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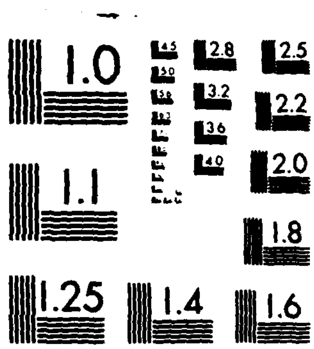

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This study describes the development of export sales from grant aid, and discusses the economic, legislative, and politico-military aspects of military sales. The report touches upon the implications of moving away from Foreign Military Sales (FMS) procedures for the sale of aircraft. Suggestions are made for future research to determine if a move away from the present procedure is necessary and warranted; and if so, what role the U.S. Government should assume in future export sales.

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I. Introduction

This study is the result of the authors' interest in the role the U.S. Government has assumed since the early 1940's in exporting military equipment abroad. Initially the exports were give-aways to help friendly countries survive in the face of German aggression during World War II. Later, as the economies of the world recovered from the war, the United States decided that it was not in its best economic or political interest to give away billions of dollars in equipment and aid to countries whose economies were strong and healthy. The concept of export sales of military equipment became the favored method of assisting friendly countries.

In this study the development of export sales from grant aid is described. Also the economic, the legislative, and the Politico-military aspects of military sales are discussed. One section of the report touches upon the implications of moving away from Foreign Military Sales (FMS) procedures for the sale of aircraft. Finally, some suggestions are made for further research to determine if a move away from the present procedure is necessary and warranted; and, if so, to research what role the U.S. Government should assume in the future of export sales.

II. The Foreign Military Sales (FMS) Baseline

(A) Economics:

Sales of military equipment to foreign governments by the U.S. has a large economic impact on both the U.S. Government and the U.S. economy as a whole. Among the more obvious areas affected by Foreign Military Sales (FMS) are: Revenue to the U.S. Government (from taxes); Gross National Product; Employment of U.S. workers; and the Balance of Trade. This section will describe the evolution of the sales of military equipment to foreign governments, known as FMS, and will describe some of the economic implications and effects of FMS.

The major milestones in the evolution of FMS are as follows:

Years	Milestones
1941	Lend-Lease Act
1947	National Security Act
	- Military Assistance Programs
1948	Economic Cooperation Act
1949	Mutual Defense Act
1950-1960	Mutual Security Acts (Series of Acts)
	- Commercial Munitions Export Control List
	- Credit Sales Revolving Fund
1961	Foreign Assistance Act
	- Office of International Logistics
1963	Secretary of Defense Instructions
1968	Foreign Military Sales Act
1972	Nixon Doctrine
	- Defense Security Assistance Agency
1976	International Security Assistance and Arms Export Act

1976	Presidential Policy Statement (President Carter)
1977-1981	Amendments to Previous Acts

These milestones can be devided into two periods: 1) 1940 to the late 1950's when "Grant Aid", essentially giving away military aid, was the dominant transfer mode; and 2) late 1950 to the early 1980's, when sale was the primary mode of transfer of military equipment to foreign governments.

The following discussions briefly examines the two periods in the evolution of FMS from an economic perspective.

1941 Through the Late 1950's

The time period between 1941 and the late 1950's was an era in which the United States, developed from a reclusive and apathetic country, into an outreaching and generous leader of the free world. Beginning in 1941, the U.S. essentially began giving away enormous amounts of military aid to countries which were both beleaguered, and which could not finance their own defense.

The basis for the present, formally structured, FMS program can be traced back to the Lend-Lease Act of 1941.[(1)] Late in 1940, Britain disclosed that it could not afford to pay for American military equipment to defend itself. President Roosevelt's advocacy of support to the Allied countries based on: 1) the national defense of the United States, and 2) on moral grounds, resulted in passage of the Lend-Lease Act. The Act authorized the President to provide military equipment to foreign countries, whose defense was considered vital to the interests of the United States. Under the Act, tens of billions of dollars in military aid was provided to foreign countries.

The Lend-Lease Act was essentially a "Grant Aid" or giveaway program, and as such had an economic impact on the U.S. Among the economic effects of the Act were:

- Expansion of the U.S. Defense Industrial Base (DIB)
- Creation of jobs to support the DIB
- Increased Government expenditures
- Increase in tax revenues to the U.S. Treasury

A detailed analysis of the economic benefits and detriments of the various programs discussed in this section is beyond the scope of this sutdy; thus, the degree of positive or negative economic effects will not be discussed any further than noting that the items discussed did have an economic impact.

Various documents, referenced in the footnotes at the end of this report, contain detailed analyses of the economic effects of FMS. These additional references should be used by those interested in obtaining economic details of FMS.

After World War II, the economies of most of the world were in shambles. The U.S., with the healthiest economy, was in the position to help its Allies to reconstruct both their economies and their military strength. Due to the fears of Soviet expansion, the period between the end of the war until the late 1950's was a time of massive grant aid by the U.S. to foreign governments. The effect of this aid was to increase the utilization of the DIB, and also to increase jobs for American workers. Most certainly, the give-aways were detrimental to the U.S. Treasury; however, they had a political purpose and perceived benefit which outweighed the economic cost, as determined by the U.S. leaders.

In the mid-to-late 1950's, as the economies of our Allies became stronger, the appropriateness of U.S. give-aways to economically healthy countries was questioned. Emphasis on providing grant aid decreased while emphasis on sales, as the means of providing military aid to foreign governments, increased.

Late 1950's to Early 1980's

By 1962, the sales method of providing military assistance had become institutionalized.(2) The Foreign Assistance Act of 1961, and the creation of the Office of International Logistics Negotiations, the purpose of which was to promote the sale of U.S. military equipment, were instruments used to change the course of foreign policy and the economics of U.S. military aid. By selling military equipment, rather than giving it away, the burden of financing the production of such equipment was spread out among the users of the equipment. The sales contributed to a favorable balance of trade and generated a cash flow into the U.S. Treasury without consuming U.S. funds to generate the flow.(4) This income provided by FMS was substantial. The following list shows the increase in FMS for selected years between 1967 and 1977.(1)

Years (FY)	FMS (in billions of $)*
1967	1.95
1969	2.25
1971	2.84
1973	4.72
1975	10.63
1976	8.2
1976 (Transition)	2.0
1977	6.9

*Primary sales only (excludes multiplier effects).

The impact of these sales figures can be realized by the application of estimates of the effects of export sales on the U.S. economy. At least two estimates, one done for Congress, the other for the President, concluded that each billion dollars in FMS supports between 30,000 to 40,000 jobs in the U.S. It is estimated for 1974 that the export of military systems supported the employment of 350,000 U.S. workers.(3) Also, due to economic multiplier effects, appoximately $2.50 in secondary business evolved from each $1.00 spent on FMS.

In 1976, President Carter acted to restrain U.S. Foreign military sales. As can be seen above, the actual amount of FMS declined dramatically in 1977 from the previous two years. During the same three year period (1975 - 1977), the U.S. balance of trade declined from a positive balance of $9 billion in 1975 to a negative balance of $26.5 billion in 1977.

Between 1977 and 1981, the economic situation in the U.S. has been dismal. Years of inflation, little economic growth, increasing unemployment rates, and large balance of trade deficits have been commonplace. In the early 1970's, a major contributor to the positive U.S. balance of trade was the Aerospace Industry. Up to 75 percent of the aerospace exports were sales of commercial - not military - aircraft.(4) As the market for commercial aircraft became saturated in the mid-to-late 1970's, the contribution by this industry to a positive balance of trade declined. FMS has not increased to replace the revenue lost to a declining commercial aerospace market. A number of causes for the stifling of U.S. military export sales market can be seen. Among the causes are:

- Presidential direction (President Carter)
- Increased Congressional influence and control on FMS
- Increased international competition for military equipment sales.

The first two causes listed ebb and flow with the beliefs of the elected officials within the U.S. Government. A prime example of change in direction is the decision by President Reagan to sell F-16 aircraft to countries which would not have been offered that aircraft by President Carter. The passage of the Arms Export and Control Act in 1976, and subsequent modifications to that Act by Congress, placed FMS under much more scrutiny and control than it had been previously. It appears that stricter control of FMS by Congress has been more directed by politics and idealism than by economic considerations. Realistically, the politics of employment in today's U.S. economy is intimately related to the politics of FMS. Due to the high U.S. unemployment rate and the effect of FMS in creating jobs, the demands of those advocating less FMS and those advocating job creation by the U.S. Government will continue to clash.

(B) Legislative:

As pointed out in the previous section, in the post-WWII period Congress and Administration, motivated by fears of Soviet expansionism, selected Grant Aid as the dominant transfer mode of military aid. Later, stirred on by European post-WWII economic growth and by public opinion turning against give-away programs, the Administration authorized, under the Mutual Defense Act of 1949 and the so-called Mutual Security Acts passed by Congress in the 1950's, a growing series of credit sales and commercial munitions exports.

The Foreign Assistance Act of 1961 created the office of International Logistics within the State Department to coordinate the exporting authorizations created in the previous decade. Problems soon arose due to the Administration's agressive salesmanship and liberal financing policies. Public indignation over perceived excesses stirred congressional interest.

In 1967, the Senate Foreign Relations committee took the initiative by tabling a study which cited lack of information, poor interdepartmental coordination and confusing arms control policies. This study marked the beginning of recurring congressional involvement in foreign military sales and led directly to the Foreign Military Sales Act of 1968. Its purpose was to consolidate in one single statute all existing foreign military sales legislation, providing administrative mechanism and legislative authority for a rapidly expanding arms export market. It also limited the Government's role in the marketing of foreign military sales to responding to buyers requests.

President Nixon gave renewed emphasis to military sales abroad in his state of the Union address in 1972. America's strategy for peace, he postulated, requires encouraging our allies toward self-reliance, assuming a greater share of our common defense cost, and increasing foreign sales. To that end, the Defense Security Assistance Agency (DSAA) was established with a charter to administer existing grant-aid programs and foreign military sales.

The Nixon Doctrine years of placing emphasis on strong foreign assistance programs as an essential part of the American strategy for peace would later be followed by restraint years under the Carter Administration.

Congress played a major role in this shift by requiring more and more congressional approvals and controls for Foreign Military Sales (FMS). The trend of increasing congressional control continued and is highlighted in the most significant legislation of the 1970's, the Arms Exports Control Act of 1976. The most important changes are as follows:

- A complete phase out of military assistance programs (MAP - a form of grant aid) unless specifically authorized by Congress;
- U.S. arms sales policies were redefined and placed under congressional supervision and review;
- An annual ceiling was placed on FMS ($9 Billion);
- Sales of major defense items were restricted to "government-to-government" agreements;
- Required reporting to Congress regarding levels and justifications of arms sales, as well as, to the Secretary of State of all political gifts and contributions to secure arms sales; and
- Required the President to conduct a review of all U.S. arms control policies within one year.(6)

President Carters' statement on Conventional Arms Transfer Policy issued on May 19, 1977, answered the congressional mandate of policy review and declared a new Administration policy of restraint in conventional arms sales. Under the Carter Administration arms transfer became "an exceptional foreign policy instrument", with a goal of limiting international arms traffic through multilateral cooperation.(7) Among the quantitative and qualitative limits set by the President's new policy are the following key points:

(1) The threshold of FMS sales for 1978 will be brought back to below fiscal year 1977 levels.

(2) The U.S. is pledged not to become the first arms supplier in any region of new and modern weapons.

(3) Development of advanced weapons solely for export is prohibited.

(4) Coproduction agreements for weapons systems will not be permitted.

(5) Retransfer requests will not be honored if they are conditions of sale.

(6) Private agents promoting arms sales will require State Department approval, and military agents will refrain from such promotions.

The International Security Assistance Act of 1978 further tightened congressional controls on the foreign military sales market. President Carter's arms transfer policy is reflected in the Act for the first time:

(a) A specific level of FMS was authorized for FY78's security assistance programs;

(b) Military assistance groups (MAGs) were reduced from 34 to 15 and

(c) The President was required to furnish additional reports to Congress regarding FMS impact on the U.S. national security defense readiness.

President Reagan formally approved and announced a new U.S. Conventional Arms Transfer Policy on 9 July 1981. The transfer of conventional arms is now "an essential element of the U.S. global defense posture and an indispensable component of U.S. foreign policy." The U.S. will henceforth evaluate requests for arms transfer in terms of net contribution to enhanced deterrence and defense. The Administration will now, with the help of new legislation, consider: military threats, collective security, mutual international interests, maintaining stability in the particular region, compatibility with U.S. forces' needs, the recipient's military support system and financial resources, and balancing detrimental effects with positive contributions to U.S. interests.

This approach attempts to steer a middle course between arms transfer as "political capital" unrelated to military needs and the Carter Administration's view of arms transfer as something that must unilaterally be restrained.(8)

The authorization act for FY1982 (International Security and Development Cooperation Act of 1981 - PL 97-113), and the appropriations act (Foreign Assistance and Related Programs Appropriations, 1982 - PL 97-121), subsequently modified foreign assistance legislation for the first time since 1979. Military Assistance Program (MAP) funding levels are intended mainly to establish a Special Requirements Fund, to provide reimbursement for prior years equipment drawdowns and to manage equipment deliveries funded under MAP in previous years ie., no specific MAP programs were funded in FY82.(9)

Under the FMS Financing Program, only Israel and Egypt are authorized direct loans with repayment forgiven. Favorable loan repayment terms (normal 8 year repayment schedule) are now granted to Egypt, Greece, Turkey, Sudan, Somalia and Israel. Two year authorizations for security assistance have now been created to remedy the problem of the late fiscal year legislation. The President now has the authority to drawdown defense articles from DOD stock at an annual ceiling of $75M (replaces the old $50M ceiling) with FMS reporting requirements from Administration to Congress essentially unchanged except that reporting thresholds were raised. Significantly, the $100M ceiling on the direct sale commercial exports of major defense equipment was repealed. The impact of this provision has yet to be felt since most foreign buyers have a preference for FMS acquisitions. A Special Defense Acquisition Fund (SDAF) was created ($300M for FY82 and $600M for FY83) so that DOD could counteract the difficulty of long lead production problems and emergency needs for U.S. military equipment by U.S. friends and allies. Specific purposes for this new account were not identified in the legislation, but executive branch officials pointed out during congressional testimony that SDAF procured equipment could not be used to build up inventories or to increase or promote foreign sales. Instead, they might be used by U.S. forces if not required overseas.

In summary, according to one Administration official, "arms sales have two legitimate purposes. One is economic; sales benefit both buyer and seller. The second is political; sales can serve the joint objectives of the partners - regional stability and global peace." (10)

(C) Politico - Military:

A country's foreign policy represents its attempt to structure the world it desires by influencing the actions of other nations. This influence tends to take the form of either military or non-military options. U.S. foreign policy objectives have been supported by a diversity of non-military programs and directives such as the Peace Corps, the Agency for International Development, export grain sales, technology transfers, support of United Nations programs, and boycott of events. To appreciate that such tools are employed in an attempt to achieve foreign policy objectives, one need only remember the U.S. boycott of the 1980 Olympics in Moscow in protest of the Soviet Union's invasion of Afghanistan. Suspending exports of grain to the U.S.S.R. was also tried as a means of influencing Soviet actions. The effectiveness, however, of non-military influence has been questionable when the foreign policy issue is important to the adversary (ie., the Soviet Union is still in Afghanistan).

Military options have consisted of varying levels of direct and indirect support to friendly countries and allies. Direct support, in this context, is the commitment of U.S. forces in order to achieve U.S. foreign policy objectives and, as such, is not within the scope of this study. Indirect support, in the form of lend-lease, grant-aid, and export sales of military hardware and services has been a very prominent and effective tool for U.S. policy makers over the past forty years. It is also evident that as we have progressed from gifts to sales the effectiveness of indirect support has also diminished. Assuming the Foreign Military Sales program has established a certain level of effectiveness as a foreign policy tool, what are the implications of moving away from FMS? Will effectiveness be enhanced, unchanged, or further diminished?

U.S. foreign policy formulation and implementation is the responsibility of the Executive Branch. However, Congress can influence foreign policy through legislation. As the U.S. involvement in Vietnam grew, Congress became increasingly concerned about the magnitude of military exports as a component of the foreign assistance programs to less developed countries. New foreign assistance legislation was put forward which had the effect of suspending entire foreign assistance programs pending a complete review. Frustrated by the suspension of these programs, President Johnson responded by proposing separate legislation which would not only clarify and expand restraints on policies and procedures but would also separate military sales from economic aid and military assistance. The Foreign Military Sales Act of 1968 resulted from this legislative initiative.

Congress recognized the importance of military sales and assistance in implementing foreign policy objectives but was unwilling to approve the Act unless it embodied certain controls on arms shipments. It was felt that arms shipments should be controlled to discourage military sales to countries that appear to purchase in search of prestige, to prevent spending which represented a misallocation of a country's limited resources and to restrict arms races. The Act when approved reflected these concerns by stating that military sales were to be limited to internal security, self defense, participation in regional arrangements, participation in United Nations collective actions, or civic action.

As security programs transitioned from grant-aid programs to Foreign Military Sales, the U.S. ability to influence a recipient country's military capability diminished. The Foreign Military Sales program, however, does still provide a significant opportunity to exert influence on friends and allies through the use of common military hardware, cooperative logistics programs and foreign training provided by the U.S.

The viability of FMS as a foreign policy tool is based on the assumption that U.S. hardware and services will be demanded in preference to those of other suppliers. Unfortunately, much of the legislation during the 70's affecting the FMS program had been aimed at restricting the ability of the U.S. to compete while other countries have increased their efforts gain political and economic influence by offering increasingly competitive military export sales programs. By legislating against direct government participation in military sales solicitation, by imposing restrictions on financial arrangements and selective prohibitions on sales via specific legislation or establishment of regional ceilings, Congress has reduced many of the avenues through which the U.S. could compete for international influence. This, in turn, has limited the effectiveness of FMS as more choices have become available to the arms customer than he had in the 50's and 60's when the U.S. had a substantial economic and technological edge over its competitors.(11)

III. Alternatives to Formal FMS

As defined in the DOD Military Assistance and Sales Manual (MASM - DOD 5105.38-M), all sales of defense articles and defense services made from any U.S. source are called Military Export Sales.[5] Further, these sales fall into only two major categories: Foreign Military Sales (FMS); and Commercial Sales. Thus, it may be deduced that the U.S. Department of Defense believes the only alternative to formal FMS is Commercial Sales, also defined in the MASM as: "Sales made by U.S. industry directly to a foreign buyer not administered by the DOD..." However, since the U.S. Government has policital, economic, and military interest in the transfer of U.S. developed and produced, sophisticated military hardware such as aircrafts, the prospect for the unrestricted transfer of such equipment, directly between a private U.S. contractor and a foreign government is extremely remote. Thus, the only acceptable way to accommodate the political, economic, and military interests of the U.S., while removing the burden of formal FMS procedures would be to provide a mechanism for the sale of aircraft to foreign governments without burdening the contractor with constraints while still retaining necessary controls on the export of U.S. military hardware. Such constraints as U.S. Government contracting procedures under the Defense Acquisition Regulations (DAR), if imposed upon a contractor at the same time that the U.S. Government declines to accept the marketing and financial risks of the aircraft program, would place the U.S. contractor in a non-competitive position in the competitive world market. The Intermediate Export Fighter (F-X) Program, in which U.S. contractors were allowed to develop an aircraft solely for export, is the first example of the above mentioned constraints being imposed upon a contractor.

The F-X Program will be worthwhile to follow to determine how much latitude the U.S. Government will allow private contractors in the sale of this privately developed aircraft in the competitive world market.

What forms could alternatives to formal FMS procedures take, if indeed the U.S. Government were to change its policy of being the funnel for military aircraft from U.S. producers to foreign governments?

The least acceptable alternative to formal FMS procedures would be for the U.S. Government to allow any type of aircraft and military equipment to be sold to anyone who wanted to buy it. There are so many obvious reasons why this would not happen that this alternative will not be discussed any further.

Other, more acceptable, alternatives to formal FMS procedures could provide for contractors to sell their hardware through a quasi-governmented, not-for-profit organization whose sole responsibility would be to act as a broker between both the buyer and the seller of sophisticated military equipment. Such an organization would act within the bounds of existing laws to bring both buyer and seller together, to assist in negotiating specifications and contract terms, and to assist in ensuring that the terms of the resultant contracts were adhered to by the parties involved in the contract. This agency could also be allowed to negotiate with various agencies of the U.S. Government to provide such services as flight test, quality assurance inspections, certain logistics support, and other services which could be ideally handled by the U.S. Government.

The U.S. Government under certain circumstances would verify, for a price, that the contractor had, or had not met contractual specifications, without being in the position of guaranteeing the product. Of course, the two contracting parties would be required beforehand to accept the U.S. Government (or other organization) as the testing or verification authority for various specifications or testing. Within the framework of using some type of not-for-profit organization as a broker between the buyers and sellers of U.S. produced military aircraft, the U.S. Government, through its export licensing procedures would still retain a great deal of control over such exports. The U.S. Department of Defense and State would also have the knowledge of the capabilities of such export equipment, to be used as required for policital-military decision making.

The specific make-up of a not-for-profit organization to act as an arms broker, its charter, and the procedures it would operate under are beyond the scope of this study. However, an analysis of such an organization may be viewed as a worthwhile research project.

The suggestion for such a not-for-profit organization as discussed above is a hybrid answer to the extremes of full formal FMS procedures and absolutely no U.S. Government involvement in the export sale of U.S. military aircraft.

IV. Implications of Moving Away from Formal FMS

Formal Foreign Military Sales procedures have taken over forty years to evolve to their present form. However, even now these formal procedures are still changing. A prime example of the constant motion of change can be seen in the Intermediate Export Figher (F-X) Program. In 1978, President Carter, through Presidential Directive (PD) 13 placed constraints on the development of aircraft for export sale. By 1981, certain exemptions to PD-13 were permitted to allow the private development of military aircraft for export sale. An interesting result of the PD-13 exemption was that private companies were required to assume all marketing and financial risks of developing the F-X aircraft. At the same time the Government appeared to impose the same contracting, pricing and profit constraints on the contractors that would be imposed if the Government were the customer and full Defense Acquisition Regulation (DAR) compliance were required. An analysis of the Government business strategy for the F-X by the authors, and extensive contact with those responsible for formulating the Government business strategy suggested that the Government generally does not know how to do business any other way than its own.

The various directives concerning the F-X implied a move away from formal FMS procedures and toward commercial procedures. Words to the effect that the price of the F-X would be determined by competing aircraft sounded good. However, from the same directive the contractor was required to provide cost and pricing data to allow the U.S. Government to determine if the price was fair, and to limit the contractor's profit.

The apparent goal of the Government in the F-X use was to extricate itself from the role of being the developer, the marketer, and the guarantor of this military aircraft, and to let the contractors assume all the risks. It seemed the Government did not know how to remove itself from the role of being the FMS interface between the customer and the contractor. If the Government desires to remove itself from playing the central role in Foreign Military Sales, then a fundamental change from the traditional ways of doing business is required. This, the authors feel, is the most important implication of moving away from formal FMS procedures in the sale of aircraft. This implication in itself has a multitude of other implications which will affect the successful implemention of the Government's new look for dealing with export sales of aircraft. These implications will affect many of the presently autonomous branches and departments within the Government. For a new method of export sales of aircraft to be effective, many Governmental departments, whose regulations and procedures sometimes appear to be contradictory, will have to be brought together and guided in the same direction. This further implies an extraordinary amount of trust and cooperation between the Executive and the Legislative branches of the Government to reach agreement for the new role of the Government in the export sale of military aircraft.

An obvious question is: What role will the Government have in export sales if it indeed does want these sales to be more like commercial sales? To answer this question is extremely difficult, if not impossible, due to the variables involved. However, some hypothetical roles can be suggested.

One role that the U.S. Government could play would be that of an arbitrator between an aircraft contractor and the customer country. After a decision had been made by the U.S. Government to allow a certain aircraft to be sold to a particular country, the manufacturer would be allowed to contact the potential customer country and to market the product. By agreement between both parties in the sale, the U.S. Government would be allowed to send representatives to the negotiations, as observers. The observers would become imtimately familiar with both the contractor and the customer negotiating position. The contractor and the customer would be free to make the best business deal they could without unsolicited U.S. Government interference.

Another role which the U.S. Government could undertake would be that of specification validator and Quality Assurer. This role, similar to the one that the U.S. Federal Aviation Administration performs, would ensure the manufacturer produced what he said he would, and would provide the customer with assurance that he was obtaining the items he specified and paid for. In this role, the U.S. Government might act as an independant testing lab for both the contractor and the customer -- for a price. An interesting advantage could result from such a U.S. Government role. In this era of tight budgets the "income" from its testing and quality assurance activities could be reinvested in the U.S. Government owned facilities which actually perform the testing and quality work.

The two roles described above are not the only ones available, however, these two have very interesting aspects which make them candidates for more extensive research and definition.

Also, the roles mentioned have been described as ideas only, not in-depth descriptions of all the policies, procedures, and interdepartmental agreements required to make them function. The research required to determine which role the Government should assume, the rules under which the role would be undertaken, and the pitfalls to be encountered in trying to implement a particular role is beyond the scope of this report, however, the next section makes some recommendations for further research in this area.

As can be seen from the above discussion, if the U.S. Government desires to remove itself from the role it has held in the past for the export sale of military aircraft, the implications are farreaching. Such a change in roles would affect intragovernmental relationships, intergovernmental relationships, contractor-U.S. Government relationships, and contractor-foreign government relationships. The results and effects of a more commercial export sales policy for export aircraft also requires an enormous amount of study and analysis to determine the best way to implement such a change in the way the U.S. Government does business. This study has tried to trace the development of formal FMS procedures from the initial emphasis on "lend-lease" to the present emphasis on export sales, and has tried to take a look at the future of the export sale of military aircraft. If the Government is serious about altering its role in the export sale of military aircraft, it will have to develop goals as to where it wants to be and plans to achieve the goals it has set.

The following section makes some recommendations for further work to be done to pave the way for the new role of the Government in the export sale of aircraft.

V. Recommendations

The previous sections traced the development of formal FMS procedures. An assumption has been made that in the future the U.S. Government will move away from the role of being the purchaser, then the seller of military aircraft for export sales. The new role of the Government in this area is difficult to forecast, however, some ideas were presented in the previous section which are possible new roles which the Government might assume. Much work lies ahead before the Government changes its role. The following recommendations and suggestions for further work in this area are suggested as a means of arriving at rational decisions concerning the future role of Government in the export sale of military aircraft.

Studies should be done to define the possible roles of Government in the export sale of military aircraft. These studies should analyze the advantage and disadvantages of each of the roles suggested by the studies. They should also analyze the roadblocks, and the positive attributes of each role and try to determine under what conditions -- political, economic, military, etc. -- each of the suggested roles would have the greatest chance of acceptance and implementation.

Studies should also be done to determine if the changing role of the Government in the export sales of military aircraft is also applicable to other military equipment produced in the United States.

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