ABSTRACT

This paper is the first of three proposed papers that focuses on organizational structure of the US arms transfer and control policy regime. The results of these three studies will serve as the baseline for the empirical chapters of a dissertation thesis on arms export policy. This paper, specifically, examines foreign military sales program from the vantagepoint of change. Amid national (even global) tendencies toward privatization and devolution of governmental power, how is this trend to reinvent government affecting change in how America is acting and perceiving itself in the realm of defense policy: weapons procurement and arms (and related technology) exports? In short, what is Foreign Military Sales (FMS) Reinvention? In the context of “reinvention” this paper argues the following: that preexisting organizational structure of contemporary U.S. conventional arms transfer policy prohibits the formulation and implementation of a new U.S. policy toward arms exports that is more capable of dealing with the new security dilemmas of the post-cold war global arms market.

This paper acknowledges the systemic changes affecting the global arms market since the end of the cold war, and the effects these systemic changes have had on domestic policymaking processes. A globalization trend, unbridled with the demise of cold war bipolarity, has muddied the waters in terms of domestic arms trade policy. Whether you prescribe to the concept of "iron triangles" or "issue networks" in describing policy principal-agent relationships, the fact remains: U.S. arms trade policy is not so "iron clad"; the networks of control have become more complicated.

What was once a policy issue area domestic in nature and largely impenetrable by outside factors and extra-state actors is now permeable. New players have emerged, having an increasing effect on the U.S. policy process. Old players have changed the way in which they play the game--even how they view the game. The U.S. defense industry is now a collective of fewer companies, engaged in more intense competitive practices. These same firms, fewer in number, have become increasingly transnational. Through transnationalization, foreign countries have gained more access to what has traditionally been a closed U.S. policy system.

All of these factors have affected the U.S. arms transfer policy regime. Norms and principles guiding the formulation of arms control policy have changed and are still changing; contemporary arms control is a confounding issue, demanding a balanced consideration of both commercial and security interests. This shift in norms and principles has lead to increased pressure on national governments to alter rules and decision-making procedures to meet these new goals. Pressure to redesign--or reinvent--domestic arms transfer implementation processes is on the rise.

The persistence of cold war rules and decision making procedures, even in light of changed(ing) norms and principles, frustrates policy reinvention initiatives. While the Administration has issued its new vision for American arms trade policy and Cabinet principals have issued their dictates on the subject, implementation of this “new way of doing business” has been frustrated throughout the entire US arms transfer policy system (USATS). Department of Defense, Department of State, the military services -- each of these agencies have interpreted the afore mentioned changes in their own particular way and from their own particular institutional perspectives. While each agency recognizes the need for change, institutional strictures, old programs, cultures and repertoires prohibit change. United States arms transfer policy reinvention risks falling short of producing a policy that rationalizes both the commercial and security demands of any post-cold war arms control policy. Of more concern is the degree to which the USATS is left open to the speculative interests and advances of foreign countries and industry (foreign, domestic, and transnational), as these extra-state actors take full advantage of the disunited state of the US arms transfer system.

The idea of reinventing the way the United States considers and handles issues of export control, licensing and disclosure leaves all stakeholders in the game hopeful….initially. Foreign
countries (recipients; buyers) are hopeful that reinvention means “oriented toward satisfying the customer.” Industry is hopeful when they hear the word reinvention, because in the corporate sense, reinvention means a move toward more corporate management practices that base performance measures primarily on financial criterion. The US Security Cooperation Community (SCC – as the organizations and governmental actors that compose the US government are collectively regarded) is even hopeful when it hears “reinvention” because there is hope throughout that effectiveness will be enhanced; a belief that a better public good may be produced through international arms sales.

Unfortunately, hope has proved short of the solution when we examine the efforts made to date on reinvention of US arms trade practices.
INTRODUCTION

Understanding the scope and scale of what is a changing and changed US arms transfer policy process and whether these changes have had, and are still having, a "positive" or negative effect on US national security is a difficult and muddled endeavor. Arms transfer policy is multidimensional. It crosses all policy boundaries and theoretical levels of analysis. Arms control is domestic; it is also international and best understood and examined from a comparative frame of reference. Arms control, especially in light of post-Cold War realities, is a double-edged sword; a two-sided policy coin. Modern arms transfer policy must find an appropriate balance between security and commercial interests. As normalized as the global arms market may have become, one cold war reality remains: arms are not, nor never will be, benign commodities. They are the commodities of war.

This frames the environment and some of its realities within which we consider US arms transfer policy, foreign military sales practices, and the pressures that practitioners of security assistance face in reforming arms export polices and practices.

Reinvention of the US arms transfer system has centered primarily on one program or export process within the USATS: Foreign Military Sales (FMS). This focus is first and foremost, a focus on implementation. Secondly, this study focuses on FMS reinvention primarily from the US Army perspective, with illustrative peerings into the Air Force and Navy.

From all accounts, FMS reinvention, to date, is at best “an evolutionary venture” moving toward eventual success; on worst accounts, it is viewed as an eventual failure; a policy change initiative that once was a “good idea” but is now a program left to die from bureaucratic strangulation and neglect.

This study surveys the environment that shapes FMS reinvention and the structural, procedural and cultural factors that define the ‘reinvention’ effort. These rationales can be parceled into three broad categories:

Organizational and Bureaucratic Politics. As Graham Allison informed us, “where you stand depends on where you sit”. This is no truer than in this case. But in this case, where the seat was placed and why was it placed here rather than there is of critical importance. Initial observations show that perhaps the Goldwater-Nichols Defense Reorganization Act of 1986 is an unknowing culprit in the demise of arms transfer reinvention. One organizational change, at the time a seemingly benign and unimportant adjustment, was the placement of acquisition and technology directly under the command and authority of the Office of the Secretary of Defense (OSD). This created a two-tiered kingdom the realm of US defense policy: with the Secretary of Defense serving as king and two prime noble-lords of relatively equal, but separate power and authority – the Undersecretary of Defense for Acquisition and Technology (UNSD-A&T) and the Undersecretary of Defense for Policy (UNSD-P). What we see as a result of this organizational split is a divided nation; and as Lincoln warned us, “a nation divided cannot stand”.

The resultant has been the absence of unity and clarity of command (interestingly enough a core principle of war in military doctrine). What has dovetailed from this is unclear policy guidance from the top on exactly what “reinvention” is; what it serves and why. More over, the divide has resulted in a game of counter-policy, where one DoD fiefdom interprets reinvention in one way while the other formulates and stages for implementation in an entirely different manner. At the implementation level, this “house divided” devolves to a situation where the executing agents of FMS cases – Program managers (PMs) and Security Assistance Officers (SAOs) rarely and only with intense effort coordinate and cooperate with one another on “closing the deals” in FMS cases. Alliances form at the grassroots – PM with industry; SAO with foreign recipient. And the stakes of winning are high and not necessarily geared toward the general public good –

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winning often means survival of an industry and of a bureaucratic agency. A zero-sum, cancerous competition ensues.

**Leadership and the Delegation of Line and Staff Authorities.** Organizations, regardless of their structural design, require a clearly delineated and widely disseminated division of power, authority to carry out that power, and responsibility to supervise and control the use of that power and authority. Authority in organizations is typically of two types and organized accordingly: line authority and staff authority. Agencies within organizations with line authority are “parent” agencies, “command authorities” – they are executing agencies that have enforcement and sanctioning powers. Staffing agencies and directorates resource line agencies; they are facilitating agencies – organizations that provide assessments to the line agencies; they inform, recommend…but have no mandate or authority to “command”. Any command within an armed service organization illustrates the distinction of line and staff. All military commands have a line side to their organization, consisting of a superior commander and subsequent subordinate commanders. Each of these subordinate commands consists of staffing agencies that carry out the dictates of the commander and inform the command. Examples of staffing activities include but are not limited to ‘operations’, ‘logistics’, and ‘personnel services’.

Tracing the process of an arms export case through the organizational structure of the US arms transfer system reveals a misalignment and malapportionment of line and staff authorities. The process trace of the foreign military sales program illuminates several critical nodes that indicate over-redundancies, confliction of operations, and confused and competing agency mandates. One of these key nodes is at the juncture of two agencies in the Department of Army, specifically, conflicts of authority between the Office of the Deputy Undersecretary of the Army for International Affairs (DUSA-IA) and the US Army Security Assistance Command (USASAC). Stated baldly, throughout each of these organizations, there is contention over where one agency’s authorities end and the others’ begin. While designated as a “Command”, USASAC has little evident command authority (line authority). Most personnel within the command see their roles and missions as being more management oriented and executing-focused than policy dictating. The command sees things differently. By organizational mandate, policy falls within the preview of DUSA-IA, a relatively “new” agency, given statutory authority over all matters of US Army Security Assistance in 1995. The question of which organization informs which – which is line and which is staff – is a question of “who has the power to decide” that is stifling any Army efforts to work the current system effectively and efficiently, much less to “reinvent” these processes.

**Institutions, Organizations, and Professions.** The distinction between an institution and its component sub-parts – the organization and the profession is of critical importance here. The US arms transfer system is a composite system. It is an expression of various institutions of shared power, many of which are dual-functionaries – institutions that are part organization (with organizational missions) and part profession (with professional missions and obligations). The Department of Defense is one such animal. This composite of unlike parts typifies what DoD is mandated to accomplish: promote the national defense and the national interests in an effective and efficient manner. The system of professions body of literature tells us of how organizations are functionally designed along efficiency lines. Organizations typically deal with shareholders and the maximization of shareholder value. Lowering production cost for the commensurate growth in profits is the organizations’ ultimate mantra. Professions and professional agencies within an institution deal with the abstract aspects of the overall institutions’ functionality. Professions are “exclusive occupational groups applying somewhat abstract knowledge to

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2 See Max Weber, *The Economy and Society*, volumes I&II.
particular cases.” Professions deal in the businesses of life that demand specialized, expert attention. Professions do those things for society that society is unable (or unwilling at the current “market” price) to do for itself. The armed services are historically the case examples for illustrating what a profession is and what a profession does.

The US arms transfer system consists on at least one such composite institution: the Department of Defense. There is an organizational element to DoD’s arms export mission. Selling weapons and related technologies has and always will be an important foreign policy tool. Selling arms to friends and allies can also be an extension of US national security; it is clearly in our national interests to promote the defense of our foreign partners. There is also an economic value-added aspect to arms exports. Selling arms abroad buttresses our own defense industrial base by extending (and keeping “warm”) US weapon production lines. Proliferating arms helps to lower industry production cost, which in effect keeps those same firms “interested” in continuing to produce a particular weapon system that makes the American soldiers’ ability to carry out their mission more efficiently, more effectively, and more safely. Since the mid-1990s, the stakes for all parties concerned to export have risen exponentially, raising a consciousness in the reality that the promotion of arms exports— to “some” degree—is a vital national security interest in and of itself.

This pressure to sell in order to more efficiently secure at home and abroad may in fact be conflicting with some of the armed services’ professional mandates and missions in arms transfers. If and when the guiding principle of the export of arms and related technologies is dominated by the commercial rather than the security aspects of our nations’ interests then professions in the business of defending the peace through regulated arms exporting are at risk of de-professionalization. The quest for an armed service to garner increased efficiencies in the contracting of a co-production or joint venture FMS case can compromise that same services’ professional obligations. “Closing the deal” at the lowest cost to buyer and producer may be overriding professional duty to effectively defending the public’s interests in national defense. A compromise of a profession’s “professionalism” can result in the de-professionalization of a profession. The United States’ armed services faced this stark reality in the aftermath of the Vietnam War. An imbalance of the armed services’ dual missions of providing for the common defense effectively and efficiently could result in another downward trend in professionalism.

Each of these three broad areas of causation is interrelated and informs one another. Cultural differences lead to policy cleavages, as one agency interprets the “problem” and defines ways and means of addressing the problem differently from others. Such cleavages are triggered by original organizational design, or in this case, an unintended and unanticipated effect of a departmental reorganization – Goldwater-Nichols. A consideration of the line and staff delegations of power within mid-tier agencies shows glaring differences between how one service divides up its power as opposed to others. Comparing US Army security assistance organizational authority with that of the US Air Force (SAF/IA) and the Navy (NAVY IPO) reveals organizational and cultural reasons for why “the airforce and navy seem to do it better.” The following table summarizes some of the “observations” of this study of FMS reinvention.

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Summation of Research “Observations”.

<table>
<thead>
<tr>
<th>Theoretic models applied</th>
<th>Key Decision Points &amp; Process Nodes</th>
<th>“Observations”</th>
</tr>
</thead>
<tbody>
<tr>
<td>March and Olsen’s “Garbage-Can” model (New Institutionalism)</td>
<td>Focus on Arms Transfer Policy Review Group (ATPRG)</td>
<td>• At implementation level, “gap” persists between acquisition and security assistance activities.</td>
</tr>
<tr>
<td>Kingdon’s “Three-Streams; Policy window” approach.</td>
<td>Focus on program definition misalignment between AT&amp;L and Policy. (i.e., Acquirers define cases based on “system-type”; SAOs define along regional lines.)</td>
<td></td>
</tr>
<tr>
<td>Weber’s Divisions of Labor.</td>
<td>Focus on DUSA-IA; USASAC; SAF/IA; NAVY IPO</td>
<td>• General lack of a “strategic” vision and plan guiding US arms export policy.</td>
</tr>
<tr>
<td>Wildavsky’s “Implementation” model(s).</td>
<td>Focus on Hamre White Papers</td>
<td>• Four White Papers provide “general guidance”, but no mission-based performance objectives. No follow-up guidance from top-tier</td>
</tr>
<tr>
<td>Ripley’s “Stages” typology.</td>
<td>Focus on FMS Case Studies (F-16-UAE; Dutch-Apache; Dutch-JAVELIN; Turkey-Tank)</td>
<td>• “Reinvention” activities are in reality, bottom-up initiatives and “outside-inside” initiatives (implementation leads policy development, not vice versa).</td>
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<td></td>
<td>Focus on Reinvention Lab – designations, request for waivers, and reinvention strategic plans.</td>
<td>• BRAC activities lead to consolidations (AF and Navy); expansion in Army.</td>
</tr>
<tr>
<td></td>
<td>• General lack of a “strategic” vision and plan guiding US arms export policy.</td>
<td>• Confused delegation of line and staff authorities between USASAC, DUSA-IA, and DCSINT.</td>
</tr>
<tr>
<td>Kier’s &amp; Legrow’s models on military organizational culture</td>
<td>Focus on distinction(?) between “promotion of national security” and “use of arms sales as a foreign policy tool”</td>
<td>• Security Coop. Community is composed of “organizations” and “professions”, with duel mission of effectiveness and efficiency.</td>
</tr>
<tr>
<td>Burk’s “Adaptive Military” thesis</td>
<td>Focus on different “drivers” of reinvention: cost-effectiveness. A look at service “professional” cultures. Consideration of the common “air” sub-culture and issue of innovation.</td>
<td>• Cultural distinctions between DoD and State Dept (national security “vs.” foreign policy?)</td>
</tr>
<tr>
<td>Freidson’s accounts of “Professionalism”</td>
<td></td>
<td>• Within DoD, four distinct service cultures…but also a common, cross-service sub-culture: an “air” culture.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Persistence of traditional Army culture regarding FMS reinvention.</td>
</tr>
</tbody>
</table>

This paper is the first in a series of studies that focus on US arms control and transfer policy, and specifically, Foreign Military Sales “Reinvention”. The afor-mentioned list of “observations” is neither exhaustive nor all-inclusive. These observations are simply broad categories of findings unearthed primarily during the conduct of six weeks of field research of the Security Cooperation Community in June and July of 2000. As an active duty military officer (US Army aviator), this researcher was afforded a unique opportunity to travel and explore within
the world of security assistance, much of which remains opaque due to classification issues. This study (and pending papers in this project) is based largely on primary source data obtained during this field excursion by way of direct observation of key processes (Production Management Reviews and financial Management Reviews of FMS cases) and interviews of key players both within the Security Cooperation Community as well as extra-governmental stakeholders (industry and foreign country political and military personnel). A full description of this six-week research agenda is found at Appendix 1.

This paper does not cover, in full, the afor-mentioned observations. This paper focuses on ‘step-one’ of the project: defining foreign military sales; defining “reinvention”; transposing the concept of reinvention onto the real policy case of export policy and foreign military sales – from an implementation perspective. The vision of this project then becomes revealing where reinvention “fits” and where it doesn’t. The specific goal is, through transposition, to excavate more “observations” like those already mentioned and to frame some of these observations into preliminary ‘hypotheses’ for further testing in follow-on studies. This paper first and foremost, provides an historical review of the changed(ing) global arms market – a requirement for any work done in this field of study. Next, this paper devotes time and space to a detailed organizational mapping and process tracing of the Foreign Military Sales (FMS) program, exposing the actors, agencies, and processes involved with the exportation of arms. This exposition will reveal some of the potential behavioral, cultural, organizational, and procedural aspects of export “success” or relative “failure”. The paper then frames the overall discussion of FMS reinvention and arms transfer policy reform in the context of the “Reinventing Government” initiative that ensued in 1994 with the National Performance Review (NPR), or as it is now called, The National Partnership for Reinventing Government. This section ask the question….why FMS reinvention, is it really reinvention after all and if not,…so what?

The paper concludes in prologue – with the presentation of observations, that will hopefully lead to hypotheses that question the effectiveness of US arms transfer reform and the potential affect of a successful arms control and transfer policy “reinvention” on the national security strategy (NSS) and the national military strategy (NMS).4

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4 A detailed account of future studies within this project on US arms transfer/control policy is found at Appendix 2.
A “REVOLUTION” IN INTERNATIONAL ARMS TRANSFERS AND THE DEMAND FOR DOMESTIC POLICY CHANGE

The prime rationale for national state production and sale of arms and related technologies during the cold war period was to counter military threats posed by adversaries. Cold War bipolarity helped "stabilize" the global arms trade. Bipolarity allowed for a two-tiered global arms trade process. The first tier consisted of the two superpowers, competing in a zero-sum, relative gains fashion. From this standpoint, arms transfers and trading was highly regulated by the two great powers. This security umbrella at the first tier set the stage for more absolute gains competition and trade at the second, lower tier. Here, trade and transfer could thrive in absolute terms, but was relegated by the superpowers to intra-pole and or peripheral (third world) marketeering. By the 1960s, the global market witnessed positive rates of technological growth and internalization, leading to the forging of close military-industrial ties (military-industrial complexes), characterized by complex arms procurement regulations, specialization of accounting and procurement techniques. The US government was thereby able to both restrict entry of defense firms (unknown entities) and confine those firm that were allowed to engage in arms production and procurement within the arms market by creating high cost for exit. In short, the 1960s and 70s saw a US arms market characterized by closely-linked military and industrial R&D complexes, funded and regulated by the Department of Defense, predominately through its foreign military sales and foreign military financing programs.

The 1980s and the Gulf War “Spike”. The Reagan-Bush years (FY 81 to FY 91) witnessed large-scale, across-the-board budgeting increases in defense spending. The US defense budget grew by 54% during this decade, with R&D funding doubling. Near-term, "specific" weapon system R&D budget grew by 65%.

The 1990s market. The 1990s market is best characterized as a market in decline. This decline in both the global arms market and the domestic US market are largely the result of reduced domestic demand for weapons (result of the end of the cold war), overcapacities brought on—again—by the end of the cold war, the 1980s buildups and the Gulf War production spike, and the rise in production autarky amongst former buyers, such as India.5

The 1990s are defined by a myriad of market changes. Three structural changes seem to take primacy of affect, as indicated by much of the literature on this subject.

A decline in the number of prime contractors. National firms were forced in the early 1990s to chose amongst three survival strategies: (1) conversion of some or all of their production capital to civilian purposes; (2) abandonment of such civilian subsidiaries and specialization in only defense-related production; (3) complete (forced) exit from the industry to preserve shareholder value.6 Those firms that were able to remain in the game, developed "niche strategies", such as McDonnell Douglas' focus on naval aircraft; General Dynamics' concentration in the US Air force market; Lockheed's focus on its "skunk works" (black technologies); Northrop's move to subcontractor roles for other prime contractors.7 What resulted, and largely drives the nature, scope and scale of today's US arms transfer policy process was and is a leaner, hungrier US defense industry, composed of fewer players, playing for higher shares of the potential benefits, albeit at higher risks to themselves….but better positioned to vie for and win

governmental support for their efforts, as government has as much to lose (and to gain) in today's market processes.

**Declines in domestic procurement rates and increases in firm/state entry into export markets.** Fiscal Year 1991 marked the termination of several current-generation procurement programs, including the F-15E fighter, the AH-64A Apache Helicopter, the F-14D fighter, and the M1A1 Abrams Tank, to name but a few. More alarming than the decline in system production is the corresponding decline in defense production "know-how"— Research and Development in basic technologies. To offset these and similar domestic declines, the market in general has shifted more from domestic demand-based production to international supply-based production. Survival of domestic production rest upon attainment of foreign export markets. According to a report by the now defunct U.S. Office of Technology Assessment (OTA), General Dynamics showed overseas sales had increased from 17 percent in the mid-1980s to almost 50 percent by the mid-1990s, while Martin Marietta moved from 8 percent in foreign sales in 1991 to over 20 percent in 1994. To date, these trends have reached a critical mass. Many staple US weapons programs are near-completely reliant on foreign demand. The Army’s M1A1/2 tank supply and sustainment is easily over 60% reliant on foreign customer purchases. The Air Force’s F-16 requirement is near-100% reliant on foreign demand.

**Increases in Transnationalization of defense industries.** Globalization has altered the face and character of domestic defense firms to a degree that could change the relationship between state and industry. By 'transnationalization' typically we refer to the physical unhinging of firms from national territorial bounds and the internationalization of once-national firms. We are just recently beginning to see this aspect of transnationalization in real-form. There is, however, another aspect of transnationalization that presents a more persistent affect on PCW arms transfer policy. The issue of what I call "procedural or administrative transnationalization" entails increases in the multinational composition of domestic-based defense firms, declines in relative firm-to-government access ratios between 'prime contractor' and sub-contractor firms, increases in 'teaming arrangements' and rises in production strategies, such as co-production, licensing arrangements, consortia, direct/indirect offsets, and cross-border mergers. The overall result of this is the growing need to consider defense industries as "domestic" in locational terms only.

This heterogeneous character of the modern US defense industry has been largely influenced by foreign policy visions of the Clinton Administration. The Administrations’ policy on arms transfers, known as Presidential Decision Directive 34 (PDD34) rest on the concept of arms trading within a broad "Circle of Friends"; an arms transfer policy based on the desire both to preserve America's competitive capability in arms production and to preserve national security through a strategy of engagement. While the policy follows a traditional US perspective on arms sales as a legitimate instrument of foreign policy (particularly in the case of aid to Saudi Arabia, Egypt and Israel), this particular Administration policy reveals a greater governmental hand in the marketeering of US arms and related technologies--senior US official promotion of sales. A "Europeanization" of the US arms transfer policy process is perhaps at hand, as governmental

agencies take on a more promotive (perhaps a more beholding) position in the government-industry arms transfer relationship.\textsuperscript{12}

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

\textsuperscript{12} A good case in point is seen in the 1996 signing of a $15 billion Defense Export Loan Guarantee program, under which the US government insures commercial loans taken by countries to buy or lease American-made weapons. This appropriation was, to a large degree, the result of over three years of lobbying on the part of the US defense industry and their foreign partners. ("Fiscally Conservative, 104th Congress Grants Billions in New Arms Export Subsidies," \textit{Arms Sales Monitor} (32), 5 March 1996, 5)
THE FOREIGN MILITARY SALES (FMS) PROGRAM

Literature abounds on the issues of arms export and export policy and processes. However, a review of this literature quickly reveals two related assumptions underpinning most research in arms control that in my opinion are suspect. First, it is largely assumed that the processes themselves are either well known by the concerned reader/researcher or far too complicated to understand. The proclivity to avoid a process trace of export control/transfer processes is therefore largely supported by the prevailing field of study. Examinations and analyses of arms control “problems” of course must address the processes somewhere along the line, at least in a roundabout fashion. Misconceptions of the processes themselves are generated and perpetuated.

At times, the processes are even improperly defined. Processes are defined in a vacuum, without consideration of how one process can be defined at any given time in context to the policy environment at the time, the stakeholder(s) involved in the process at that time, and the relationship with alternative processes. Second, while policymakers find a focus on process as “a bridge too far”, political and policy scientists often have found a focus on bureaucratic process as a pathway to loosing sight of “the forest through the trees”. The researcher can too easily find themselves captured by the subject of their inquiry and/or lost amongst an avalanche of administrivia. More often, bureaucratic studies concern themselves with either a focus on organizational structure, the behavior of principals and agents, and the politics of these two entities as they interact with extra-governmental players. These areas of study are often examined piecemeal and sequentially.

Studies of the foreign military sales program and its processes suffer from both of these assumptions. A process tracing is needed to first uncover in the abstract what we are and will be talking about and questioning in terms of process effects on “control”, “national interests”, “proliferation concerns”, “profitability”, etc. Tracing the process helps define the process. Process trace unearths critical nodes in a process where decisions are made; this information can narrow the researcher’s search for point of distress in the policy process. Most importantly, process tracing reveals key organizations within a policy system. Decision nodes within a given process require some sort of an organizational apparatus for “processing” decisions in that process. In this sense, the analytical effort must become a combined process trace and organizational mapping exercise.

What follows are the results of a trace mapping of the FMS program. It begins with a macro-organizational mapping of the US arms transfer/control system. This uncovers two things: (1) the organizational divide between Acquisition, Technology and Logistics (AT&L) and Policy, and (2) The distinction (but not necessarily a divide) between foreign military sales and direct commercial sales (DCS). What follows is a process tracing of the FMS-DCS processes, unveiling critical nodes and organizational decision points/management points along the way, the importance of each illustrated through the help of specific case analogies. Finally, key nodes and agencies in the system will be uncovered (again through the use of FMS case studies) for follow-on evaluation from a “reinvention” perspective.

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13 The actual process trace-organizational map of the foreign military sales program will be incorporated into later versions of this paper and presented in poster session presentation at the American Political Science Association (APSA) Annual Conference, 31 August to 3 September 2000, Washington, D.C.
The following matrix captures some of the key “observations” from the trace-map exercise.

<table>
<thead>
<tr>
<th>Agency</th>
<th>DoD</th>
<th>US Army</th>
<th>USAF</th>
<th>US Navy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Formulation</td>
<td>DSCA (FMS) DTRA (DCS)</td>
<td>DUSA-IA</td>
<td>SAF/IA</td>
<td>NAVY IPO</td>
</tr>
<tr>
<td>Program Management (FMRs; PMRs)</td>
<td>Vague “joint” oversight</td>
<td>USASAC – NC</td>
<td></td>
<td>NAVAIR – Pax R Maryland</td>
</tr>
<tr>
<td>Program Implementation:</td>
<td></td>
<td><strong>All done within SAF/IA</strong> *</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- pre-LOA</td>
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<td></td>
<td></td>
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<tr>
<td>- P&amp;A</td>
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<tr>
<td>- Licensing</td>
<td></td>
<td></td>
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<tr>
<td>- Disclosure (NPD-1; ENDPs)15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Contracting</td>
<td></td>
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</tbody>
</table>

| Program Evaluation | No rationalized and comprehensive set of performance metrics | Development of performance metrics in infant stages; metrics focus on resource management only; metrics not welcome at operator level | Development of four (4) tiers of performance metrics: | |

Denotes effects of AT&L – Policy divide \* Denotes US Army-Only effect.

“A Nation divided cannot stand” – Organizational barriers to effective Reinvention.

At the Top-Tier. One key observation here is the structural divide at the DoD Undersecretariat level between Acquisition, Technology and Logistics (AT&L) and Policy. The structural divide is relatively new (the shift being made around the 1988 time period), occurs at a time curiously parallel to the time of implementation of Goldwater-Nichols implementation, and is suspected of creating a critical gap between collaborative efforts at security cooperation throughout the Security Cooperation Community. There are bridges that span this gap, however, problems of coordinated effort still abound. This is due largely to two issues: (1) the bridging agencies (interagencies) that do exist – Defense Security Cooperation Agency (DSCA) and Defense Threat Reduction Agency (DTRA) – exist only at the top-tier, with no comparable bridging mechanisms at the middle and lower tiers in the system; (2) DSCA and DTRA are only coordination agencies, at best; to be more effective interagency conduits, a delegation of line and staff authority would need to take place (the authority to direct action at the lower levels).


15 NDP-1 stands for National Disclosure Policy – 1. This is the governing policy on all issues of disclosure or release of security-sensitive and proprietary technical data, etc. ENDP stands for “exception” to the NDP-1.
There are informal (“field expedient”) pathways that cross this divide. The Arms Transfer Policy Review Group (ATPRG) is the primary of such “informal” conduits. The ATPRG was enacted by Deputy Secretary of Defense John Hamre on 18 November 1998 to “help formulate major arms transfer policies and provide a mechanism for the orderly and timely processing of particular major arms transfers.” This endeavor has improved relations between the two sides of the security cooperation coin, as it is a composite of key decision makers from both Policy and Acquisition, Technology and Logistics. The ATPRG is chaired by the Undersecretary of Defense for Policy (currently the Hon. Walter B. Slocombe). Members include representatives from Policy, AT&L, the Office of the General Counsel, Legislative Affairs, DSCA, DTRA, the Joint Staff, Service Secretariats, and others as appropriate. Problems still persist. The Arms Transfer Policy Review Group “seeks to make its decisions by consensus.”

In the absence of consensus, the Undersecretary of Defense for Policy sends a recommendation to the Deputy Secretary of Defense, with dissenting members of the group having ten (10) working days to submit a dissenting opinion to the deputy. Consensus is rarely attained on “major arms transfers” (debate over the need for an exemption to the national disclosure policy, or ENDP, is a normal point of consternation). In the absence of clear consensus (the best case scenario) it would still be difficult to ensure “consensus” throughout the system between acquisition and security assistance officers. The worst case scenario of a UND-P recommendation being accepted by the Deputy SECDEF and disseminated through the system as the “gospel” is more likely, and almost guarantees poor or on-sided implementation – even non-compliance at certain points in the system.

Disclosure is another story. Disclosure authority lies outside the direct control of the ATPRG. The ATPRG is “advised” on matters of technology disclosure by the chairman of the National Disclosure Policy Council (NDPC). Overall disclosure authority, by statute, lies with the Deputy Chief of Staff (of the Army) for Intelligence (DCSINT), formally commanded by GEN Kennedy. The other problem that persist is that, once again, this conduit has no way of ensuring that their counterparts at the implementation levels of the system cross-train, cross-talk, cross-plan, and cross-execute security cooperation cases.

At the Middle-Tier and Lower Tiers. In the corporate sense, this tier would roughly equate to the level of “senior management”, although in the security cooperation structure, there exist agencies, directorates, and commands that maintain both “line” and “staff” authorities. Here, the organizational mapping analysis focuses attention on four (4) key agencies. Two of these are Department of the Army agencies: the Office of the Deputy Undersecretary of the Army for International Affairs (DUSA-IA) and the US Army Security Assistance Command, (USASAC). Of the remaining two, one is Air Force (Secretary of the Air Force for International Affairs, SAF/IA) and the other is Navy (Navy International Programs Office, NAVY IPO). Examinations of these four institutions – their organizational relationships and structures, and the politics that drive their individual processes – reveal several interesting “observations”.

These “findings” reveal more than meets the eye. Depicted graphically (and stated bluntly), the US Army “sub-system” suffers from what military planners call a “lack of unity of command” of its security cooperation functions. Within the ‘decision domain’, there persists a confusion over line and staffing authorities between the Office of the Deputy Undersecretary of the Army for International Affairs, or DUSA-IA and the US Army Security Assistance Command (USASAC), a subordinate command within Army Material Command, or AMC.

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17 Ibid.
The Army further divides its power (and limited resources!)—perhaps beyond the point of diminishing returns—by separating policy functions from management function...not only procedurally (which makes perfect administrative sense), but also physically (the policy function housed in Alexandria, VA., and the management function billeted in New Cumberland, PA—nearly three hours separated by ground conveyance).

This is not the case with the USAF. The Secretary of the Air Force for International Affairs, or SAF/IA, is the principal line and staff agency for all matters pertaining to security cooperation. SAF/IA is the hub for international affairs for the entire Air force. According to one of its management team chiefs, policy division, Mr. Patrick Fox, “[SAF/IA] can speak for the Air Force regarding security assistance.”

While the USAF suffers the same fate as the other services in contracting existing on the “other side of the moat” in the realm of Acquisition and Technology, a distinct mindset and realization of the limits of their preview exist in the Air force that allows this service to prevail in the face of firm organizational barriers to change and innovation. As one policy agent in SAF/IA so amply stated, “SAF/IA goes into reinvention with the understanding that they don’t own the process….but can still affect the process.” SAF/IA is the disclosure authority for all matters pertaining to security assistance and security cooperation. The issue of disclosure, ala the US Army is a story that demands further explanation, some of which follows later in this study; most of which goes beyond the limits of this paper but will be examined further in detail in future projects.

Stated baldly, in the face of devolution of governmental power, we see with regard to FMS reinvention and export policy, contraction and rationalization of programs and decision-making procedures within the Air Force and to a lesser extent, within the Navy. In light of similar downsizing realities that face the other services, it would be logical to expect the Army to streamline, reorganize and consolidate like its sister services. Not so. The Army is at best maintaining its prior structure; at worst, it is experiencing an expansion and separation of authority and power. This expansion may be serving some internal organizational purposes (such as the preservation of command billets once at risk under organizational realignments and closures of the early to mid-1990s), but it is clearly harming efforts to reinvent FMS. Additionally, structural expansion and fractionalization scatters valuable resources (experienced SAOs, FDOs, PMs, $s, Time, etc.)—resources even more critical to security cooperation efforts now than before. William Greider states in a recent work on US arms procurement policy that the US military has come to resemble “a starving man whose body has begun to feed upon itself.”

Likewise and equally illustrative, it seems as if the Army is fighting a battle with itself on the grounds of “divide and conquer”...and is winning that battle.

A Brief Word on Disclosure.

Preliminary study indicates that the issue of transparency— or rather, the lack thereof — is a major issue of concern in the drive to reinvent FMS. Foreign buyers want greater access to costing and pricing of FMS items and case management; new realities of a global market with dwindling demand place foreign countries in a particularly advantageous position to fulfill these desires. Industry wants to accommodate foreign recipient needs and demands in order to secure the sale, but is firmly opposed to transparency of their costing data, as well as proprietary information (such as production “know-how”, manufacturing and tooling techniques, etc.). The US government (USG) finds itself stuck in the middle—wanting and needing to provide for

18 Interview with Patrick E. Fox, Acting Chief, Management Team (Policy Division), International Affairs (SAF/IA), 18 July, 2000 at SAF/IA Headquarters, Rosslyn, VA.
19 Ibid.
customer satisfaction; needing to protect its industrial “national champions”, but also having to walk a thin line between these two demands while not compromising national security. Transparency speaks directly (in an operational sense) to disclosure. Foreign disclosure officers (FDOs) are the agents of disclosure; the NDP-1 and the 5000-series Security Assistance Management Manual (SAMM) provide them with their marching orders. Points of disclosure within the FMS process serve as critical decision points. Hence, disclosure is a critical causal variable of study.

In comparing the Army, Navy, and Air Force on disclosure processes, disclosure nodes are widely dispersed; power and statutory authority is fragmented and blurred. Not so in the Navy and the Air Force – both of these services having consolidated all issues of security assistance, cooperative production and disclosure under one umbrella organization (NAVY IPO and SAF/IA, respectively). Foreign disclosure is a highly technical area of expertise. Experts take a long time to grow; there is a critical shortage of FDOs in all the services, but particularly so in the US Army. And to make this matter of resource scarcity even worst, expertise throughout the Security Cooperation Community (SCC), but particularly in regards to disclosure, will soon be lost, as the “experts” reach retirement age. Couple these realities with the fact that FMS will become much more vital to US national and economic interests in securing cost-effective defense products and the potential for negative impact on US commercial and security interests becomes obvious. Future projects delve more deeply into the issue of disclosure, transparency, and foreign military sales.

### A Brief Word on Contracting and Licensing

An examination of foreign military sales and reinvention from an implementation stage of analysis focuses attention on three critical nodes in the process: disclosure; contracting; licensing. The viability of an FMS case can be seen and defined in the licensing arrangement and the contracting of the case. These two areas (along with the issue of disclosure) have been and continue to be the main sticking point with foreign customers. Their position is a simple one: a demand for greater visibility in the pricing and costing of foreign military sales case management. Foreign purchasers – typically the military services – are concerned with getting the best value for their cash. And like our own US armed services, foreign militaries are being held closer to the fire on legitimizing cost of weapons procurements and purchases to their Ministries of Defense and Finance. Under these pressures, foreign recipients have become extremely adept at and knowledgeable of the US arms transfer and control system; it’s processes and its politics. The Dutch Royal Air Force is the most adept of the European buyers, and in fact leads a consortia of some 21 European countries that purchase weapons and related technologies from the US through FMS and DCS. It is the Dutch, and their experiences with cost overages on their 1994 Apache Attack Helicopter purchases, that open the door on FMS reinvention. The Dutch, like the majority of FMS users, complain of four things: (1) the restriction of the foreign purchaser from costing negotiations with industry (being forced to go through the USG in negotiations on case development and costing as their “advocate”); (2) the ambiguity on price and cost in the Letter of Acceptance (LOA); (3) the reluctance (and outright refusal) of the USG and industry to provide the buyer country with a “Not-To-Exceed Price” (NTE); (4) lack of transparency on exactly what the buyer is buying (that is, lack of access to production methods and Pricing and Availability (P&A) data). A fifth complaint – poor management and transparency on lifecycle cost – and a sixth….inefficient case management, particularly in case closure are complaints that encapsulate the other four critiques of the current FMS system. All of this can be seen in the contract and the license. And while some improvements have taken place (the inclusion of NTE pricing on some test programs, such as the US Army JAVELIN sale...
to the Netherlands and New Zealand), no real systemic adjustment has been adopted (i.e., a policy-shift) by the USG.

There are several barriers preventing the stakeholders from coming to consensus on the above-mentioned issues. The pricing versus costing issue is the most poignant point of disagreement. Foreign countries cannot understand why they are restricted from taking part – directly – in the negotiations with industry over price and cost. This is crystal clear to industry and they state it plainly: pricing and costing data are two different things – cost data is proprietary data and therefore not releasable to foreign purchasers. If a competitor industry – domestic or transnational – obtained an industry’s cost data, there would be a spiral-down effect in the market in terms of price….resulting in some firms being priced out of the market altogether. Industry concedes to the buyer on their right to “some” pricing data. But even here, the industry can make claims to proprietary ownership of this data. The USG (namely the services) find themselves in a precarious middle position – needing to accommodate foreign country needs and desires to provide their own comptrollers with a “bottom line” figure (in order to secure future and continued purchases of systems critical to our own defense postures) and needing to protect national champions in a global arms market that has become more and more cutthroat and zero-sum.

Until contention over licensing and contracting are resolved, FMS reinvention will be more a dream than a reality.

A Brief Word on Experiential and Educational Learning.

Though it seems like a restatement of a popular cliché in contemporary policymaking, the key to reinventing the way the US does its arms business is through education. The Foreign Military Sales program is a composite of numerous highly technical processes (disclosure, licensing, contracting to name just three). How an agent is trained and educated in each of these areas affects policy implementation. This is a counted on and hoped for product when our intent is to maintain the current practices and the status quo; it is a barrier to change when the policy intent is change. Three issues stand out when we consider or question FMS reinvention from the standpoint of education. First, implementing agents in the SCC are being trained the same as they have always been trained – no adjustment has been made at the schoolhouses (SAM-E at Wright-Paterson Air Force Base, Ohio; DISAM, also at Wright-Paterson; the FDO course at Ft. Huachuca, Arizona) to teach new practices and to build new norms and principles of action that are commensurate with reinvention. Second, Agents are being taught (through formal as well as experiential learning) separately…not jointly, which would be in accord with FMS reinvention’s goal of “teaming efforts” on case management. Security assistance officers are taught separately from acquisition officers; foreign disclosure officers are taught separately from licensing agents and contractors. Daily pressures to “work the case” preclude much of the effort that is put forth at the operator level to incorporate some informal “cross-training” practices. Third, fewer are being taught than before. Downsizing has taken its toll on the SCC as well as the uniformed services. The “experts” are as a group sitting at 22 to 27 years of service. The last significant hiring effort of security assistance officers was in 1984…these “newbies” are at 16-years of service.21

Within the next five years, the US Security Assistance community will be critically understrengthed. This is a problem that faces all agencies and services within the SCC. At a recent defense export licensing conference the discussion of numbers of licensing agents with the Air Force’s SAF/IA revealed a startling fact: amongst over 350 personnel that comprise SAF/IA, only four individuals held certifications as bonified licensing officers.22

21 Interview with Don Ebert, SAM-D, Redstone Arsenal, Huntsville, AL., 27 June 2000.
disclosure officers and agencies and scattered them widely within the Security Cooperation Community.

And expertise and experience is being lost by industry as well, though industry seems to be benefiting some from government agency losses (by hiring former government workers and military personnel). Not until day two of a two-day SIA conference on export licensing, did an astute panelist (an Air force representative, no less) ask the question upon which the entire conference should have been built: how many of you are new to the export license business…that is, working in this field for only the last six months? The answer by a show of hands was stark: of over 300 attendees, at last 60% raised their hands.

The bottom line of all of this? While global market changes are increasing the complexity of foreign military sales, the SCC is losing expertise through a loss of its experts (retirements; capture by industry and foreign countries – as “advisors”) and a fragmentation and “stove piping” of its remaining expertise in the areas of disclosure, contracting, licensing and general case management.
WHERE “REINVENTION” BEGINS: THE NATIONAL PARTNERSHIP FOR REINVENTING GOVERNMENT

Popular knowledge of “reinvention” begins after 1993 and the publishing of the best-selling account on the reinvention of government and other public organizations. The full history begins over a decade prior. The labor pains of reinvention can be seen in the American tax revolt that began in 1978 and the British election of Margaret Thatcher in 1979. The birth was seen in the election of Labor Party governments in Australia and New Zealand in 1983 and 1984 respectively, and the development of Thatcher’s “Next Steps” agencies in 1988.

In the US, four events converged to thrust it into the spotlight: the recession of the early 1990s; fiscal crises at every level of government; the publication of Reinventing Government; and the election of Bill Clinton to the presidency in 1992. On March 3, 1993, President Clinton gave Vice President Al Gore the mission of leading a six-month review of the federal government. This review resulted in the National Performance Review (NPR). Composed of teams of federal employees, the NPR made recommendations for reinventing government that was to mark a continuing commitment to change and a ten-year process of reinvention. The President asked all cabinet members to lead department transformations and to encourage the creation of reinvention laboratories, dedicated and empowered to finding new ways of doing business.

The NPR and its recommendations focus principally on budget and performance deficits. These deficits are addressed through personnel streamlining, procurement process reform, infrastructure consolidation and modernization, and reduced administrative procedures and costs. Savings and performance improvements is the bottom-line, to be realized by following four key principles:

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

There are two phases to Reinventing Government. Phase I (REGO I) was the initial phase and focuses on looking at how we do what we do. The guiding question in Phase I is “can we eliminate some steps? (can we do it differently/more efficiently…what processes need to be changed)”. Phase II (REGO II) was kicked off by Vice President Gore in his January 3, 1995 memorandum to agency and department heads. REGO II focuses on what we do. According to the Vice President, “[REGO II]…will examine the basic missions of government…to find and eliminate things that don’t need to be done by the federal government.”

Phase II also includes a review of all federal regulatory processes, in the vein of “…striving for better results and less interference in the lives of our customers – the American taxpayers.” Reinvention alternatives would include, but not be limited to, the following: continuation as a federal function, consolidation/merging of functions within the federal government, transfer of functions to lower
levels of government, privatization of functions, franchising, contracting-out of functions, and elimination of functions.

Reinvention and *Reinventing Government*. With the popularity of the book, *Reinventing Government*, the term “reinvention” has suffered a loss in clarity. Reinvention is often mistaken for reengineering; more often, reinvention is defined by only one aspect of its truer meaning. “Reinvention” means the “fundamental transformation of public systems and organizations to create dramatic increases in their effectiveness, adaptability, and capacity to innovate.”

*This transformation is accomplished by changing a public system or organizations’ “purpose, incentives, accountability, power structure, and culture.”* Reinvention is about replacement of bureaucratic systems with entrepreneurial systems. It is about the creation of self-renewing systems – public sector systems that have a built-in drive to improve. Reinvention is about infusing public sector systems with an “adaptive capacity”, or the capacity to address new issues as they arise. Without this adaptive capacity, reinvention devolves to an excursion of efficiency and effectiveness only. This, in the words of David Osborne, equates to “learning how to fight the last war….after you know how to do that, you find that the next war is quite different – and that you’re not prepared for it.”

It is peculiarly interesting how well this analogy fits the issue of foreign military sales reinvention. DoD as a parent institution and the four armed services that serve as the implementing arm within it are face with the difficult prospect of simultaneously having to fight the last war *and* the next. Preparing for the last demands some degree of a nostalgic focus on past ways and means of preparing for war and doing the interim business therein. Preparation for future contingencies demands a forward-looking attitude and posture….ripe ground for a reinvention effort, but also a minefield when we consider the stark reality of DoD mandate to remember and stay loyal to past ways of doing business. And all of this, by the way, must be framed within a changed (and still changing) international environment, full of new threats, new opportunities, and in between….evolving relationships with past friends and allies.

To end the discussion of what “reinvention” is, it is useful to consider what the experts say “reinvention” is not. In *Banishing Bureaucracy*, Osborne and Plastrik give a brief list of what reinvention isn’t.

- Reinvention is not about change in the political system. While in the United States political reform is critical if we are to achieve significant policy and governance reform, it is not what is meant by reinvention.
- Reinvention is not reorganization. It is not about moving boxes around on an organizational chart. It is about restructuring public organizations and systems by changing their purposes, their incentives, their accountability, their distribution of power, and their cultures. Starting a reinvention effort from a reorganization departure point will only lead to debilitating turf wars.
- Reinvention is not about cutting waste, fraud, and abuse…or other one-time type changes.
- Reinvention is not synonymous with downsizing government. It is about finding the size that maximizes performance….but form should follow strategy.
- Reinvention is not Total Quality Management (TQM) or business process reengineering. TQM is a valuable tool – a necessary, but not sufficient path to reinvention success.

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31 Ibid., 15.
32 Ibid.
33 Ibid., 14.
When we consider this brief list of what reinvention is not, and apply it to the case of foreign military sales, interesting insights are revealed. Political reform and clear redefinition of what the national interests is (and isn’t), what the national security strategy is (and isn’t), what our national military strategy is (and isn’t) – all are vital steps toward a true reinvention of arms transfer practices. This reform, specifically, would focus on reevaluation of the Arms Export Control Act, the International Traffic of Arms Regulations, and the Security Assistance Management Manual to name just the three main statutory and regulatory guidelines critical to foreign military sales. An examination of the current organizational structure of the USATS and a process trace of official FMS process channels makes clear that there is a need for some reorganization. The granting of waiver authority to key agencies in the system to allow subordinate directorates and commands to circumvent “normal” procedures begs the question, why the need to circumvent the existing structure if it is “correctly” structured? The existence of “unofficial” acquisition channels, that bypass the “normal” channels and at times largely avoid conference with security assistance desks and offices reinforce this perceived need for structural readjustments. The bare fact that acquisition officers and program managers look at questions what to procure and who to sell it to from a system-perspective (i.e., a focus on particular programs – missiles, tanks, helicopters, etc.) but security assistance officers approach the same question from a regional-perspective (i.e., Europe directorates, MidEast/Africa directorates, Asia/Pacific/Americas directorates) begs the same question of structural flaw. The fact that SAOs know little of what PMs do – the fact that they occupy desks and offices separate from one another….working the same or similar cases from different points-of-view and interests and commensurately moving often in different directions in implementation of the cases only makes the question more poignant.

The issues of removing fraud, waste, and abuse (FWA) and downsizing are somewhat related in the context of FMS reinvention. Osborne and Plastrik are right… but the prevailing perception within the security cooperation community does not support this claim. Agents in the community, on the large, perceive FMS reinvention to be solely about getting the goods to market quicker, albeit while not selling the farm on security in the process. This drive toward greater efficiencies is seen to potentially mean doing away with some duplication and replication of task. This means downsizing. It definitely meant so in the early to mid-90s when FMS reinvention departed the dock. In the early stages of FMS reinvention, agencies and agents joined the bandwagon at least partially as a means of avoiding being downsized out of a job and a mission themselves. The US Army Security Assistance Command was once considered as a downsizing focal point in the earliest days of FMS reinvention. The Deputy Undersecretary of the Army – International Affairs (DUSA) was created on August 12, 1997, whose security assistance function was prior located in the office of the Assistant Deputy Chief of Staff for Logistics (Security Assistance) {ADCSLOG(SA)}. There were movements about to fold USASAC under and within DUSA-IA shortly after this timeframe. Designation of USASAC as a “reinvention lab” occurred through memorandum, dated 24 February 1999. 34 Reinvention was and still is, at least to some relevant degree, a means of survival for organizations and their agents.

The focus on “performance metrics” and “resource coding” by managers of FMS reinvention within the Department of the Army indicates a narrow conception of reinvention, from its purer conception to one of program reengineering and process improvement only. More importantly, this management pitch to lower-level implementers feeds the perception of reinvention only being about improving efficiencies. Interviews with SAOs, program managers and other implementing agents at Army Aviation and Missile Command (AMCOM) support claims that from the operator level perspective, those touting reinvention of foreign military sales processes simply don’t get it.

“All they seem to care about is resource codes and tracking how much time I spend on case management as opposed to my other functions”, was the response of one regional director within the Security Assistance Management Directorate (SAM-D). Another country desk officer (The Netherlands desk) was more direct in her disappointment with how FMS reinvention was being promoted – “we’ve heard this all before. And when we asked what all of this means to us at this level and what it means for helping us in satisfying our country’s needs, we get no answers.”

FMS Reinvention, at least in concept, is more than performance metrics and resource codes. But, this “fact” has not been effectively transmitted throughout the system – at least along Army channels. As a result, reinvention is receiving an antagonistic response by those who matter the most in reinventions’ future – the acting agents.

This leads to the issue of “reinvention versus reengineering”. As the above supports, the perception of reinvention of FMS supports the notion that reinvention in this case is TQM and little if nothing more. Bluntly put, to evolve reinvention from mere reengineering to full reinvention, a strategy is needed. All stakeholders cry for a all-encompassing strategy that provides guidance and direction and legitimizes efforts. Discussions with foreign country liaison officers revealed their continual grasp for some semblance of US intent in its arms export policies. Security Assistance Officers, Program (Acquisition and Technology agents) and Project (Security Assistance managers and desk officers) managers – all ended their discussions on the question of FMS reinvention with demands for strategic guidance. Major General Bruce Scott, Commander, US Army Security Assistance Command (USASAC), indicated in an interview his need to “gain an assessment [for his command] of how best to rationalize FMS and FMS reinvention with the National Security Strategy (NSS) and the National Military Strategy (NMS).”

Reinventing Government, The British Experience, and “Lessons Learned”. The British reinvention experiments of the 1980s, and their “Next Steps” program, laid much of the groundwork on the Reinventing Government methodology. The need for and utility of a Policy (capital P) strategy and the identification and manipulation of key leverage points in the governmental system under scrutiny are clearly the two critical lessons of the British experience. The Thatcher government learned that reinvention required collaboration between elected officials and civil servants – collaboration between what Osborne calls the political and institutional sectors. This is a reality that faces FMS reinventors. The need to make long-lasting, systemic changes to the statutes, departmental and armed service regulations upon which US export policy is hinged is imperative; this, however, is a daunting task and one that demands paying homage to the “court” that is the US Congress. So far, reinvention initiatives are stopping short of this task, instead exhausting all possible avenues of doing business as “unusual” that bypass congressional review. Through the reinvention lab mechanisms, reinvention thus far is a policy (small p) by exception. More on this point in concluding comments.

But most importantly here, are the lessons learned about strategy. Thatcher’s first attempts to reform the civil service bureaucracy – staff cuts and efficiency scrutinies – were inadequate. These efforts were not strategic, as they did not create a domino effect toward systemic change. By reinvention standards, strategy implies the “use of key leverage points to make fundamental

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changes that ripple throughout government, changing everything else.” The word “strategy” originates from military context, the Greek word *strategos*, meaning “general”. All “good” generals begin their efforts by first developing, not operational plans, but strategies – basic approaches capable of altering the balance of forces in the field. From these basic approaches, the general can then guide their subordinate commands and agencies to define their own missions, objectives, and performance targets.

The “Five C’s of Reinvention. What are the fundamental levers of change in an organizational system? In other words, what are the basic strategies of affective change? In the military, such fundamental levers are often referred to as “centers of gravity”. To find and then concentrate all effort and resources toward an enemy’s centers of gravity is the critical first and last ingredients in any commander’s recipe for operational victory. In understanding foreign military sales reinvention, it is critical to (1) identify the key decision points, critical nodes...centers of gravity within the US arms transfer system; (2) unearth and categorize the principal strategic levers that have the greatest potential for affecting systemic change; and (3) evaluate whether and if the key levers are in fact being effectively applied toward those key centers of gravity. The composite and hybrid-nature of the organizations that make up the US arms transfer system complicate this endeavor, as different institutions within the system, due to unique roles and missions that go beyond the policy issue of arms exports, necessarily have their own internal strategies. The rationalization of these sub-organizational strategies with the overall institutional (systemic) core strategy, is a daunting but necessary ingredient for success.

Osborne and Plastrik provide a typology – a classification model – that group what years of study of various public and private organizations has revealed to them as being the five basic strategies endemic to reinvention success for any organization. Application of this basic model to the US arms transfer system, it is hoped, will prove a useful analytic tool for evaluating reinvention efforts of different services and organizations of their foreign military sales practices and programs.

**The “Five C’s Model**

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The strategy that defines and clarifies a public systems’ purpose (and commensurately, should inform the organizational purposes and mission statements of agencies and services therein) is the

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39 Ibid., 28.
40 Ibid.
core strategy. This strategy deals with the core function of government: what reinvention experts call the steering function – what roughly corresponds to the Weberian concept of staff function. The remaining four strategies focus on the rowing function (implementation; Weber’s line function). The consequences strategy deals with what incentivises agents to do what they do. Typically for private-sector organizations, the ultimate incentive of the agency and its agents is the reality that jobs can be lost; the business itself can go out of business. Not so in the public sector – particularly in the defense trade sector…or is it still true? This is addressed later. The customer strategy focuses on the question of to whom the organization is accountable. Who is the “customer”. Reinvention shifts this accountability to the customers. The idea is that this shift then increases pressure on public organizations to improve their results, not just to manage their resources. Increased customer satisfaction becomes the operative mantra. This is a relatively rational and straightforward premise for the private business to follow, for the business of business is business – the protection and promotion of shareholder value through profit maximization. We do not get away so easily when dealing with the public organization. Public organizations are typically organizations of dual accountability: accountable to the elected representatives and the customer…the public citizenry itself (or some microcosm of the same). The Defense organization is a peculiar public organization. It and its component organizations are not dual-accountable; they are accountable to multiple customers. The demands, desires, and needs of the foreign country buyer is the prime customer driving FMS reinvention efforts. But let us not forget that other traditional customers still persist: the armed services of the United States Government, domestic defense industrial firms, their subsidiaries…...and increasingly, their transnational partners. And the American taxpaying and voting public. Providing for the common defense is no longer so common as it once was. New stakeholders in defense trade have emerged, placing the policy entrepreneur and the policy implementer (be they civilian or military) in precarious positions of serving multiple customer needs equally, evenly, while not doing harm to national, regional, and international security in the process. But more on this later. The control strategy delves into the question of power; what is it, where does it come from, who has it. In bureaucratic systems, most of the power lies at the top echelons of the organization. In democracies, while this power initially bubbles up for the populace, once power is infused into the system, it diffuses throughout, with much of it coagulating at the head. This makes it difficult, but at least possible for the public to keep check over the legitimate use of power in governmental organizations. The defense world is not so democratic; the world of arms exports being even less so. Defense and foreign policy fall under the preview of the Departments of Defense and State; they are primarily executive areas of expertise, largely left to centralized, executive authority. This issues are opaque to public scrutiny. The public “customer” is customarily restricted from these policy areas. An interesting and central dilemma is FMS reinvention, since the premise is customer satisfaction that customer is predominately defined as foreign country purchasers, and that customer is by law and regulation denied access to the policy process. More on this later. Finally, the culture strategy. The most amorphous of all the strategies; the strategy that depends upon successful implementation of the prior four. An organizations’ purpose, its incentive structure, its accountability system and its power structure, all combined, define and can affect change in the organizations’ values, norms, attitudes, and expectations that is its culture. Understanding an organization’s culture, and least not forget the myriad of sub-cultures (and counter-cultures) that inform the parent culture, is a difficult task; a task taken on only most recently in political science.\footnote{Two accounts of particular significance to this study of defense sector culture are Elizabeth Kier’s work on military organizational culture (\textit{Imagining War}) and Jeffrey Legrow’s similar work (\textit{Cooperation Under Fire}).} Even more daunting is the reinventors’ ability to affect change in culture and then evaluate the scope, scale, and direction of that change. According to reinvention
experts, three approaches can be used to reshape culture: molding the habits, hearts, and minds of
employees by developing new habits, reinforcing those new habits through a facilitation of new
experiences, and by building a shared vision of the future – “a new mental model of where the
organization is going and how it will get there.”

We shall see if this is true in the case of FMS.

Transposition:
Forcing a Square Peg into a Round Hole? – the NPR, Reinvention, and Defense Trade. When
looked at from the vantagepoint of US defense trade policy and the US arms transfer system
(USATS), the underlying foundation of the NPR and many of its operational principles and
methodologies raise critical questions not only of “fit”, but more basically to the rationality of its
founding principles to application in the public (governmental) sector. Four key questions derive
from the four key principles of reinvention described above.

Regarding FMS reinvention and the overhaul of the US arms export policy, regulatory
review and revision of statutes and guidelines underpinning the arms transfer process is cursory at
best. Most initiatives are geared toward avoiding the issue of systemic regulatory review. Seen
as a “bridge too far”, the review of laws and regulations governing FMS and other arms transfer
programs and processes is largely avoided under FMS reinvention. The Arms Export Control Act
is the statutory bible on all transfers of arms and related technologies. There have been no major
changes beyond cosmetic facelifts of this act since its enactment in 1973. Its executing regulation
– the ITAR – has seen no changes since its genesis in 1976. Daily management of arms transfer
and export processes is guided by the Security Assistance Management Manual, or SAMM.
While reinvention of the foreign military sales program has been in the works, in earnest, since
1995, no major reviews or revisions of the SAMM have occurred. In short, the key first step in
accomplishing the mission of cutting red tape has been skipped: a review or existing rules and
decision-making procedures.

The second principle, in word, has been realized in FMS reinvention. All levels of
supervisors, managers, and employees understand that FMS Reinvention is to work toward
improved customer satisfaction. In deed, however, this is not realized. There are several reasons.
First, reinvention of the arms transfer sector is defining the customer in the narrowest of context.
The idea of customer satisfaction equates in practice to getting the product (in this case, the
wanted weapon system, upgrade, or technology) to the foreign country buyer at a price and a
timeline that meets foreign country demands. For a myriad of reasons, the primary customer of
concern in US defense trade practices has shifted from domestic (US armed serves) buyers to
foreign markets. The section that follows examines in more detail systemic changes to the arms
market that have led to the shift of the US market from a seller’s to a foreign-buyer’s market. To
state it baldly here, our own services need less and have less money to buy more, but or defense
industrial firms still need to produce more of the same, so we need more “other” buyers to fill the
void. This is a stark reality with some potentially damning consequences for US domestic force
postures. Does a reinvention focus that keys on “foreign” customer satisfaction succeed at the
expense of “domestic” customers and stakeholders? These “other” customers include the
American taxpayer and the armed serves that have an obligation to arm itself in order to defend
the personage and interests of the American public.

Another dilemma persists. Say a foreign customer focus on reforming existing military sales
practices is the correct focus. Even if true, existing laws and regulations prevent a forward-
leaning approach to customer satisfaction. The National Disclosure Policy (NDP-1) prohibits the
release of items and technical data of some systems to foreign countries that are deemed as
critical to US national security. Contracting officers are severely limited in their authority to
release certain in the Letters of Offer and Agreement (LOA). Preparation of Pricing and
Availability (P&A) agreements must, by US law, exclude the foreign purchaser (in FMS cases,

Osborne and Plastrik, 1998, 43.
the USG acts as the foreign country agent in this negotiations with industry – one of the main reasons foreign customers chose to go FMS over a direct commercial sale with industry. Restraints on the contracting officer and strictures on licensing are amplified by US defense industry interests in the protection of what they often deem as sensitive, proprietary information. This more than often boils down to limited foreign buyer visibility on industry costing data and production capacities. Foreign countries are not as easily bundled together as “customer” as the term would indicate. As a result, some foreign buyers from time to time will seek to limit disclosure and transparency of a case in an effort to shield what they might deem as information critical to their own security or commercial interests from other foreign purchasers – the reasons are numerous, but obvious.

All of the players in the FMS reinvention game know of these pitfalls, and refer to them in discussions on reinvention. Nevertheless, a customer-focused effort here poses peculiar dilemmas for the reinventor of the defense trade sector.

Empowering employees to get results. There are some obvious problems in achieving this goal of reinvention when transposed to the issue of foreign military sales; there are some that are not so obvious and that only reveal themselves upon detailed process tracing of the processes. First the obvious. In the defense world…in fact, when dealing with any government bureaucracy, authority can be decentralized only so much; the point of diminishing return in the public sector being more easily reached than in the private. Looking at the US arms transfer system, we see another related dilemma: power is fractionalized. Not only is power and authority decentralized, it is also fractionalized among different organizations, many of these same organizations being hybrids, composed of agencies, directorates, and military services (professions). Chaos in such an environment relies on a relatively more rigid hierarchical structure and division of line and staff authorities than many private and public organizations that fill the records of success on reinvention. Field research on the foreign military sales reinvention efforts within the US Army indicates a stifled and contradictory organizational efforts empowers frontline employees and a reluctance on the part of implementers to lean-forward and innovate.

Department of Defense’s creation of “reinvention labs” beginning in 1995, authorized particular agencies, directorates, and commands with contracting authorities to submit request for procedural and regulatory waivers, in hopes of freeing up agencies and their agents from red tape and spurring innovative practices. To date, there are five designated reinvention labs within DoD: Defense Security Cooperation Agency (DSCA); Deputy Undersecretary of Defense – International Affairs (DUSA-IA); and US Army Security Assistance Command (USASAC); Deputy Secretary of the Air Force for International Affairs (SAF/IA); and Navy International Programs Office (NAVY IPO). On April 21, 1998, President Clinton issued a memorandum addressing the “Streamlining the Granting of Waivers”. With this further guidance, Secretary Cohen directed – six months later – that “waiver request be acted upon favorably, where feasible and desirable, and in an expeditious manner.” The SECDEF memo further stipulated that “where determined to be appropriate” – waiver request be acted upon within 30 days of receipt in OSD, that waivers become effective only upon written approval and that the authority to disapprove a waiver request be delegated to the “cognizant Principle Staff Assistant, or equivalent senior level OSD official, who reports directly to the Deputy Secretary of Defense or me.”

All of these high-level actions, despite their loose language, set a theoretical environment for

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43 Memorandum from the Office of the Secretary of Defense, SUBJECT: Designation as Reinvention Laboratory, dated, 18 November 1998.
44 Memorandum from the President of the United States, SUBJECT: Streamlining the Granting of Waivers, dated, 21 April, 1998.
46 Ibid.
innovation throughout all levels of the security management community. To date, significantly few request for waiver have been submitted along the US Army channels.\textsuperscript{47} Why not? The “loose” language of the originating directives may be one reason. Another may be the fact that though issued in 1998, by year 2000 this memorandum and the delegation of authority therein, has simply not reached the operator level of the organization; and the dissemination of this information is not uniform within the middle-tier agencies either. Research reveals evidence that supports two other reasons. The first is the lack of trust amongst implementers in their immediate supervisors, much less higher authorities and the DoD organization itself long-range support of FMS reinvention in general, and in any efforts to “make it happen” at their level. One country desk officer answered my inquiries best, summing the common sentiment of many operators on the security assistance and acquisition side of FMS reinvention by stating to the effect of FMS reinvention being only the pet project of a commander scheduled to be on-station for a maximum of two years (and that reinvention would most likely die upon the commanders’ departure) and that “those officers that do come up with new ways of doing business that satisfy their country will be blamed if any sensitive information is given away.”\textsuperscript{48} What we are dealing with here often times deals with issues of highest security concern to the national security. There are strict and firm punishments for security violations in the world of security cooperation. Employees in this community stake their reputations on their knowledge of and expertise at operating within strict security protocols. This is a zero-defect game, the stakes of which are often of the highest order. Without crystal clear policy telling implementers what is and is not releasable, open to disclosure, and open to experimentation, innovation at the operator level will remain cost-prohibitive both to the individual implementer and to national security. The public, professional, and personal risks are simply too high.

The second is of a structural nature. Within the Army sub-system, there is a structural barrier to visibility on who is the appropriate “cognizant Principle Staff Assistant” and what is the appropriate agency that maintains waiver approval and denial authority. Is it the Deputy Undersecretary of the Army for International Affairs (Mr. Gayton Thompson, DUSA-IA, and his designated representatives)? Is it the Commander, US Army Security Assistance Command (MG Bruce Scott, Commander, USASAC)? Does this authority delve into the realm of disclosure and if so, does the Deputy Chief of Staff of the Army for Intelligence (DCSINT) – the statutory authority on all matters concerning disclosure – have a say? The answer is “it depends”; an answer which prohibits uniform application of the “entrepreneurial spirit” at the ground level. Not to say that there are no program managers, contracting officers, security assistance officers, or country desk officers leaning forward in the trenches. There are reinvention entrepreneurs out there…but they operate by exception and at extreme risk to self.

The fourth principle – cutting back to basics – speaks directly to producing better government for less. This entails the reengineering of processes, the abandonment of obsolete ways and means, and the elimination of duplication. Problems arise here as well when transposing this principle to FMS. Though Osborne and Plastrik state that “reinventing government is not a stand-in for simply making government more efficient”\textsuperscript{49}, in reality, this is only partially accurate. Reinventing government is also about effectiveness, but this effectiveness has a huge caveat. Reinventing government deals in cost-effectiveness. As such, it is still to a large degree an efficiency-driven prospect. As already discussed, an efficiency-based reform of

\textsuperscript{47} Empirical data to support this claim is non-existent, as the Army has no waiver tracking system nor policy that directs the tracking of this information. I am unaware of any tracking policy or procedure with the US Airforce or Navy sub-systems. Information gleaned from several interviews, however, does support this claim to some degree.

\textsuperscript{48} Interview with Mrs. Pam Jennifer, Country Desk Officer, The Netherlands, Europe Directorate, US Army Security Assistance Command, 22 June 2000.

\textsuperscript{49} Osborne and Plastik, Banishing Bureaucracy, 11.
foreign military sales programs and processes can lead to severe compromises of security. As will be discussed to greater detail in a later project, such a focus can also pit organizational norms and principles (culture) against professional culture within the institution of DoD. Ridding the system of duplication poses problems as well. In security cooperation, duplication can prove security enhancing. It may prove necessary to increase the size, scope and scale of existing agencies, processes and procedures to attain desired increases in effectiveness (even efficiency)!

The addition of Financial Management Reviews as line numbers to FMS cases adds more process and cost to an FMS case, but based on foreign customer feedback add a degree of transparency to an FMS case demanded by the purchasing country political leadership. This demand for less cost-efficiency action on part of the USG for improved time-efficiency in processing and completion of FMS cases comes predominately from the foreign purchaser themselves. A more effective FMS case lifecycle (meaning more foreign country participation in the process and greater advocacy by the USG as the buyer’s “purchasing agent” in negotiations with industry, as well as improved lifecycle support and sustainment packaging) is of far greater importance to the foreign recipient than is saving their own dollars (or dollar equivalents) much less industry cost.

A “Phase Misalignment” in Reinventing Government. Looking at “Reinvention” from the foreign military sales perspective reveals something peculiar about reinvention of government itself: asking how we do what we do before asking what we do is a flawed proposition. This approach denies what by Osborne and Plastik’s own admission is the critical element to any reinvention success or failure – the existence of a reinvention strategy. Strategy, at least from its military origins, does not mean taking a situation and fashioning it to meet our established ways and means of doing business (as if this were possible at any rate). Strategy implies the ability to adjust and readjust ways and means to best fit the situation at hand. Vice President Gore’s dictate on Reinventing Government advocates a REGO I – REGO II process that promotes the former notion over the later strategic-based formulae. Perhaps reinventors are simply and accurately doing the latter and thereby meeting success at their reinvention efforts. Department of Defense and the entire arms transfer system are following the Vice President and the NPR recipe verbatim and “by the numbers”. Narrowing “reinvention” efforts of what more than likely should be a revolution of the entire US arms transfer system to process improvements of only one of many programs in the USATS – FMS reinvention – speaks in and of itself to the root of the problem. There is a need for a grand strategy in US arms transfer policymaking. There is a universal cry throughout the system for the same. While some services (SAF/IA of the Air Force and NAVY IPO of the Department of the Navy) have developed strategies for executing reinvention schemes that are partially-based on their mission requirements and force posture needs, the Army has no such equivalent, nor is there any all-encompassing and effort-rationalizing Strategy in place. At present, Theatre Engagement Plans (TEPS) – the operational plans of the major regional areas of operations of the United States, otherwise referred to as the CINC AORs (Commander in Chief Areas of Responsibility) – are not uniformly assessed across the CINCDoms. CINCs are not bound to consider (much less prepare) assessment of FMS needs and purchases in their AORs and their affects on AOR security (CINCDoms are more like medieval fiefdoms). Dissimilarities of automated systems that do in fact exist now to facilitate such a strategic planning assessment are prohibitive.

50 Traditional FMS cases typically included only one Product Management Review (PMR) as a case line item. Insight on this was gleaned from interviews conducted with Lieutenant Colonel P.K. Ort, Chief Netherlands Apache Office, Army Aviation and Missile Command, Redstone Arsenal, Huntsville, AL, 26-28 June 2000. LTC Ort serves as primary liaison between the USG and the royal Netherlands Air Force for the Dutch-Apache (Longbow) FMS purchase. I was afforded the opportunity to observe the FMR on the Apache FMS case at Redstone Arsenal during the prior mentioned time period.

51 The current system in use is known as FORDIS. This system is no where near “current”, has been in existence for at least three decades (a cold war relic), and even so is only about 80% accurate (demanding a
Finally, we look at the alternatives that reinvention might offer up to FMS reinvention. The NPR states that alternatives include (1) continuation of a function as a federal function, (2) consolidation and merger of a function or functionality within the federal government, (3) transfer of function to a lower level of government, (4) privatization, (5) franchising, (6) contracting-out, and/or (7) elimination of a function. Despite the fact that the AECA, ITAR, and other regulatory guidelines governing US arms sales limit the scope and scale of all seven of these alternatives, all seven can be applied to defense trade systems and processes. Two caveats: (a) an eighth alternative has already been mentioned earlier – functions and functionalities may need to be added to get more value-added, (b) it is as important – even more so when dealing with a highly-technical subject area such as arms exports – to take recommendations of alternative ways of doing business from the bottom-up as it is from the top-down. In comparing the flow of alternatives within the Army, Air Force, and Navy organizations, the Army stands out as a system composed of more one-way streets headed north to south than in the opposite direction.

**Applying the “Five C’s” to FMS Reinvention**

Application of the “Five C’s” typology serves as a useful tool for evaluating FMS Reinvention – where it is as a process of change. Transposition of the model asks two basic questions: (1) Is there a strategy apparent in the reinvention effort for each lever?; (2) what approaches are being undertaken and what (if any) new approaches have been developed and applied in FMS reinvention? The “truth” of course is revealed in what is not explicitly asked: are approaches being undertaken in the absence of leading strategies and if so, is this done at the detriment of effective reinvention?

cross-check of information accuracy by way of hard-copy historical files. Mr. Gordon T. Yim, of CoreProcesses, Inc., a civilian firm placed on contract by DUSA-IA, is working on a new system already partially in use known as TEPMIS (Theatre Engagement Planning Management Information System). Theatre reports are coming in now to the Pentagon at about 20% reliability – these reports are not standardized; none of them consider FMS sales as a tool of our Engagement Policy. This information, as well as direct access to TEPMIS was obtained directly from Mr. Gordon Yim during interviews conducted between 3 – 26 July 2000.

52 While the genesis of FMS reinvention was in the Dutch after-action reports to Deputy SECDEF Hamre on their experiences with the Army in the Apache FMS case (1993-4), nearly all action-initiatives on reinvention have bubbled up from actual case management experiments of the Airforce (Cooperative FMS) and Navy (Team FMS). Interviews with Mr. Charlie Wray, Director of Security Assistance, Policy and Resources, DUSA-IA (24 June, 5-7 July 2000); LTC Kevin O’Connor, FMS Ombudsman (an FMS reinvention add-on!), DSCA (19 June 2000).
The “Five C’s Model

<table>
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<tr>
<th>LEVER</th>
<th>STRATEGY</th>
<th>APPROACHES</th>
<th>FINDINGS</th>
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<tbody>
<tr>
<td>Purpose</td>
<td>Core Strategy</td>
<td>Clarity of Purpose</td>
<td>(1) No clear and all-encompassing strategy exists.</td>
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<td></td>
<td></td>
<td>Clarity of Role</td>
<td>(2) The Four White Papers provide latest “guidance”, but without directive force for implementation.</td>
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<td></td>
<td></td>
<td>Clarity of Direction</td>
<td>(3) Reinvention policies not clearly derived from nor in-line with Theatre Engagement Plans (TEPs).</td>
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<tr>
<td>Incentives</td>
<td>Consequences</td>
<td>Managed Competition Enterprise</td>
<td>(1) “Competitive Choice” is compromised to a great degree, due to slowdowns in global demand and shrinkage of defense industry.</td>
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<td></td>
<td></td>
<td>Management Performance Management</td>
<td>(2) New global market realities make “going out of business” a new defense industry reality.</td>
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<tr>
<td>Accountability</td>
<td>Customer</td>
<td>Customer Choice</td>
<td>(1) Customer strategy is the de facto Reinvention core strategy.</td>
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<tr>
<td></td>
<td>Strategy</td>
<td>Competitive Choice</td>
<td>(2) While multiple customers exist, the foreign recipient is the primary driver in FMS Reinvention.</td>
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<td></td>
<td></td>
<td>Customer Quality Assurance</td>
<td></td>
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<tr>
<td>Power</td>
<td>Control</td>
<td>Organizational Empowerment</td>
<td>(1) Three (3) organizational barriers to effective reinvention exist: (a) the macro-level divide between AT&amp;L and Policy, (b) the mid-level disparity in organizational design between the three armed services, and (c) the micro-level divide between PMs and SAOs and the mismatch between their program processes and procedures.</td>
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<td></td>
<td></td>
<td>Employee Empowerment</td>
<td>(2) While mechanisms exist for employee empowerment (i.e., the “waiver”), lack of clarity of mission precludes full, universal realization of innovative practices.</td>
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<td></td>
<td></td>
<td>Community Empowerment</td>
<td>(3) The Security Cooperation “Community” is hindered and divided, organizationally and culturally.</td>
</tr>
<tr>
<td>Culture</td>
<td>Culture</td>
<td>Breaking Habits</td>
<td>(1) There appears to be a direct relationship between organizational culture and reinvention “effectiveness”. The culture of the Security Cooperation Community (SCC) is a composite of disparate sub-cultures. Regarding reinvention, some sub-cultures have taken on a counter-culture persona (i.e., the US Army).</td>
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<td></td>
<td>Strategy</td>
<td>Touching Hearts</td>
<td>(2) Cultural divisiveness is perpetuated by (a) lack of clarity of mission and (b) organizational design.</td>
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<td>Winning Minds</td>
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There are a few crosscutting issues relating the Five C Strategy that the findings reveal.

- while it remains true that organizational structure of key agencies and services encompass distinct cultures, (1) there is cultural “leakage” across organizational boundaries. An examination of the three armed services and their security assistance agencies shows obvious differences (indicative of cultural differences of the three services), but more importantly, shows some common ground at the sub-culture level of analysis. An “air culture” seems to abound across the three main services that speak to innovation and a lean-forward/work “around” the problem mentality both of which are key ingredients for FMS reinvention success. The Air Force is leading the way in organizational and procedure change of its FMS program. The Navy, long seen as the most recalcitrant of the services, has recently made significant strides toward reinvention – this effort has been led by Naval Air (NAVAIR). The Army, albeit the slowest to change, is moving forward on FMS reinvention (in fact, gave reinvention its start), with most accomplishments being seen in the Apache cases.
(Dutch, Singapore, UK) – again, an “airpower” subculture leading the way to innovative change.

Why the Army initiatives lag so far behind the Airforce and Navy initiatives is of particular interests. From a cultural perspective, one possible cause is the ambiguity of Army air’s culture itself. Army aviation’s “third dimension” mission rest precariously between the air cultures of the other two services and the ground culture of the Army land component.

- A revolutionary change in the consequences strategies guiding US arms exports and FMS reinvention in particular has occurred. The fact that several “national champion” warfighting systems (i.e., the F-16; the AH-64; the Javelin; the M1A1/2) are increasingly dependent more on foreign purchase orders rather than domestic, alters the incentive structure of the US arms transfer and procurement system. Not only is it possible for US defense firms to go out of business (just review the history of the 1990 to 1996 defense downsize for ample examples and empirical support); it is now possible that the armed services’ ability to efficiently, effectively, and consistently conduct its defense mission could be compromised. The incentive to meet foreign customer needs, therefore, potentially drives not only our commercial business practices, but our national security (defense) practices as well. The absence of a clear core US strategy amplifies the power of this new consequences strategy and places it, unintentionally, as the prime driver of FMS reinvention…possible of US export policy in-total. This mismatch between the core and consequences strategy places a narrowly defined customer strategy as the de facto core strategy. The questions of “who has the controls?” and “where are they taking us?” are obvious.

Conclusions? …or to be more correct… “From epilogue to prologue”.

To repeat for re-clarification: this study served as a preliminary, first-hand look at the US Security Cooperation Community, its foreign military sales program and processes, and on-going efforts to ‘reinvent’ the former through reengineering the latter. This study has been a survey: a survey of (1) organizational structure, (2) policy process; (3) organizational and professional culture – and the effect of ‘reinvention’ on all…and vice versa. It has also served as a vetting exercise for the testing of reinvention realities against several theoretical metrics (organizational theory, models of organizational culture, reinvention models). The methodology here has been a rudimentary one: transposition of various models onto FMS “reinvention” as a test of “fit”.

Various “observations” have already been discussed, not to be redressed here. What remains to be stated are some ‘hypotheses’ (to be re-specified and tested in follow-on studies) and a few predictions on FMS ‘reinvention’ and propositions for what it will take to make reinvention a policy “success”.

First some hypotheses.

- The division of AT&L and Policy at the Undersecretary level stalls any reinvention that is focused on enhancing both US commercial interests and security interests. This upper-tier divide manifest itself exponentially at the implementation level. The divide is structural in nature and an unintended result of earlier policy initiatives. As such, a policy-“fix” is possible.

- The more technical the policy issue area, the more likely that policy initiatives will “live or die” at the hand of the implementer and implementing agency. Restated, on highly technical issues, implementers are de facto decision makers.
• Amid policy indecision or ambiguity, implementers will implement “something”. Implementers are free to “experiment” in reinvention amid existing policy ambiguity.
• Organizational culture is a causal factor in FMS reinvention. Just like the theoretical adage that states that institutions matter because they persist, old cultures persist. The persistence of traditional service and organizational cultures in the world of security assistance are forestalling change initiatives, albeit not in a uniform manner. The US Army is most constrained by persisting culture on FMS reinvention that its sister services.
• Crosscutting “air” cultures persist within the US Air force and US Navy. This sir culture is the catalytic ingredient for reinvention within these services. While the Army has an air component, the development of a strong and respected “air sub-culture” is at best still in infancy. The immaturity of the Army “air culture” is the reason for an unrealized reinvention.
• Given the paradigm shift in global arms sales wrought by the end of the cold war, the armed services are at risk of deprofessionalization, through its arms export and procurement practices.

Second, some propositions and/or predictions.
• Like its Air Force counterparts and NAVAIR counterparts, the Army will begin to embrace the “ideas” of reinventing its FMS practices once more of its critical systems become sole-source systems (systems that are produced by only one industry) and more dependent on foreign exports. The JAVELIN and APACHE-LONGBOW are good cases to follow on this proposition.
• FMS Reinvention will accelerate with the new “changing of the guard” of DSCA from an Army commander (LTG Davison) to an Air Force commander (LTG Walker, former director of SAF/IA). The Security Cooperation Community has been “commanded” by an Army general for the past 12 years – the entire period of transition since the end of the cold war.

Final Comments.
My first interview during my most recent six-week research excursion in Washington, D.C. on the subject of foreign military sales was with Mr. Robert Keltz, Deputy director of the Defense Security Cooperation Agency (DSCA). In the early 1990s, this agency had been better known as the Defense Security Assistance Agency, or DSAA. The change of names is of more importance than mere semantics. By shifting from a notion of assistance to cooperation, this organization’s mission was changed profoundly; its mandate was broadened to encapsulate all that comprises security cooperation – not only issues of assistance, but also of procurement, direct sales, and acquisition. With this, DSCA in 1997/8 was designated by then Deputy Secretary of Defense John Hamre as the Executive Interagency of all matters relating to security cooperation (exports, transfers, and cooperative production), as well as on matters pertaining to FMS and its reinvention.

The initial question Mr. Keltz asked me was why FMS Reinvention? My answer was detailed but can be summarized here similarly to how climbers explain their interests in Everest…. “because it is there.” Foreign military sales are one of two processes that define the implementation of US arms transfer and control policy. For this reason alone, it is an important area of scholarly and practical inquiry. The deputy director of DSCA thinks differently. To him
(and as it would turn out, many within the security cooperation community…mostly on the Department of the Army channels), FMS reinvention was merely “process reengineering…and of little scholarly interests.”

Interviews with other deputy directors of key DoA agencies (DUSA-IA; USASAC) parroted Mr. Keltz’s feelings. As I would mention “FMS Reinvention” at the start of my interviews, nine times out of ten, I would be met with sighs and the roll-back of eyes. My encounters with key agents in the Navy and Air force channels were distinctively different. Perhaps they were simply more adroit at presenting a positive face to FMS reinvention…perhaps they are genuinely interested in reform. Hard to tell. But the empirics of FMS reinvention clearly show the Air force making improvements, with the Navy a close second, and the Army a distant third.

Or perhaps we see a difference in attention and efforts made toward FMS reinvention between the three service strands in the Security cooperation system because in fact FMS reinvention is, and should be, no more than program and process reengineering. That is, maybe the Army has it right.

By their nature and mission profiles, the Navy and the Air force are, relative to the Army, more high-tech services. The more appropriate performance metric for these two services proves to be program and process-focused improvement, due to the high-tech nature of their missions and force postures. The Army is just recently moving toward this direction, and even so, will never reach the level and degree of technical sophistication of the other two services simply due to the nature of the Army mission. The Army, it can be hypothesized, is more focused on policy change, rather than process change. The Defense Trade and Security Initiatives, or DTSI is the most recent policy change initiative put forward by DoD and State.

What DTSI shows is that a fragmented collage of differentiated agencies with disparate interests and cultures that is the Security Cooperation Community can come together to fashion a policy on arms exports. Two things about DTSI still stand out and leave the policy analyst with concern. First, DTSI is not an inclusive policy. DTSI boils down to granting waivers and exemptions to certain ITAR restrictions to certain nations (ABCA nations and Japan only). While there are glimmers of grand strategy in DTSI, it is no where near the type of strategy needed for a fully-realized reinvention of US arms trade practices, norms and principles. Second, by all accounts, FMS Reinvention and DTSI are not related policy change initiatives. When asked pointedly, if the two were related and if so, how so, key players mimicked the same response: a flat no, or a more qualified “only in spirit”. DTSI, or something like it that is more inclusive, is the missing policy element need to attain true FMS reinvention. But even without this ingredient, “something” is being changed at the implementation level. Implementers at the ground level are leaning forward, with the Hamre 4-white papers in hand, and selling reinvention to their foreign customers. But in the absence of a strategic plan, it is hard to access what de jure FMS reinvention is actually accomplishing; if it is enhancing security or hurting it in the longer run. And what of the goal of improving US relations with its allies and friends through FMS reinvention? While security assistance officers and project managers are pushing “better relations” through FMS reinvention, foreign countries are seeing, what in their opinions is true change for the better – exemptions to ITAR….but for a select few.

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53 Interview with Mr. Robert Keltz, Deputy Director, Defense Security Cooperation Agency (DSCA), 20 June 2000.
54 DTSI, also known as the “17 Initiatives” is the first comprehensive change policy in the post-cold war period. It boils down to the ratification of blanket exemptions of some of the International Traffic of Arms Regulations (ITAR) restrictions on exports of weapons and related technologies to the ABCA countries and Japan. Joint committee in congress passed the compromise of the original DTSI proposal on 24 July 2000. (Interview with Mrs. Susan Ludlow-McMurray, State Department representative for DTSI, DSCA; interview with Walker Roberts, Senior Staffer, House Committee on International Relations).
Many of our friends and allies, namely the Dutch and Swiss (of our Northern European allies) and the Kuwaiti’s (of our Southwest Asia friends) have recognized the discrimination. What is the possible effect of such a disjointed policy on relationships with the international community? And consequently, what effect on long run US commercial and defense security interest?