

REQUIREMENTS FOR THE MUTUAL DEFENSE ASSISTANCE PROGRAM

7 January 1954

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Major General George C. Stewart, USA, Director of Military Assistance, Office of the Assistant Secretary of Defense. (International Security Affairs), was born in Selma, Alabama, 28 May 1902. He attended grammar school in that city and in 1919 was graduated from Barnes School in Montgomery, Alabama. He entered the U. S. Military Academy at West Point the same year, he was graduated and commissioned a second lieutenant of Infantry in 1923. During World War II General Stewart served in North Africa, Italy, France, and the Philippines. He was in Korea from the time of the Inchon landing in September 1950 until August 1951. While in Korea he commanded the Third Logistical Command and was Assistant Division Commander of the Second Infantry Division. He has been on duty in Washington since his return from Korea. General Stewart was promoted to brigadier general in September 1943 and to major general in April 1953. He was awarded the Distinguished Service Medal, the Legion of Merit, and the Bronze Star for service in World War II. He was awarded the Distinguished Service Medal and two Silver Stars for service in Korea. This is his first lecture at the Industrial College.

REQUIREMENTS FOR THE MUTUAL DEFENSE ASSISTANCE PROGRAM

7 January 1954

COLONEL MANN: Admiral Hague, General Greeley, and gentlemen: It must be obvious by now that the determination of military requirements is a difficult and complicated business. As a matter of fact, the addition, subtraction, and multiplication of numbers is about the only simple part of it. Nevertheless, each year the military services do accomplish the computation of requirements by their own forces, and in addition, requirements for the foreign assistance programs.

I have always felt that the Mutual Defense Assistance Program (MDAP) computation is probably the most difficult of these two jobs, because the factors--the international situation and congressional attitude, for example--are so extremely variable; and to gauge these one truly needs a crystal ball.

Our speaker this morning is certainly familiar with these intangibles and the effect they have on the MDAP. As you know, from his biography, his service career as commanding general of the Third Logistic Command has undoubtedly provided him with an intimate knowledge of the receiver's viewpoint. His present assignment as Director, of Military Assistance, Office of the Assistant Secretary of Defense, is evidence of his capability and qualifications.

It is a pleasure to present to you Major General George C. Stewart, United States Army, who will speak to us on requirements for MDAP. General Stewart.

GENERAL STEWART: Admiral Hague, General Greeley, Colonel Mann, and gentlemen: I am very flattered to have been invited to speak here. In the time that I have, I shall attempt to outline to you how military aid to friendly countries is actually carried on.

The major element in the actual administration is the determination of requirements. But in order to understand and get a picture of how we arrive at the requirements, and what we do about them, it is necessary to give you a brief picture of how the whole thing operates. Without attempting to indicate how important I am, but to give some indication of the problem presented in explaining the details of the military aid operation in 40 minutes, it may be of interest to note that according to the General Accounting Office the military aid program is the second largest single program in the United States Government. It accounts right now for about 18 billion dollars. So I have to move rather rapidly through some stages of it.

I have here a series of charts that I shall use to indicate the major topics I cover and explain some of the military assistance operations. (Charts were not reproduced.)

Chart 1.--Many years ago, in fact when I was a cadet, it began to be pounded into my head that the first thing you had better know in any military operation was your mission, that the last thing you should forget was your mission, and that everything you did should be related to your mission. In this program I find it extremely helpful to come back to my mission. I have determined that the mission of the program is that stated by Congress in the Mutual Security Act.

It is a mistake to think of this program as a pure military aid program. If you think of it in that sense, you end in utter frustration; because we do so many things that have, at first glance, no relation to military assistance. And so I use this as my comforter whenever I get completely frustrated. I come back and read this: "To maintain the security and promote the foreign policy"--please note that--"to promote the foreign policy and provide for the general welfare of the United States by furnishing assistance to friendly nations in the interest of international peace and security."

Again I call your attention to the phrase "to promote the foreign policy" because, if you think of this program in the narrow view of simply providing military assistance, you fail to get the picture of the fundamental reasons for the existence of such a program.

Chart 2.--I would like to take just a minute to indicate why it is necessary that we provide this assistance. I can use, as an illustration, a chart which shows the population, the steel production, and the coal production of the United States and Europe combined as compared with that of Russia and western Europe combined.

As you will see, if we have the population of the United States plus the population of western Europe, we have on our team 431 million people. We have a steel production of 169 million tons a year, and a coal production of 1.64 billion tons, as opposed to 269 million people, 43 million tons of steel, and 420 million tons of coal. Reverse the process and you get the result shown on the lower part of the chart.

Without further discussion, I think you can see why it is necessary, in our own self-interest, for us to render aid to these people who we hope will be friendly to us and be on our team. I could illustrate that in many ways, but I hope this one chart indicates the general reason for the basic policy and philosophy under which we carry out the Military Assistance Program. It is not a matter of charity. It is one of self-preservation.

MUTUAL SECURITY ACT OF 1951

PREAMBLE

TO MAINTAIN THE SECURITY
AND PROMOTE THE FOREIGN POLICY
AND PROVIDE FOR THE GENERAL WELFARE
OF THE UNITED STATES
BY FURNISHING ASSISTANCE
TO FRIENDLY NATIONS
IN THE INTEREST OF
INTERNATIONAL PEACE AND SECURITY

MUTUAL SECURITY IS OUR SECURITY

U.S. AND WESTERN EUROPE COMBINED:



U.S.S.R. AND EUROPEAN SATELLITES:

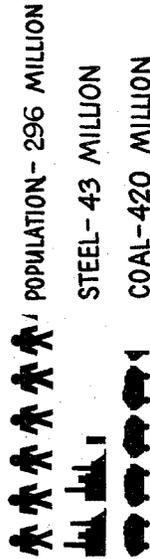
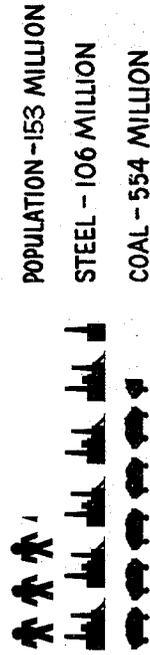


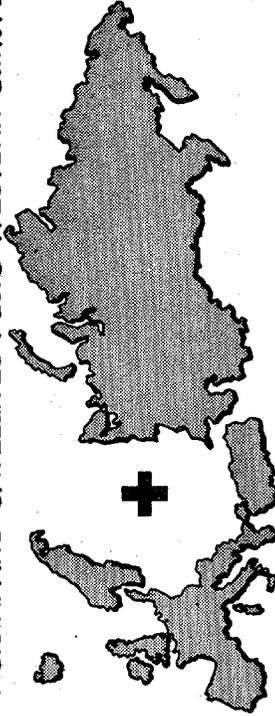
CHART 2

BUT IF WESTERN EUROPE FELL UNDER SOVIET CONTROL:

U.S.A. ALONE:



U.S.S.R. AND SATELLITES PLUS WESTERN EUROPE



NOTE: STEEL & COAL SHOWN IN MILLIONS OF SHORT TON PRODUCTION PER YEAR

Chart 3.--The basic organization for the administration of foreign aid is indicated on this chart. I can assure you, when you think of it in detail, this chart is a great oversimplification; but it does indicate the broad outline of the organization for carrying out the foreign aid program.

Yesterday you were privileged to hear Governor Stassen, Director of the Foreign Operations Administration (FOA) who is charged, under the law, with the coordination and supervision of all foreign aid. Foreign aid has three major elements. The smallest one is the so-called Point Four aid, which is assistance to underdeveloped areas in matters of education, health, food, production, and so forth. That was formerly carried on by the State Department. Under the fiscal 1954 law, it is placed under the supervision of Governor Stassen.

Secondly, you have the economic aid programs. They change the name of the economic programs every year and call it something else, but regardless of the packaging, it is still economic aid. I don't know what we are going to call it next year. I think it is going to be called the "Fund for Freedom." This year it is known as "Defense Support." Regardless of the alphabetical nomenclature, the basic objective remains the same--to help the other man keep his dollar balance of payments up and to be able to buy essential items on the American market. The economic aid programs are also under Mr. Stassen's supervision and direction.

Chart 4.--The largest part of this program for the last several years has been the MDAP, which is also under the general policy direction of Mr. Stassen but actually carried on by the Department of Defense. From now on my discussion will be limited to that part of foreign assistance which is charged to the Department of Defense or the Military Assistance Program.

Here in Washington we have in the Department of Defense, the Office of the Secretary of Defense, the Joint Chiefs of Staff, and the three military departments, all are concerned with this portion of foreign assistance.

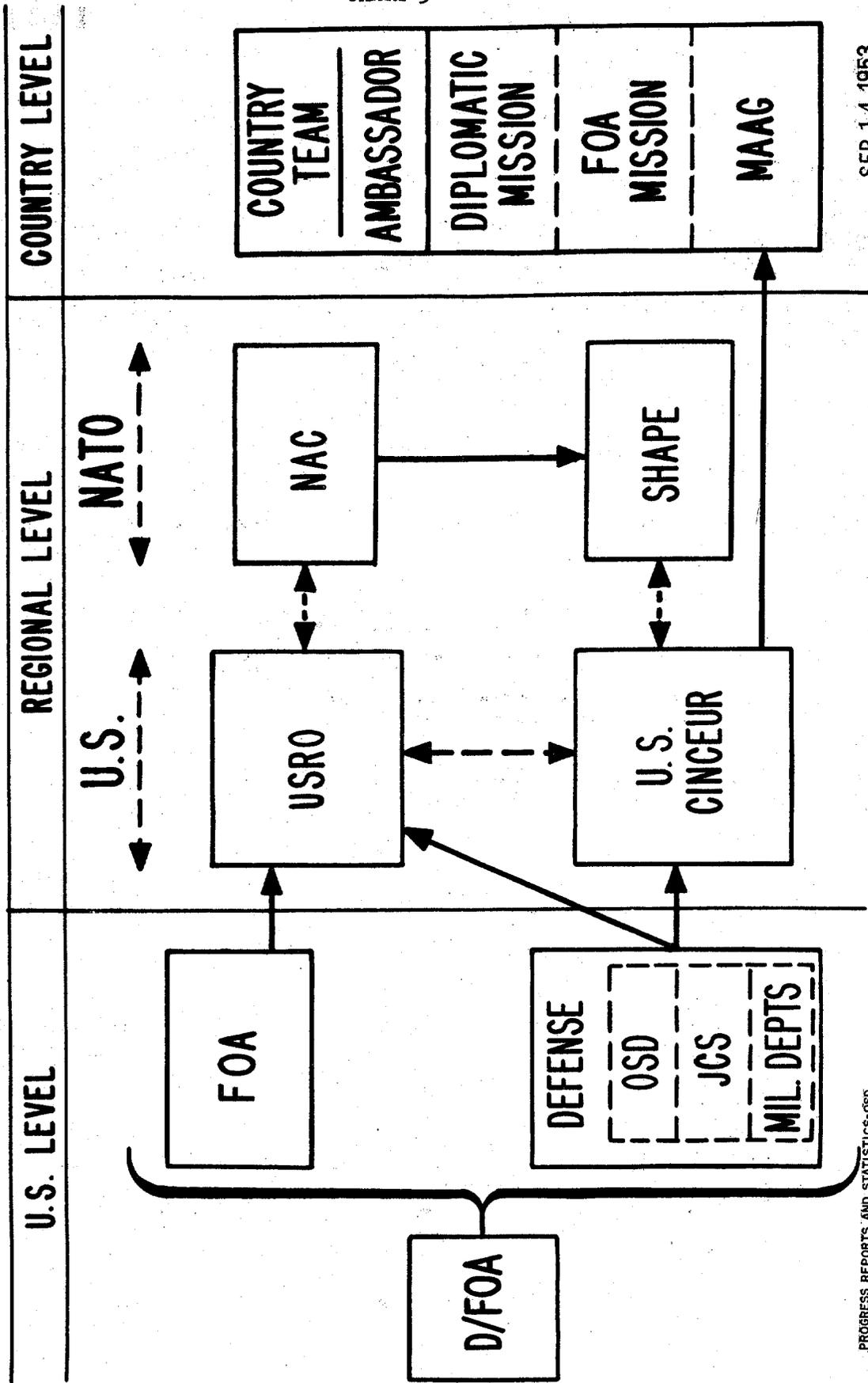
In Europe, which receives the largest portion of the funds, we have an intermediate headquarters between the Military Assistance Advisory Groups (MAAGs) and Washington. General Handy, who is General Gruenther's Deputy Commander of United States forces, has a section in his headquarters known as MAD EUCOM (Military Assistance Division-European Command). It is the only intermediate headquarters of its kind that we have at this time, although we have programs all over the world. This headquarters is not only extremely helpful in coordinating the military assistance program for NATO countries, but provides close

ORGANIZATION FOR MILITARY ASSISTANCE

NORTH ATLANTIC TREATY COUNTRIES

1140

CHART 3



MUTUAL DEFENSE ASSISTANCE PROGRAM

PRINCIPAL DUTIES OF SEC. OF DEFENSE

Secretary of Defense shall have primary responsibility and authority for :

1. DETERMINATION OF MILITARY END ITEM REQUIREMENTS.
2. PROCUREMENT OF MILITARY EQUIPMENT IN A MANNER WHICH PERMITS ITS INTEGRATION WITH SERVICE PROGRAMS.
3. SUPERVISION OF END ITEM USE BY RECIPIENT COUNTRIES.
4. SUPERVISION OF THE TRAINING OF FOREIGN MIL. PERSONNEL.
5. MOVEMENT AND DELIVERY OF MILITARY END ITEMS.
6. ESTABLISHMENT OF PRIORITIES IN PROCUREMENT, DELIVERY AND ALLOCATION OF MILITARY EQUIPMENT.

contact and liaison with the United States representative to NATO, Mr. Hughes, and through him with the North Atlantic Council and the United States element of SHAPE.

In each country receiving military assistance we have an MAAG. That group, together with representatives from Mr. Stassen's office who are concerned with economic matters, works as a team under the leadership of the ambassador to insure coordinated actions in consonance with the foreign policy of the United States. The chain of command for the MAAGs in Europe is through General Handy's headquarters, and in the other countries they deal directly with the military department designated as Executive Agent on joint matters and with the three military departments on matters pertaining to one service program only.

That, roughly, is the organization we have to carry out the Military Assistance Program.

Under the law, the Secretary of Defense is charged with six specific duties and responsibilities. Here they are: Mainly, he is charged with the (1) determination of military end-item requirements, which is the thing that we are really talking about this morning; (2) procurement of military equipment in a manner which permits its integration with service procurement programs; (3) supervision of end-item use by recipient countries; (4) supervision of the training of foreign military personnel; (5) movement and delivery of military end items; and (6) establishment of priorities in procurement, delivery, and allocation of military equipment.

It is my job to see that the duties and responsibilities charged under the law to the Secretary of Defense are carried out by the various subordinate commands and agencies involved in the program.

Chart 5.--This is a rather dim map of the world, but I can use it to indicate the geographical scope of the Military Assistance Program. The Congress appropriates money in the law by title, and the titles are based on geographical areas of the world. Europe is title I, the Middle East is Title II, the Far East is title III, and Central and South America is title IV.

We have a total of 27 countries in which we are carrying out a military assistance grant aid program. In addition thereto, we are dealing with another kind of aid--reimbursable--where the country purchases equipment directly from the United States. Before those countries can purchase military equipment they must be declared eligible by the President. That runs the total number of countries we are dealing with up to 45. We actually have missions, MAAGs in 28 countries. Some of the MAAGs cover a couple of countries. That chart gives you an indication of the geographical scope of these operations.

MDAP MAAG LOCATIONS

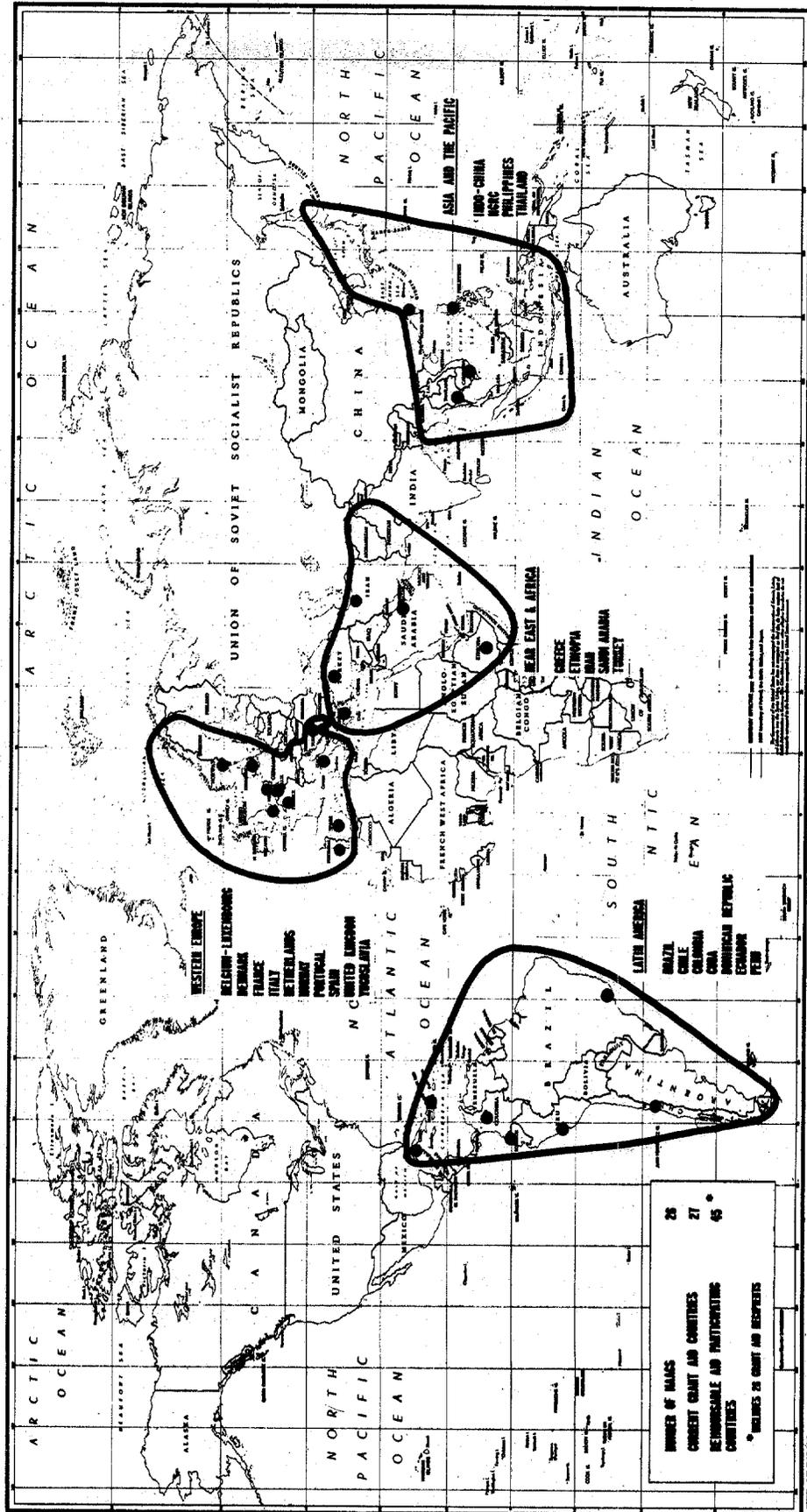


Chart 6.--I would like to point out that the MAAGs are the key agencies in the development of requirements and in the administration of the whole program within each country. They are the people who actually do the work in the countries. The principal duties of these MAAGs are:

1. To advise and assist the foreign government in the determination of materiel and training deficiencies.
2. In conjunction with the foreign government, to develop a program based on the deficiencies and meeting the Department of Defense program criteria.
3. To advise and assist in the receipt, identification, care, storage, and proper utilization of the equipment furnished.
4. To observe and report on the end use and maintenance of United States furnished equipment and the utilization of foreign students trained in United States schools.
5. To promote the self-help principle by encouraging increased indigenous production and the establishment of country-supported training schools. Undoubtedly some of you gentlemen will be assigned MAAG duty after completion of your course, so this will give you a broad view of the principle duties involved.

Chart 7.--I'd like very briefly to show you how we develop a program. I have a chart which indicates the major considerations that go into the development of a program. It does not portray all the detail of how we develop it, but all these factors influence the considerations and the end product.

The first thing, of course, is how much money do you have? That is the governing factor in the whole business--the appropriations that the Congress gives you.

The second thing is the forces involved. An extremely important consideration is the determination of the equipment, and so on, that the country itself contributes toward these forces. We call these country assets. How fast do we intend to build up these forces? If you have 10 years in which to build them up, you have one problem. If you try to build them up in a year, you have another entirely different problem.

What is the scale of the forces between the three services--Air Force, Navy, and Army? What are the relative priorities within and between the services?

MDAP - PRINCIPAL MAAG FUNCTIONS

SERVING AS THE REPRESENTATIVE OF THE SECRETARY OF DEFENSE -

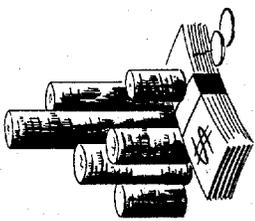
- ① ADVISES AND ASSISTS THE FOREIGN GOVERNMENT IN THE DETERMINATION OF MATERIEL AND TRAINING DEFICIENCIES.
- ② IN CONJUNCTION WITH FOREIGN GOVERNMENT DEVELOPS A PROGRAM BASED ON DEFICIENCIES AND MEETING DOD PROGRAM CRITERIA.
- ③ ADVISES AND ASSISTS IN THE RECEIPT, IDENTIFICATION, CARE, STORAGE AND PROPER UTILIZATION OF EQUIPMENT FURNISHED BY THE U.S. AND EFFECTS TRANSFER OF TITLE TO THE RECIPIENT GOVERNMENT.
- ④ OBSERVES AND REPORTS ON THE END-USE AND MAINTENANCE OF U.S. FURNISHED EQUIPMENT AND THE UTILIZATION OF FOREIGN STUDENTS TRAINED IN U.S. SCHOOLS.
- ⑤ PROMOTES THE SELF-HELP PRINCIPLE BY ENCOURAGING INCREASED INDIGENOUS PRODUCTION AND THE ESTABLISHMENT OF COUNTRY SUPPORTED TRAINING SCHOOLS.

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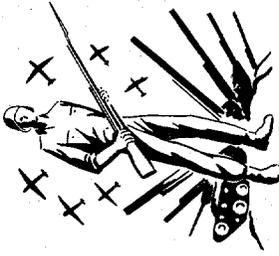
CHART 6

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● APPROPRIATIONS



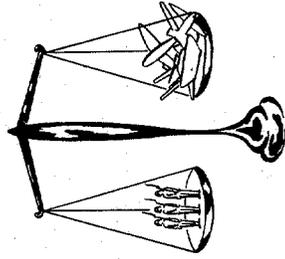
● FORCES



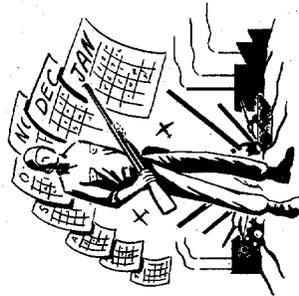
● COUNTRY CONTRIBUTION

● FACTORS

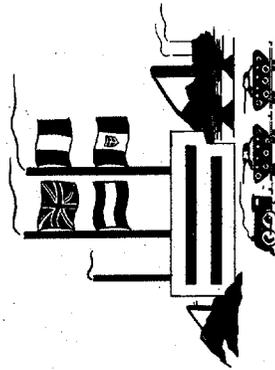
AFFECTING SIZE AND COMPOSITION OF MDA PROGRAM



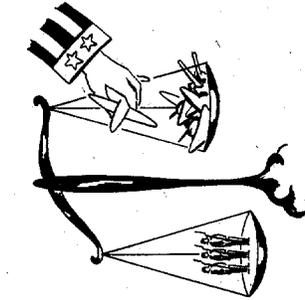
● SCALE OF FORCES



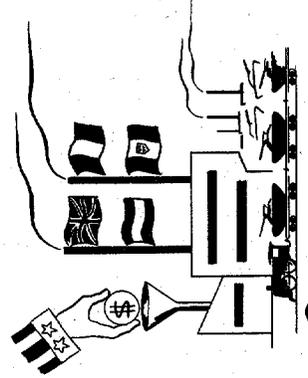
● BUILD-UP



● PROCUREMENT CAPABILITIES



● REQUIREMENTS



● OFF-SHORE PROCUREMENT

What are the procurement capabilities, both in the country and outside? Sometimes your limitation on how fast you can go is set by the ability to procure the equipment.

What are your requirements? In some countries, one of which is the United Kingdom, they furnish a great portion of their equipment. Whereas, in other countries, such as Iran and Turkey, we have to furnish most of it.

Another factor that must be taken into consideration is--how much of it can we actually buy in the countries themselves, as opposed to buying it in the United States?

All those factors enter into the development of our program.

Chart 8.--Here we have a requirements chart. How do we actually come up with a list of equipment that we are going to give one of these friendly countries?

Number one, we have to do it on a fiscal year basis, because that is how we get the money.

How do we do it? The first thing that you must have is a force basis. I am sure you gentlemen understand that; but I am surprised at the difficulty we have explaining that to some other people, particularly Congress. You have to know how many children you have before you know how many pairs of shoes you have to buy. That is the way I try to explain it.

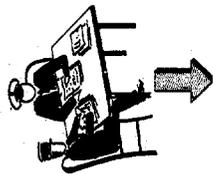
How do we get the force basis? I will tell you how we get it theoretically, and then I will tell you how we actually get it. The 1953 annual review dealing with calendar years 1954, 1955, and 1956 forces took place in December 1953, but we are now working on the fiscal year 1955 program, which covers forces for calendar years 1956 and 1957. So the annual review is a little bit behind for our purpose.

What we do is to assemble the very best information we can get regarding country military budget and force planning, using the United States annual review team data for the NATO countries. The Joint Chiefs of Staff (JCS) then recommend to the Secretary of Defense the forces, in each country receiving assistance, toward which the United States should make contributions of equipment and training. Upon approval by the Secretary of Defense, we have our initial force basis.

We have been pretty lucky on our predictions of the future build-up. The JCS criteria have never been very far off from what the countries are actually doing. The countries will not commit themselves

DEPARTMENT OF DEFENSE
MILITARY ASSISTANCE SCREENING PROCESS
 (NATO COUNTRIES)

COUNTRY & MAAG REPRESENTATIVES



GROSS F.Y. REQUIREMENTS

THE MAAG SCREEN

COUNTRY INVENTORY
INDIGENOUS PRODUCTION

NET DEFICIENCIES

THE U.S. CANOEUR SCREEN

CROSS-HELP REQUIREMENTS VERIFICATION

TENTATIVE PROGRAM

TENTATIVE PROGRAM

TENTATIVE PROGRAM

AVAILABILITY PRICING

THE ARMY NAVY AIR FORCE SCREEN

PRICED PROGRAM

STRATEGIC ECONOMIC POLITICAL

THE OSD SCREEN

RECOMMENDED PROGRAM

COORDINATION WITH OTHER PROGRAMS BUDGET POLICY

THE EXECUTIVE OFFICE OF THE PRESIDENT SCREEN

REQUESTED PROGRAM

CONGRESSIONAL JUDGEMENT

THE CONGRESSIONAL SCREEN

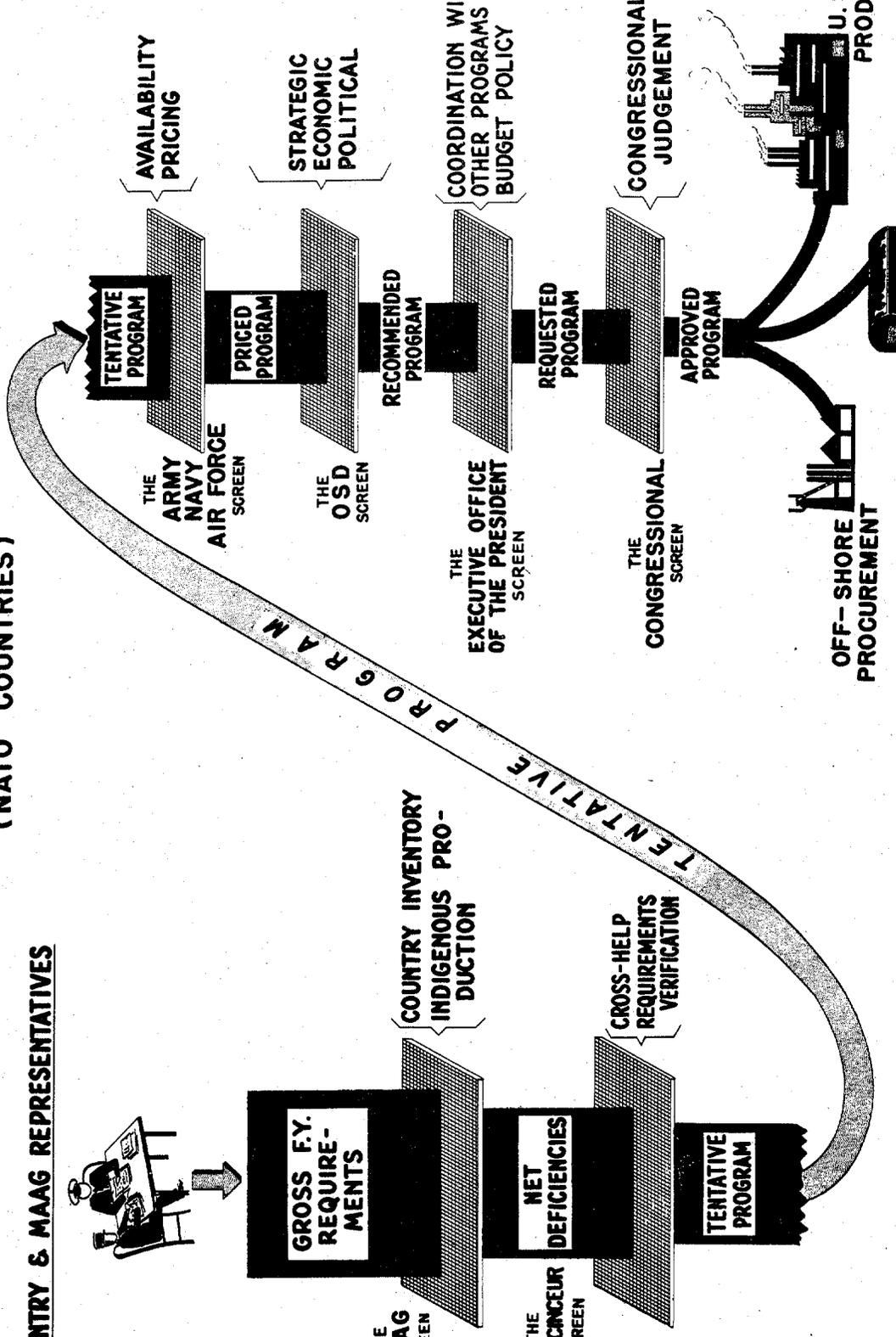
APPROVED PROGRAM

OFF-SHORE PROCUREMENT

U.S. NEW PRODUCTION

U.S. MILITARY DEPOT STOCKS

U.S. NEW PRODUCTION



beyond one year. In other words the 1953 annual review has resulted in a commitment for the forces to be in being during the calendar year 1954, a planning level of forces to be in being by 1955, and a vague provisional figure for 1956.

We are working right now on our request of Congress for the fiscal years 1956, 1957, and later guesses about 1958. We have a very bad problem in bringing in the requirements, that is, trying to predict the forces which the countries will actually raise, pay, train, and maintain in future years.

I might say here that we have just about reached the peak of the major forces that any country is going to raise. It looks as though we have reached the crest in the buildup of major forces, although some combat and logistic support units will continue to be raised. While we don't have anything like the forces that General Gruenther requires to carry out his military mission, it does appear that we have all the forces we are going to get under the current international situation, and that from now on it will be a matter of keeping those forces in being and improving them qualitatively, rather than increasing them materially. But at least we send out a force basis to the MAAG in each country for each service--Army, Navy, and Air Force to serve as a point of departure in determining the equipment requirements.

Our MAAG then sits down with the country's representative in each service. To illustrate, let us take one unit, an infantry division. In a given country we say that this country is going to raise an additional division. The United States agrees to contribute--I wish you would note "contribute," not "support"--toward the equipment, training, and maintenance (in terms of spare parts) of that force.

We take the tables of organization and equipment (T/O&E) that is being used in that particular country, and we determine the total requirements of the force in question. In no instance does the T/O&E exceed that of a similar United States unit. Then that country tells us what it will contribute. And, incidentally, because of the excellent work done by the MAAGs, we get pretty good information. We get much better information than any other agency in the world as to what each country has in the way of military equipment and what its future plans are for its military establishment.

This sometimes causes strained relations between the MAAGs and the U. S. Military Attaches, because the MAAGs often have access to information which the attaches cannot get through their sources. I assure you we don't hide that from the rest of the Government. But it does tend

to create a rather strained situation, when our MAAG people get high-grade intelligence data, and the attaches, who are charged with intelligence collection, are denied access to the same information.

We then subtract what the country will contribute against the total requirements, and we come up with the initial deficiency list. That deficiency list then starts through a process of screening. We will not furnish all the things that are required to equip a unit. What we will furnish is determined by criteria developed by the JCS and approved by the Secretary of Defense. To the extent that we can, and still be realistic, we keep that to the absolute hard core of the military items. In the case of a more industrially developed country, we are attempting to reduce that requirement to 31 items. We have reduced it from hundreds of items to somewhere in the neighborhood of a hundred items in the latest program. In other countries we have to give a little bit if we are going to get any results at all, because the countries--financially, industrially, and economically are not able to provide much for themselves.

Generally we won't furnish anything that the countries can furnish. To illustrate how we assist the country to help itself, I will cite one typical example. We have established in Europe with United States funds, certain facilities to produce spare parts for the J-35 jet engine and the F-84F airframe. We provided the "starter" for the facility and set up the means whereby those parts can now be purchased with local currency. They don't have to have dollars to purchase them. We are informing them that, as of 30 June 1954, we will no longer furnish spare parts for that engine and that airframe, thereby shifting the responsibility for support to the using country.

The criteria under which we operate are based on sound common sense. We won't furnish clothing, food, medical supplies, tentage, or housing. Using these criteria, the MAAG, with its intimate knowledge of what the country itself can provide, sits down with the United States Ambassador and the other members of the country team. This group has a great deal of information about the economic and financial standing of that country, and the equipment deficiency list is further reduced through this screening process.

In the case of European countries the equipment program then goes to MAD EUCOM in General Handy's headquarters, where it is again screened, and where certain information available to them through their contacts with the International Staff of NATO permits them to further reduce this deficiency list. It then is forwarded by the MAAG to the services--Army, Navy, Air Force--each getting its own program. Again it is screened for compliance with all established guidelines and criteria.

This screening is not a theoretical thing. We have an actual large worksheet, and on that we have the name of the unit being equipped. Initially we did not specify the units, but we learned very quickly what a shell game could result if you didn't tie in to a specific unit designation. A country would just say "a division" and sometimes we would keep equipping a new one every year and they would keep shifting the readiness status around on us. In the case of the Netherlands, it had one division in being on a full-time basis and we were equipping six. When you get a real understanding, you realize they are not being dishonest about it. It is a matter of trying to fit in the term of service and the status of regular and reserve units into the military plan, and local political pressures play a very important role, just as they do in the United States.

We now make up these deficiency lists against actual divisions, such as the 304th Infantry Division. Of course they change the numbers every now and then. What I want to point out is that it is an actual computation of net requirements against specific units. It is done by listing the units; listing the total requirements; listing what the country itself has, both in stock and under procurement; showing the difference; and then starting the screening process.

Eventually the program gets to my office, where we are again charged with screening it. We invite representatives of the Bureau of the Budget, the Foreign Operations Administration, and the Department of State into our review. We have quite an exercise there. Then the overall figure arrived at in this review goes to the Deputy Secretary of Defense, who approves it. It then goes to the Foreign Operations Administration, and we say "These are your recommended programs."

After it is reviewed there we start defending it. Up to this time we have been cutting it down, but we then become the victim and start defending these recommendations.

Finally, the program is submitted to the Bureau of the Budget. This is the point where we find out how much money the President will allow us to ask of Congress.

Up to this point we are presenting the dollar cost of the screened equipment deficiencies computed against the approved force bases. The President makes the final decision, based on the programs of all agencies. We came up with a program costing 4.7 billion dollars. I don't think I am at liberty to tell you what the final figure is, because the President is going to make a speech about it today. We are not going to get 4.7 billion dollars, I can assure you of that.

When we get the final figure approved by the President for military aid purposes, we have to start the entire process over again to adjust each country's program within the approved amount to be requested of the Congress. As a result of that process we come up with what we call an illustrative program. That is the program we defend before the Congress. We go up there and say: "If you will give us this money, this is what we will do with it." For each country, we show what we are going to buy with that money, the forces we intend to support or contribute to the support of, and what we have done with all the money they gave us before.

We appeared last year before five committees. As you are well aware, the new Administration, when it came in, expected to balance the budget and reduce taxes; but it found out apparently that this couldn't be done immediately. When we went to Congress and asked for money to give away, we were quite unpopular, to put it mildly. It was a most unhappy three months. Congress examines the objectives and content of the program in great detail; actually I believe they understand that we have no acceptable alternative except to proceed with the program from a security standpoint, but they have a natural feeling of irritation and say: "We can't balance the budget, we can't reduce taxes, and yet here is a man asking us to give away money!" I can assure you, anybody who wants to take on the task of selling this program to Congress is welcome to it. This year it is going to be worse than ever, and we are now getting ready for it.

When we finally get the money that Congress gives us, we then, for the third time, go through a final refining process and come up with a firm program that we can carry out with the funds we have. In effect before we end up with a firm program, for supply action, we go through the same exercise of computing requirements on a slightly different basis three times for each fiscal year.

As of yesterday, believe it or not, we got the funds allocated to the Department of Defense to carry out the fiscal 1954 program. We started working on it on 7 July 1953.

Under the procedure that I have described, we finally fight through the approval of these programs. We then go back and start trying to get the man to give us the money that Congress appropriated. This usually results in rejustifying the program all over again on a slightly different basis before the funds are allocated to the agency that can put them to work. The question of procurement lead time is usually scrutinized to insure that funding is required in the current fiscal year. At any rate, in spite of all our efforts, we have just gotten the money for the fiscal year 1954 program. No later than this morning I had a lengthy discussion with our own comptroller in the Department

of Defense who is reluctant to release all the money because he says he doesn't like some aspects of the program. As you can see, getting one of these programs in motion requires interminable justification, endless patience, and a terrific amount of drive to keep it from a dead halt.

In addition to providing military equipment to our friends, we have another phase of this program which, in my opinion, is probably going to pay us more dividends in the long run than the provision of the equipment. That is our training program. We train a great many representatives of these countries in the use of our equipment. We bring a great many of them to this country and train them.

While they are in this country, they are exposed to our people. If we are in fact worthy of friendship and the role of the leader, I think this exposure to us, as we really are, not as we may be seen abroad, is going to be one of the best things that ever happened.

Chart 9.--We have trained nearly 24,000 people in the United States. We now have over 6,000 in training here. We are training quite a few in our overseas schools in Europe.

The second phase of this training program is one in which we send out mobile training teams of technicians and they stay in a country several months. They train instructors in the country and get schools established. The theory back of this is that we shall train a sufficient number of people in the countries themselves so that they can establish their own training installations. When we will have completed the 1954 training program, we will have finished all the training that we intend to do, except possibly for some pilot training for certain countries.

For certain highly technical pieces of equipment, we actually go out to the manufacturer and make a contract with him to send technical representatives to certain countries to give instruction in the operation and maintenance of this equipment. As you notice here, we have 165 of these technical representatives in the field at the present time. This is a very important part of this program and it is not the most expensive. Comparatively, it is a good investment considering the cost of the equipment, although it is not, in fact, cheap. It might be of interest to note that it costs us 85,000 dollars to train a pilot for combat.

We have some problems in connection with pilot training. We spend that much money to train a pilot and some of them go back to their countries and in about a year or two they get out of the service and their services are no longer available. In the case of some countries,

DEPARTMENT OF DEFENSE

MDAP

TRAINING PROGRAM*

31 OCTOBER 1953

COMPLETED TRAINING

CURRENTLY TRAINING

FORMAL TRAINING COURSES

30,513

7,040

IN U.S.
OVERSEAS

23,988
6,525

6,332
708

ARMY
NAVY
AIR FORCE

9,436
10,565
10,512

999
3,026
3,015

NUMBER OF MOBILE TRAINING TEAMS

220

74

NUMBER OF TECHNICAL REPRESENTATIVES

171

165

* Based on MAAG Reports

they get out of the service and go into the commercial air lines. We find ourselves, much to our surprise, actually contributing toward air lines that are competing with ours in that we are spending money to train their technicians, their maintenance people, and their pilots.

Chart 10.--We are getting a great deal of criticism because of the slowness in translating funds appropriated by Congress into end items and actually delivering them to the recipient countries. I am sure that you gentlemen will appreciate the fact that there is a lead time between the time somebody gives you a dollar and the time you can make a contract, get the thing made, and actually deliver it.

That is not the only reason that our deliveries are slow, but it is a basic reason. It is very difficult to explain this to some of the members of the committees of Congress. They say, "We gave you that money and you haven't even spent it." It is very important that you appreciate the lead time that we encounter in translating money into end items if you want to fully understand what happens between fund appropriation and actual delivery.

Chart 11.--I would like to speak for just a couple of minutes on offshore procurement. You hear a great deal about it, it is in the papers, and it is generally spoken of in a sense that indicates that there is something different about it. Congress gives us money for the procurement of a certain amount of military items. Unfortunately, a lot of our people in FOA and the Department of State have been under the impression, in spite of all our efforts, that we have two pockets full of money--one for offshore procurement and one for the military program. Offshore procurement is nothing but that portion of the money, given us for procuring the items that represent the screened deficiencies I have been talking about, which we spend outside the United States. Let us examine for a moment some of the results from the procurement of a gun or ammunition in France, for example. The gun or the ammunition is an item in our final Department of Defense program. We have to buy it somewhere. If we can buy it in France, I believe we have a triple-use dollar. Number one, we get the item for which we have a requirement. Two, we put a dollar in a country that needs the dollar. And three, we contribute toward increasing its economy and toward better living conditions. There is even a fourth use. We also contribute toward the establishment and development of an industrial facility that can continue to make that type of item, spare parts and things like that, in the area in which those items will be used.

Basically, our approach to offshore procurement is that we should buy as much of this program as we can in the areas in which it is being

MDAP

REORDER LEAD-TIME FOR SELECTED PROCUREMENT ITEMS

1156

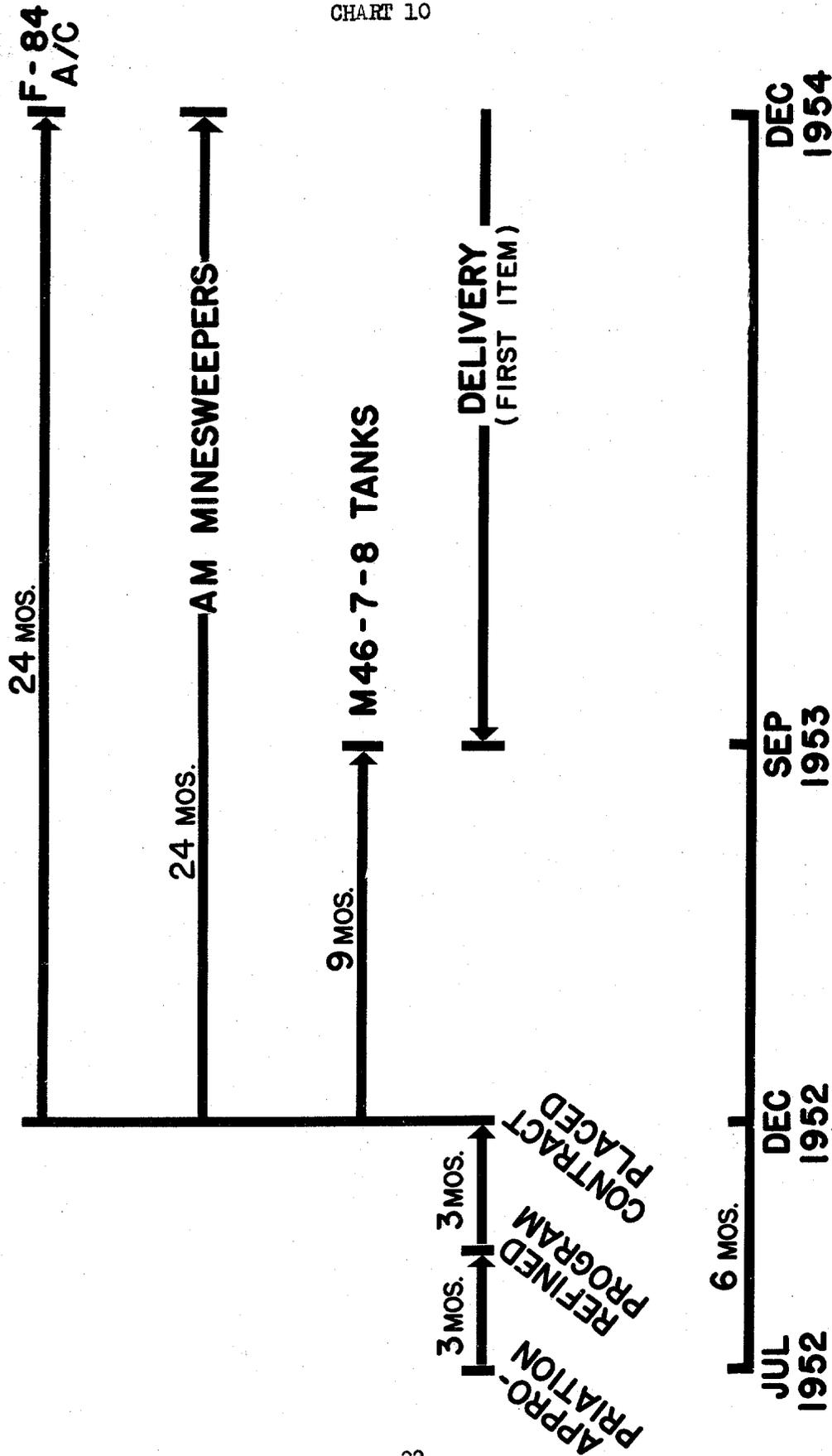
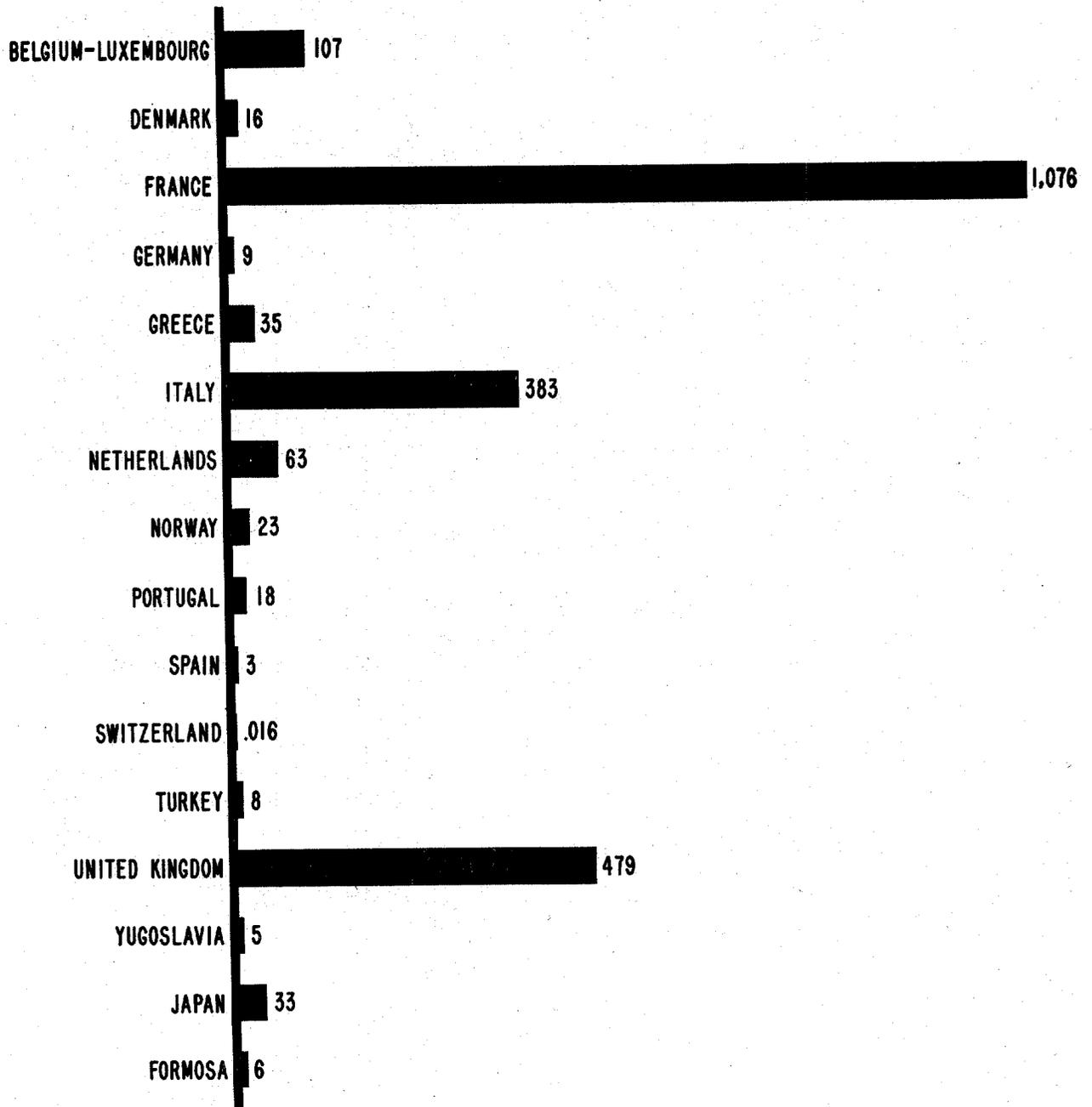


CHART 10

**OSP FY 1950-53 VALUE OF CONTRACTS PLACED
BY COUNTRY OF PLACEMENT****(IN MILLIONS OF DOLLARS)**

used. We have only one pile of money. People come to us and say: "Why don't you buy trucks in Italy? They can make wonderful trucks. Why don't you buy them over there?"

"Well," we say, "We don't want to buy trucks in Italy, because they already have trucks, a lot of trucks. It doesn't make sense to buy Italian trucks when we have a lot in stock in the United States Army that we want to give away." They say, "Why don't you buy telescopes?" There are any number of things they can name. We say, "Because they are not on the program." They reply again, "Yes, but they make them so good."

We have only one pile of money and that is the money that will buy those items on the approved list. If we can buy those particular items outside this country, we should do it. We can't go out and buy an item that is not on that list just because somebody can make it. The basic premise is whether or not it is a valid, legitimate military requirement.

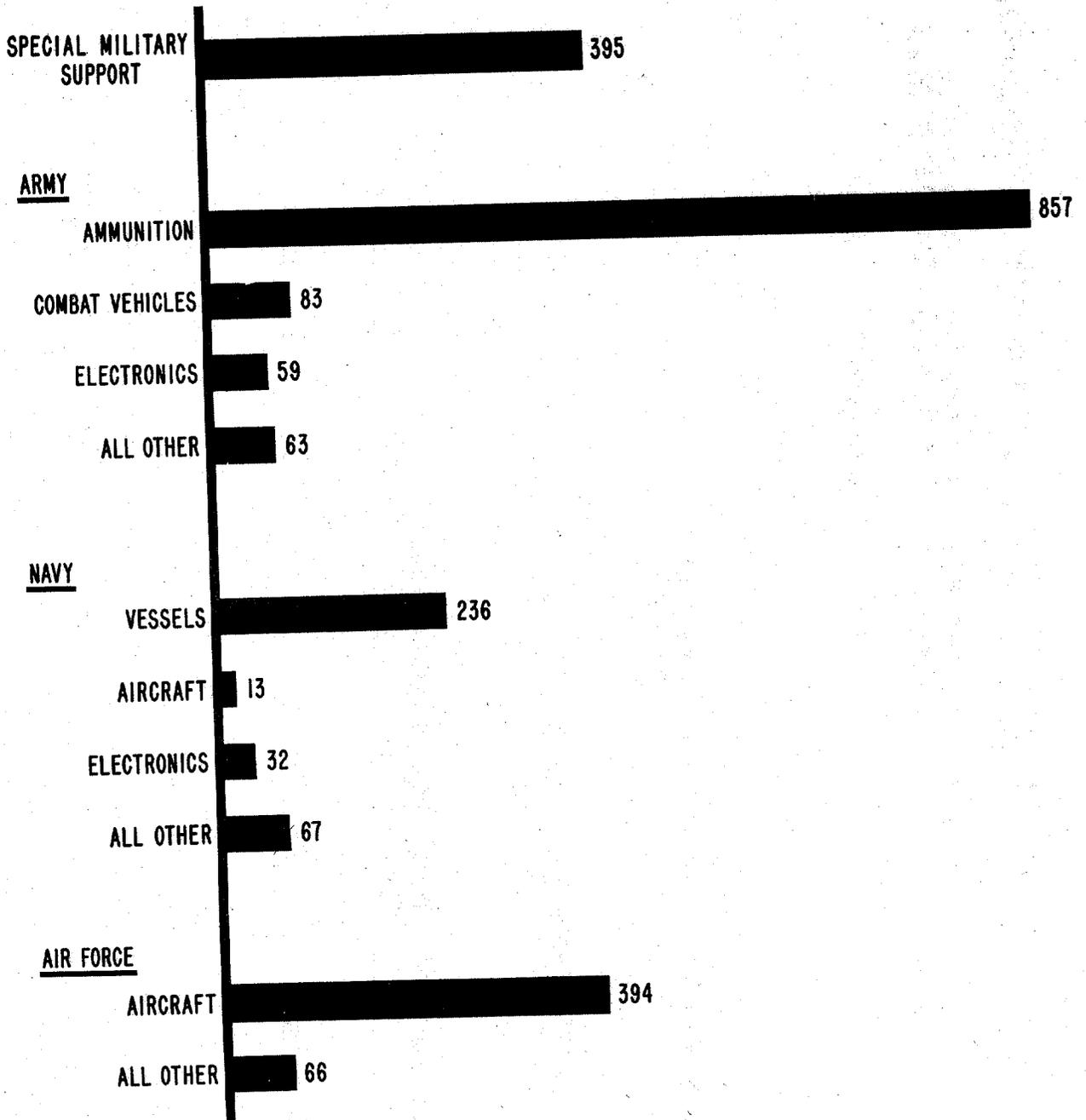
This offshore procurement becomes one of the biggest factors in getting certain things accomplished in foreign countries. We now have 2.5 billion dollars in contracts outside the United States for this program. This chart simply shows where that money is. It doesn't include any fiscal 1954 money because as I told you, we received that only yesterday. We have about 800 million dollars out of the fiscal year 1954 program for offshore procurement. At the rate we are losing this money by transfer to nonmilitary programs, I don't know what we will end with, but that is what we start with. This chart indicates the countries in which the contracts, through the fiscal year 1953 funds, were placed.

Chart 12.--The biggest single item we are buying offshore, by countries, is ammunition. The biggest thing for the Air Force is aircraft. We buy a great many aircraft in the United Kingdom and probably are going to buy a lot more.

Chart 13.--We have not delivered all the equipment for which Congress has given us money. In fact, we haven't delivered anything near what we wanted to deliver. We have actually delivered about 7 billion dollars' worth of equipment out of a total of 18 billion dollars available in the program, including fiscal year 1954 funds. Of course, we haven't begun to deliver the fiscal year 1954 program as we have just received the funds. We have, at the present time, something like 11 billion dollars which you might say is in the pipeline.

OSP FY 1950-53 VALUE OF CONTRACTS PLACED BY SERVICE AND COMMODITY CATEGORY

(IN MILLIONS OF DOLLARS)



MUTUAL DEFENSE ASSISTANCE PROGRAM

SELECTED ITEMS SHIPPED

THRU 31 OCTOBER 1953

1160

TANKS AND COMBAT VEHICLES _____ 29.997

MOTOR TRANSPORT VEHICLES _____ 163.278

SMALL ARMS AND MACHINE GUNS _____ 1.665.831

ARTILLERY _____ 29.068

VESSELS _____ 588

AIRCRAFT _____ 5.153

But we have made substantial deliveries. We haven't slowed down the activation of any substantial force, or delayed creation of any force that somebody wanted to raise because we couldn't deliver the equipment. We may not have them 100-percent equipped, of course, but they have equipment with which to train.

There are certain specific items with which we are having difficulty. We are having a great deal of difficulty in getting 105's. We are having a great deal of difficulty in getting fire-control and antiaircraft equipment, but that is coming along.

I just want to call your attention to a couple of things here. We have delivered over 29,000 combat vehicles, 163,000 motor transport vehicles, over 1 million small arms, over 29,000 pieces of artillery, 588 naval vessels of various types, and over 5,000 aircraft. When we shall have delivered the remainder that we have funded for, those deliveries, of course, will be really terrific.

Chart 14.--In the fiscal year 1951, we actually delivered 1,121,000,000 dollars' worth of equipment. In fiscal 1952 we raised that to 1,358,000,000 dollars. In 1953 we did a great deal better, in fact, we delivered much more than we had in all previous programs, or 3,809,000,000 dollars' worth of equipment. In fiscal 1953 everybody thought, "Well, we have this thing rolling now and it is going to be fine. Surely now we can continue to do pretty good." These are monthly shipments. But in August, we had a rather discouraging drop. In September the bottom fell out of the thing. I am sure you would be interested, if you ever get involved, in reading some of the letters that have gone from one high level to another demanding and receiving explanations of this thing. But the Army, which should be hitting deliveries of around 200 million dollars a month, slumped to 27 million dollars in September. We haven't found out yet what happened. It is very difficult to find out. Somebody says it is the comptroller's fault--somebody says the fault is in the technical services. I am sure there is enough blame to go around, but the facts are we did not deliver.

In October we began to come back a little bit. I had some preliminary figures for November, which indicated deliveries would be about 272 million dollars. I believe that from now on we shall have a reasonable performance in delivery.

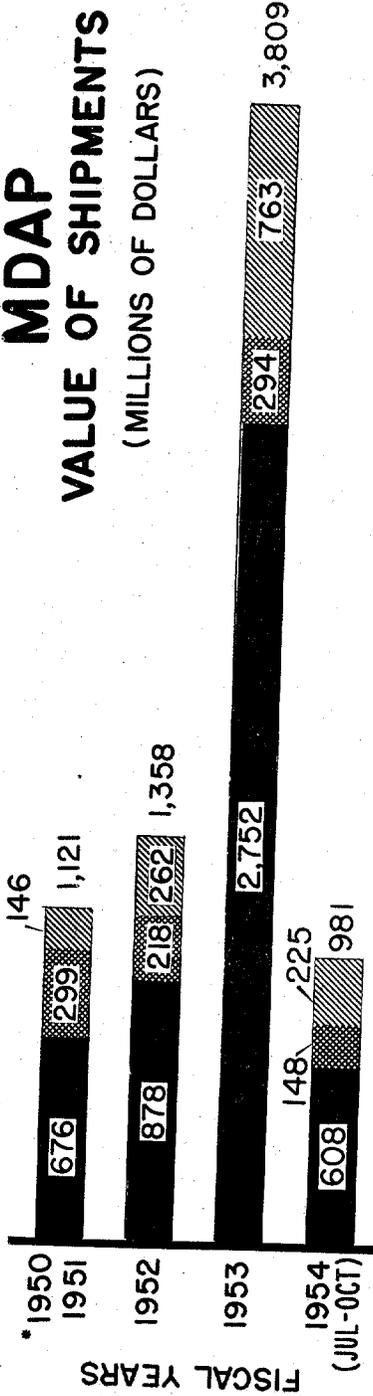
One of the major factors that is tending to keep these deliveries down now is the amount of money we have in contracts offshore. The oldest of those offshore contracts is about 18 months. We have just begun to get deliveries from our first offshore contracts. When we begin to get substantial deliveries from them, our position is going

1162

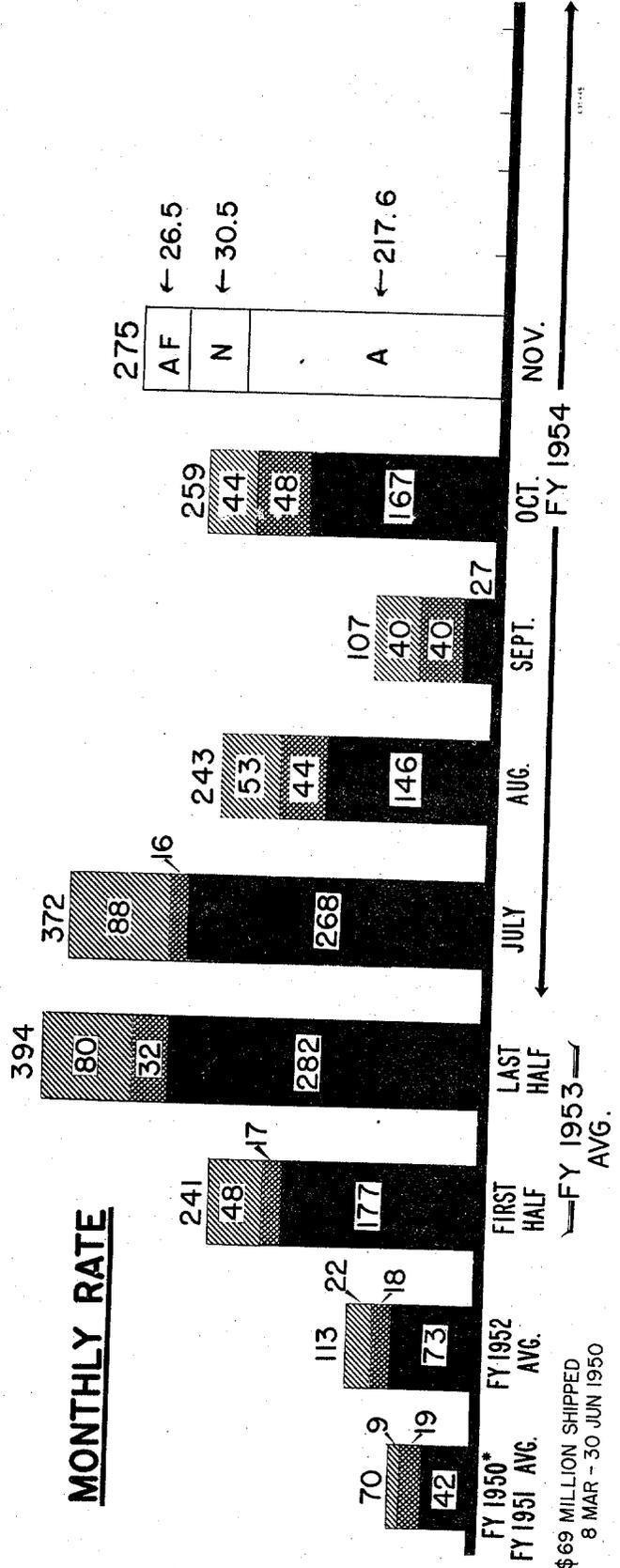
DEPARTMENT OF DEFENSE

MDAP
VALUE OF SHIPMENTS
(MILLIONS OF DOLLARS)

SHIPPED



MONTHLY RATE



* \$69 MILLION SHIPPED
8 MAR - 30 JUN 1950

to improve substantially--but this is a monthly fight. I have to make this report to Mr. Kyes once a month; he doesn't like them when they are bad.

Gentlemen, I have attempted to acquaint you with our organization for administering the foreign Military Assistance Program. I tried, briefly, to emphasize how we determine the requirements; and to give you some indication of our various difficulties and some indication of our performance data.

Thank you very much.

QUESTION: General, there was an article in the "Saturday Evening Post" about two months ago by a Naval Reserve captain which was highly critical of the interference that is experienced by our units from the members of the ambassador's staff in conducting negotiations for procurement. Do you consider that his criticism is justified? If so, do you have any solution for that problem?

GENERAL STEWART: Number one, I didn't read that article. I have heard it discussed.

In our offshore procurement we have had an almost impossible task finalizing one of these contracts because, in the end, the procurement officer is personally responsible for this thing under the law. Under the law, it is necessary for the Under Secretary of each service to approve the procurement. We get involved in international policy in trying to accomplish certain objectives we want to accomplish in a country. We get into political situations because we have so many people throwing their weight around who don't control the money, who don't sign the contract and bear the legal and personal responsibility. The multitude of voices has created the utmost confusion and makes it extremely difficult to make progress on a sound basis. I am sorry not to be able to answer your specific question, but I did not read that particular article.

The offshore procurement situation is getting a little better. This year they have appointed Mr. Tracy Voorhees, former Under Secretary of the Army, as Director of Offshore Procurement in Europe. He is going to assume the burden of making many of the policy decisions. The actual contracting will continue to be done by the contracting officers of the services. In the past it has been extremely difficult for the contracting people to carry on their business, due to the fact that this large sum of money is being used to obtain certain objectives of the Government over and beyond just buying a piece of military equipment.

QUESTION: I gathered that most of your presentation had to do with new procurement. How does the transfer of surplus or obsolescent United States military equipment to these countries fit into the picture? Is it funded, and must it fit the T/O&Es in spite of the standard procedure that you outlined?

GENERAL STEWART: You have two or three questions involved there. If there is a piece of equipment that we provide that is excess to the United States requirements, we can place it in this program without cost to the program other than the cost of rehabilitation and shipping. If it is excess, in a legal sense, to the United States requirements, we give it away.

As to determining whether or not it is a piece of equipment that will fit in with the T/O&E, that question is more or less decided at the MAAG level. A lot of countries acquire this type of equipment on a reimbursable aid basis. That is, we will take an armored truck or similar item which is excess or surplus here, and we can sell it to them at the excess price.

We have a legal limitation on the value of excess equipment that we can put into this program. Congress initially set this limitation at a billion dollars. In other words, Congress said: "If you have it, you can give up to a billion dollars' worth of excess equipment."

QUESTION: General, last month our labor force dropped some 600,000 people in this country. In addition, unemployed skills in the labor force jumped to another 425,000. There were about 1.8 million unemployed. Offshore procurement was reported yesterday for Italy as providing four years' employment for 228,000 men. Aren't we getting in that offshore procurement into an area of perhaps political infeasibility, which is going to make the isolated position of this country worse?

GENERAL STEWART: It is quite a problem. It is a matter that is a most active issue right now, one in which Mr. Voorhees is fully involved. We have earmarked this amount of money for offshore procurement; but, due to this administrative nightmare that we have gotten into, we haven't actually let any contracts for the 1954 program. As I stated previously, there are many considerations--military, political, and economic--that must be applied to this offshore procurement program.

One of the most important considerations as to whether or not we should go ahead with this full program is the matter of unemployment and the cancellation of certain contracts in the United States. It is a very serious question as to what course of action we should pursue.

It has not been completely resolved as to what we are actually going to do, but all the agencies have a full voice and I can assure you that Congress is carefully watching this also.

QUESTION: Does a dollar in offshore procurement buy a dollar's worth compared to what it would buy if it were spent in the United States?

GENERAL STEWART: Not in every case. In some cases it buys much more than a dollar's worth. In the case of naval vessels, it buys almost two dollars' worth. In the case of the Centurion tanks, we paid more for them to equip the Netherlands units than here. For the M-47 they were much cheaper.

In nearly all other things, it is a little more expensive. You can rationalize that in the more expensive items you must add to the United States price, the cost of transportation; and, incidentally, nobody can tell you what the United States price is. It is a fact that by buying abroad you are contributing toward the establishment of manufacturing facilities and creating a production base that might be highly useful if war comes, and in some cases we are providing spare parts support that otherwise would have to be provided by the United States taxpayer.

When I say nobody can tell you what the United States price is, of course I mean that they can tell you what the contract price for delivery of the military item is; but when you try to find out what it actually costs, when you bring into it the arsenals and testing grounds, the people in uniform, the inspectors, the buildings, the things that we use in the administration, all the machinery that we have in the plants, we have found that nobody can tell you what a 155-millimeter shell actually costs the United States Government. You can get the average by the existing contracts.

So, to answer your question directly, after we level off the whole thing, we are a little bit ahead of the game. That is largely the result of the better price that we get on ships.

QUESTION: General, I would like to ask a question relating to the quality of the equipment that you send overseas to these countries. Does the United States provide these countries with the latest-type equipment? For instance, do we send them any atomic artillery?

GENERAL STEWART: We have not provided any atomic weapons in this program. As to the quality of the equipment that we provide, we have no objection to giving them as modern equipment as we ourselves have.

Actually, there is this continuous improvement in models, as you know; and we have taken care to see that our own forces by and large get the latest thing before we give it away.

There is nothing wrong with the quality of anything we deliver. We are not dumping anything; I can assure you of that. Where we give used equipment, it is put through a wonderful rehabilitation and rebuilding process before we release it to any one. For instance, we are providing World War II trucks. Our forces are getting a later design of trucks. The military aid trucks are run through a complete rebuilding plant, they are not just repaired. They are torn down to the last bolt and rebuilt with new parts before they go into the MDAP.

The only cases where we have given equipment that we could say is obsolete in the strictest terms is where the countries themselves are fully aware of it and take it in order to get early delivery. We give certain countries propeller-driven aircraft. That is all the aircraft they need; certainly all they can support and keep running. In a sense, that is an obsolete piece of equipment in modern warfare. Some of these people, if they came in to buy their own equipment, would buy obsolete or obsolescent equipment because they can get it cheaper and because it will meet their local requirements.

COLONEL BARTLETT: General, the shortage of time is going to stop several hands from being recognized. I don't know whether your talk is going to cause these men to grab their preference cards and either get off their MAAG assignments or get on them; but I know I can tell you that it is the universal feeling that you have given an outstanding talk. It has been an explanation that we can all appreciate. We particularly appreciate your frank comments on giving us the problems and the background. On behalf of the Commandant and the entire class, I express our deep appreciation for your excellent talk here.

(16 Mar 1954--250)S/gw