trust fund for expenses incurred by DOD in administering foreign military sales. Administrative charges added to FMS sales are used to fund these expenses. Additionally, the Foreign Military Financing (FMF) appropriations for fiscal years 1994 and 1995 provided \$23,558,000 and \$22,150,000, respectively for administrative costs. For fiscal year 1995, DSAA estimates it will receive about \$71 million from the services in the form of military personnel working on FMS programs and other security assistance matters (in both the United States and overseas).

FOREIGN MILITARY FINANCING

FMF enables selected friends and allies to improve their defense capabilities by financing the acquisition of U.S. defense articles and services. As a grant and loan program, FMF is distinguished from FMS, the system through which government-to-government sales of military equipment are made. FMF provides financing for FMS sales.

Grants

Congress appropriated \$3,149,279,000 and \$3,151,279,000 for the FMF program in fiscal years 1994 and 1995, respectively. Table 1.2 shows the appropriations for the FMF program for the past 10 years.

Table 1.2: Appropriations for FMF Grant Program, 1986-95

Dollars in thousands

Fiscal year	Appropriation
1986	\$5,190,000 <sup>a</sup>
1987	4,053,441
1988	4,017,000
1989	4,272,750
1990	4,827,642
1991	4,663,421
1992	3,928,548
1993	3,245,414
1994	3,149,279
1995	3,151,279
Total	\$40,498,774

<sup>a</sup>Under P.L. 99-177 (Gramm-Rudman-Hollings) \$223,170,000 of the FMF appropriation was not available for obligation.

Certain countries have been allowed to use FMF to purchase defense goods and services outside the United States. Authority to use FMF can be granted through legislation or by the executive branch under section 42(c) of the Arms Export Control Act. For example, under legislation passed between 1986 and 1995, Israel received authority to spend \$4,175,000,000 in Israel and received at least \$165,000,000 under 42(c) determinations.

#### Loans

Under the Federal Credit Reform Act of 1990, beginning in fiscal year 1992, additional appropriations covered the costs of loans for the FMF program. The amounts appropriated to cover the costs of the loans and the amount of loans financed are shown in table 1.3.

Table 1.3: Appropriations for and the Value of FMF Loans

Dollars in thousands

Fiscal year	Amount appropriated	FMF loans
1992	\$50,148	\$345,000
1993	149,200	855,000
1994	46,530	769,500
1995	47,917	619,650
Total	\$293,795	\$2,589,150

Past FMF Loans That Have Been Forgiven

In fiscal year 1994, the United States forgave 50 percent, or about \$7 million, of the FMS debts of Niger and Senegal. In a supplemental appropriation to the 1994 foreign operations legislation, Congress authorized the President to forgive or reduce Jordan's debt on loans incurred prior to January 1, 1994. However, the executive branch has not yet forgiven any of Jordan's military debt.

Section 592 of the fiscal year 1991 foreign operations appropriations act authorized the President to forgive Egypt's Arms Export Control Act loans. On December 27, 1990, the President forgave Egypt's FMS debt totaling about \$7 billion.

ECONOMIC SUPPORT FUND

The Economic Support Fund (ESF) provides economic assistance to allies and strategically important developing countries. Grants have been available to aid the balance of payments, to finance infrastructure and capital projects, to carry out development projects benefiting the local population, and in some instances to support counternarcotics activities. Table 1.4 shows the appropriations for the ESF program for the past 10 years.

Table 1.4: Appropriations for ESF, 1986-95

Dollars in thousands

Fiscal year	Appropriation
1986	\$3,800,000 <sup>a</sup>
1987	3,600,000
1988	3,200,820
1989	3,258,500
1990	3,916,510
1991	3,175,000
1992	3,216,624
1993	2,670,000
1994	2,364,562
1995	2,349,000
Total	\$31,551,016

<sup>a</sup>Under P.L. 99-177 (Gramm-Rudman-Hollings) \$159,358,000 of the ESF appropriation was not available for obligation.

#### EXPORT-IMPORT BANK

The Export-Import Bank, the primary federal agency providing export financing, generally has not been authorized to finance the sale of defense articles and services. However, it has financed a few sales on an exception basis. Since 1989, it has financed about \$1.5 million for the sale of military equipment to Colombia for antinarcotics purposes; since 1990, it has financed about \$1 billion for military helicopters to Turkey; and in 1994, it financed about a \$1 billion sale to Brazil and three other sales of military equipment intended for civilian use worth \$1.5 million.

Legislation enacted on October 31, 1994, authorized the Bank to provide financing for the export of nonlethal defense articles and services, the primary end use of which would be for civilian purposes (P.L. 103-428). Not more than 10 percent of the loan, guarantee, and insurance authority available to the Bank for any

fiscal year may be used to support this type of sale. The Comptroller General is tasked to report to Congress on the end uses of any of these articles financed by the Bank. Our first report on this subject will be issued in September 1995.

#### EXCESS DEFENSE ARTICLES

In fiscal year 1994, excess defense articles (EDA) with an acquisition value of \$199,967,000 were sold for \$39,888,000. Additionally, EDA grant transfers totaled \$626,906,000 in acquisition value with a current (fiscal year 1994) value of \$154,223,000. A total of 26 different countries were either given or sold excess defense articles.

#### DRAWDOWNS FROM U.S. STOCKS

Drawdown authority is generally approved for emergency relief in the form of items taken out of the U.S. military inventory.

Under section 599B of P.L. 101-513 (Nov. 5, 1990), Israel received drawdown authority for \$700 million to use within 9 months of the enactment of the act due to the "heightened threat" Israel faced as a result of the Iraqi invasion of Kuwait. The expiration of this drawdown authority has been extended every year since 1990 and was increased to a total of \$775 million in the fiscal year 1995 appropriation. According to DSAA officials, Israel will have used the full \$775 million drawdown by the end of fiscal year 1995. This drawdown consisted primarily of munitions and weapons items such as F-16s.

In fiscal year 1994 there were also four drawdowns based on presidential determinations under section 506 (a) (1) and (2) of the Foreign Assistance Act. These drawdowns totaled \$141.5 million-- \$75 million for Rwanda (disaster relief/refugee care), \$15 million for the Dominican Republic (antismuggling assistance), \$1.5 million for Jamaica (Haiti refugee assistance), and \$50 million for Haiti (multinational coalition force).

Another presidential determination directed a drawdown of up to \$11.8 million in fiscal year 1994 for articles, defense services, and military education and training for Laos to support projects associated with POW/MIA recovery efforts. DOD delivered articles and services totaling \$538,062.

U.S. GOVERNMENT WAIVERS OF RESEARCH AND DEVELOPMENT COST ON SALES OF MILITARY EQUIPMENT

DOD is required to collect from the purchasers of major defense equipment a proportionate amount of nonrecurring costs, such as research and development costs. The purpose of this is to enable the U.S. government to recover part of the research and development costs it incurs in the development of sale items. The funds collected are deposited as miscellaneous receipts in the U.S. Treasury. The President may waive or reduce these charges for a particular sale if the sale significantly advances U.S. government interests and furthers mutual defense treaties by authority of Section 21(e)(2) of the Arms Export Control Act. Table 1.5 lists those FMS items for which recoupment of nonrecurring costs was waived in fiscal year 1994.

Table 1.5: FMS Items for Which the Recoupment of Nonrecurring Costs Was Waived

Country	Amount waived	Item
Denmark	\$5,173,320	Aircraft, missiles, launchers
France	49,268	Airframe
Greece	12,897,726	Multiple launch rocket systems, missiles
Italy	4,391,548	Missiles
Japan	7,200,000	AWACS aircraft
Norway	126,056,928	Missiles
Turkey	115,683,676	Missiles, aircraft, gun mounts, sonar, vertical launchers
United Kingdom	11,040	Cartridges
Germany	1,002,134	Missiles
Total	\$272,465,640	

SELECTED GAO PRODUCTS RELATING TO ARMS EXPORTS

DOD Budget: Selected Categories of Planned Funding for Fiscal Years 1995-1999 (GAO/NSIAD-95-92, Feb. 1995).

Overseas Presence: Staffing at U.S. Diplomatic Posts (GAO/NSIAD-95-50FS, Dec. 1994).

Military Exports: Concerns Over Offsets Generated With U.S. Foreign Military Financing Program Funds (GAO/NSIAD-94-127, June 1994).

Security Assistance: Need for Improved Reporting on Excess Defense Article Transfers (GAO/NSIAD-94-27, Jan. 1994).

Security Assistance: Excess Defense Articles for Foreign Countries (GAO/NSIAD-93-164FS, Mar. 1993).

Source: International Air and Trade Shows: DOD Increased Participation, but its Policies Are Not Well-Defined (GAO/NSIAD-93-96, Mar. 1993).

Security Assistance: Observations on Post-Cold War Program Changes (GAO/NSIAD-92-248, Sept. 1992).

Foreign Aid: Police Training and Assistance (GAO/NSIAD-92-118, Mar. 1992).

The U.S. Export-Import Bank: Review of a Proposal to Finance Military Exports (GAO/T-NSIAD-91-16, May 1991).

Security Assistance: Observations on the International Military Education and Training Program (GAO/NSIAD-90-215BR, June 1990).

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