



DEFENSE SECURITY ASSISTANCE AGENCY  
WASHINGTON, D. C. 20301

15 January 1977

In reply refer to:  
Transmittal No. 13  
DOD 5105.38-M

MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, MILITARY ASSISTANCE AND  
SALES MANUAL - PARTS I, II, AND III

SUBJECT: MASM I, II, and III Transmittal

Attached is MASM Transmittal No. 13 which updates the procedures to  
15 January 1977.

Highlights of this transmittal include chapters on Leases under MAP/FMS;  
Security Classification and Release of Information; Planning; Audits and  
Inspections; Loan of Ships; Eligibility for FMS; FMS Policies, Guidelines  
and Restrictions; General Procedures; Transition Services; Preparation and  
Processing LOAs; Amendment on Modification of Offer and Acceptance; FMS -  
Commercial Availability; and Major Defense Equipment List.

All reference to the Foreign Military Sales Act (FMSA) should be changed  
to reference the Arms Export Control Act (AECA).

Update the portions of your current MASM in accordance with the List of  
Changes. Specific changes are indicated by a broken line in the margin  
of the chapter.

This transmittal supersedes the following correspondence/messages:

Messages:

SECDEF 4921, DTG 030533Z NOV 76, subj: Translation Services  
SECDEF 6950, DTG 250719Z NOV 76, subj: Revision of MASM, Part I,  
Chapter F, Audits and Inspections

Correspondence:

DSAA Memorandum I-12188/75 dated 24 Nov 75, subj: Letters of Intent  
for FMS Cases  
DSAA Memorandum I-237/76 dated 12 Jan 76, subj: Letters of Intent  
for FMS Cases  
DSAA Memorandum I-9327/76 dated 3 Sep 76, subj: Revision of MASM,  
Part III, Chapter C, General Procedures



DSAA Memorandum I-9929/76 dated 15 Sep 76, subj: Trends in Security Cooperation  
DSAA Memorandum I-10316/76 dated 24 Sep 76, subj: DD Form 1513-1, Amendment to Offer and Acceptance  
DSAA Memorandum I-11067/76 dated 15 Oct 76, subj: Revision of MASM, Part III, Chapter H, FMS - Commercial Availability  
DSAA Memorandum I-11159/76 dated 15 Oct 76, subj: DD Form 1513-1, Amendment to Offer and Acceptance  
DSAA Memorandum I-10483/76 dated 19 Oct 76, subj: Revision of MASM, Part III, Chapter D, Preparation and Processing of LOA's  
DSAA Memorandum I-10906/76 dated 20 Oct 76, subj: Revision of MASM, Part III, Chapter C, General Procedures  
DSAA Memorandum I-11302/76 dated 27 Oct 76, subj: Revision to MASM, Parts I, II, and III, (Part I) Glossary of Terms and Abbreviations, Chapter A, Purpose, Authority and Scope, (Part II) Chapter C, Loan of Ships, (Part III) Appendix C, Major Defense Equipment List  
DSAA Memorandum I-11845/76 dated 4 Nov 76, subj: Revision of MASM, Part III, Chapter F, Implementation of FMS  
DSAA Memorandum I-12675/76 dated 24 Nov 76, subj: Revision of MASM, Part III, Chapter A, Eligibility for FMS  
DSAA Memorandum I-12644/76 dated 3 Dec 76, subj: Revision of MASM, Part I, Chapter D, Planning, Chapter G, Security Classification and Release of Information



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Lieutenant General, USAF  
Director,  
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Attachments

- (1) List of Changes
- (2) MASM Update Materiel

15 January 1977

ADDENDUM TO TRANSMITTAL NO. 13

Paragraph 5 was inadvertently omitted during reprinting of Page F-2, Chapter F, Part I, MASM. This paragraph should read as follows:

5. Relationship with Audit/Inspection Agency

Audits of MAP, FMS and MASF will be conducted in accordance with instructions of the Military Departments and United Commands relating to audits and inspections generally.

This omission will be corrected in the next MASM update as a page change.

LIST OF CHANGES

Remove and insert the following portions of your current MASM:

Remove

List of Effective Pages

Table of Contents -

pages xi - xviii

PART I -

GLOSSARY OF TERMS AND  
ABBREVIATIONS, pages 5 - 12

Chapter A

D-1, D-2

Chapter F

Chapter G

PART II -

C-4a, C-4b

PART III -

Tab III

A-1, A-2

Chapter B

C-3, C-4

C-17

D-7 - D-9

F-9, F-10

H-1, H-2

App B-3 - App B-4

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Insert

List of Effective Pages

Table of Contents -

pages xi - xviii

PART I -

GLOSSARY OF TERMS AND  
ABBREVIATIONS, pages 5 - 12

Chapter A

D-1, D-2

Chapter F

Chapter G

PART II -

C-4a, C-4b

PART III -

Tab III

A-1, A-2

Chapter B

C-3 - C-4a

C-17

D-7 - D-9

F-9, F-10

H-1, H-2

App B-3 - App B-4

Appendix C

In addition to the above, post the following pen and ink changes:

PART III -

(1) Chapter C - Page C-3 - para 6.a.(1) - second para - last line - change "in the Department of State" to "to the Department of State". Page C-5 - para 7.d. - 6th line from top - change "DOD Form 1413" to "DD Form 1513". Page C-11 - para 12.b. - change all reference to "R&C" to "R&D". Para 13.a. - first para, 2nd line - change "(TPDs)" to "(TDPs)", third para, 4th line - change "Foarm" to "Form". Page C-12 - para 13.b. - 1st line - change "TPD" to "TDP". Page C-15 - para 16.a. - 7th line - change "(Form DD 1513)" to "(DD Form 1513)". Page C-16 - para 16.c. - first para (top of page) - 1st line - change "factor" to "facto", second para (top of page) - 4th line - change "certificate" to "certification".

(2) Chapter L - change title from "MILITARY ASSISTANCE AND SALES MANUAL—PART II" to "MILITARY ASSISTANCE AND SALES MANUAL—PART III" on the following pages: L-20 through L-23.

(3) Appendix A - Page App A-15 - para 26 - last line of para - change "nominal" to "julian". (This was originally "normal". It was changed by Transmittal No. 11 to "nominal".)

(4) Appendix B - Page App B-1 - left column, 14th line from bottom - change "appeals" to "appears"; right column, 14th line from bottom - change "Aigure" to "Figure".

**MILITARY ASSISTANCE AND SALES MANUAL**

**LIST OF EFFECTIVE PAGES**

<i>Chapters</i>	<i>Page Numbers</i>	<i>Date of Latest Revision</i>
Table of Contents . . . . .	xi through xviii . . . . .	15 January 1977
 <u><b>PART I</b></u>		
Glossary of Terms and Abbreviations . . . . .	1 through 12 . . . . .	15 August 1976
DoD Directives and Instructions . . . . .	1 through 8 . . . . .	1 May 1976
A . . . . .	A-1 and A-2 . . . . .	15 January 1977
B . . . . .	B-1 and B-2 . . . . .	1 May 1976
C . . . . .	C-1 through C-3 . . . . .	15 August 1976
D . . . . .	D-1 through D-11 . . . . .	15 January 1977
E . . . . .	E-1 and E-2 . . . . .	1 July 1974
F . . . . .	F-1 through F-3 . . . . .	15 January 1977
G . . . . .	G-1 and G-5 . . . . .	15 January 1977
 <u><b>PART II</b></u>		
A . . . . .	A-1 through A-4 . . . . .	1 December 1975
B . . . . .	B-1 through B-3 . . . . .	Deleted
C . . . . .	C-1 through C-21 . . . . .	15 January 1977
D . . . . .	D-1 through D-15 . . . . .	1 July 1974
E . . . . .	E-1 through E-48 . . . . .	15 August 1976
F . . . . .	F-1 through F-31 . . . . .	1 March 1976
G . . . . .	G-1 through G-24 . . . . .	24 August 1973
H . . . . .	H-1 through H-4 . . . . .	1 April 1976
J . . . . .	J-1 through J-23 . . . . .	1 December 1975
K . . . . .	K-1 through K-5 . . . . .	1 October 1976
L . . . . .	L-1 through L-27 . . . . .	1 August 1975
Appendix A . . . . .	App A-1 through App A-24 . . . . .	1 October 1976
 <u><b>PART III</b></u>		
A . . . . .	A-1 through A-8 . . . . .	15 January 1977
B . . . . .	B-1 through B-5 . . . . .	15 January 1977
C . . . . .	C-1 through C-17 . . . . .	15 January 1977
D . . . . .	D-1 through D-20 . . . . .	15 January 1977
E . . . . .	E-1 through E-10 . . . . .	1 July 1974
F . . . . .	F-1 through F-10 . . . . .	15 January 1977
G . . . . .	G-1 through G-13 . . . . .	15 August 1976
H . . . . .	H-1 through H-4 . . . . .	15 January 1977
J . . . . .	J-1 through J-3 . . . . .	Deleted
K . . . . .	K-1 through K-17 . . . . .	15 August 1976
L . . . . .	L-1 through L-23 . . . . .	15 January 1977
Appendix A . . . . .	App A-1 through App A-19 . . . . .	15 January 1977
Appendix B . . . . .	App B-1 through App B-5 . . . . .	15 January 1977
Appendix C . . . . .	App C-1 through App C-3 . . . . .	15 January 1977

CONTENTS

<u>Chapter</u>	<u>Page Number</u>
LETTER OF TRANSMITTAL . . . . .	iii
FOREWARD . . . . .	v
TABLE OF CONTENTS . . . . .	xi

PART I -- GENERAL INFORMATION

GLOSSARY OF TERMS AND ABBREVIATIONS

DOD DIRECTIVES AND INSTRUCTIONS

A. PURPOSE, AUTHORITY AND SCOPE . . . . .	A-1
1. Purposes of Security Assistance . . . . .	A-1
2. Nature of Security Assistance . . . . .	A-1
3. Legislative Authorities and Constraints . . . . .	A-1
4. Leases . . . . .	A-1
5. Distribution of the MASM . . . . .	A-2
6. Reports Control Symbol . . . . .	A-2
B. RESPONSIBILITIES AND RELATIONSHIPS . . . . .	B-1
1. Executive Branch . . . . .	B-1
2. Department of Defense . . . . .	B-1
3. Relationships . . . . .	B-2
C. POLICY . . . . .	C-1
1. Purpose and Scope . . . . .	C-1
2. Administration . . . . .	C-1
3. Planning . . . . .	C-1
4. Economic Considerations . . . . .	C-1
5. Emphasis on Sales . . . . .	C-2
6. Personnel . . . . .	C-2
7. Excess Defense Articles . . . . .	C-2
8. Commitments . . . . .	C-3
9. Riot Control Agents . . . . .	C-3

# MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
D. PLANNING . . . . .	D-1
1. Military Security Assistance Projection (MSAP) . . . . .	D-1
2. Foreign Country Participation . . . . .	D-1
3. Coordination at Country Level . . . . .	D-2
4. Continuous Appraisal . . . . .	D-2
5. Coordination . . . . .	D-2
6. Projection Period . . . . .	D-2
7. Planning Cycle . . . . .	D-2
8. Preparation of the MSAP . . . . .	D-5
E. SHIP TRANSFERS . . . . .	E-1
1. Purpose . . . . .	E-1
2. General Policy . . . . .	E-1
3. Sale . . . . .	E-1
4. Loan . . . . .	E-1
5. Lease . . . . .	E-1
6. Transfer Plan Development . . . . .	E-2
7. Approval Procedures . . . . .	E-2
F. AUDITS AND INSPECTIONS . . . . .	F-1
1. Purpose . . . . .	F-1
2. Types of Audits/Inspections . . . . .	F-1
3. Notification of Audits and Inspections . . . . .	F-1
4. Policy Concerning Releasability to GAO of DOD Records Relating to MAP, MASF and FMS . . . . .	F-1
5. Relationship with Audit/Inspection Agency . . . . .	F-2
6. Exit Conference . . . . .	F-2
7. Action on GAO Audit Draft Reports . . . . .	F-2
8. Action on GAO Final Reports . . . . .	F-2
9. Action on DAS Reports . . . . .	F-2
10. Action on IGA Reports . . . . .	F-3
11. Corrective Action Follow-up . . . . .	F-3
G. SECURITY CLASSIFICATION AND RELEASE OF INFORMATION . . . . .	G-1
1. Purpose and Scope . . . . .	G-1
2. Security Classification Guidelines . . . . .	G-1
3. RCS: DSAA(AR) 1100 FMS Report Submissions . . . . .	G-3
4. Release of Information to Foreign Governments, Inter- national Organizations, and the Public . . . . .	G-4



MILITARY ASSISTANCE AND SALES MANUAL

PART II -- GRANT AID

<u>Chapter</u>	<u>Page Number</u>
A. ELIGIBILITY . . . . .	A-1
1. General Authority . . . . .	A-1
2. Conditions of Eligibility . . . . .	A-1
3. General Limitations . . . . .	A-2
4. Prohibitions Against Furnishing Assistance . . . . .	A-2
C. ARTICLES AND SERVICES . . . . .	C-1
1. Purpose . . . . .	C-1
2. Master Program File . . . . .	C-1
3. MAP Element Description Data . . . . .	C-1
4. General Programming Guidelines . . . . .	C-3
5. Programming Guidance and Procedures . . . . .	C-5
6. Execution Procedures . . . . .	C-11
7. Implementing Procedures . . . . .	C-12
8. NATO Standardization Agreement on Supply Forms . . . . .	C-20
D. CONSTRUCTION . . . . .	D-1
1. General . . . . .	D-1
2. Responsibilities . . . . .	D-2
3. Planning and Programming . . . . .	D-5
4. Approval and Funding . . . . .	D-8
5. Changes to Funded Construction Programs . . . . .	D-9
6. Reporting . . . . .	D-12
E. MILITARY EDUCATION AND TRAINING . . . . .	E-1
1. Purpose . . . . .	E-1
2. Objectives . . . . .	E-1
3. Areas of Emphasis . . . . .	E-1
4. Resources Management . . . . .	E-1
5. English Language Training . . . . .	E-2
6. Selection and Utilization of Trainees . . . . .	E-3
7. Constraints . . . . .	E-3
8. Program Development and Execution . . . . .	E-4
9. Student Training . . . . .	E-5
10. Mobile Training Teams (MTT) . . . . .	E-12
11. Field Training Services . . . . .	E-13
12. Extraordinary Expenses . . . . .	E-14
13. Other Training Support . . . . .	E-14
14. Training Aids . . . . .	E-14
15. Programming . . . . .	E-15
16. Annual Training Report . . . . .	E-22

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
F. PROGRAM SUBMISSION AND MANAGEMENT . . . . .	F-1
1. Purpose . . . . .	F-1
2. Submission of Data . . . . .	F-1
3. Changes of Funded Programs . . . . .	F-8
4. Programming of MAP Owned Materiel (MAPOM) . . . . .	F-19
5. Programming of Transferrable Assets . . . . .	F-20
6. Excess Defense Articles (EDA) General Programming Instructions . . . . .	F-27
7. MAP Orders . . . . .	F-27
G. MAP ADMINISTRATION AND SUPPORT COSTS . . . . .	G-1
1. General . . . . .	G-1
2. Responsibilities . . . . .	G-1
3. Military Assistance Program Semi-Annual Review Cycle . . . . .	1
4. Development and Submission of Budget Estimates . . . . .	G-1
5. General Instructions for Completion of Formats . . . . .	G-2
6. Instructions Applicable to Individual Formats for September Financial Plan/Budget Review . . . . .	G-2
7. Instructions Applicable to Formats for March Financial Plan/Budget Review . . . . .	G-9
H. FUNDING OF PROGRAMS . . . . .	H-1
1. Financial Resources . . . . .	H-1
2. Annual Appropriations . . . . .	H-1
3. Reappropriations . . . . .	H-1
4. Reimbursements . . . . .	H-1
5. Recoupments . . . . .	H-2
6. Transfers . . . . .	H-2
7. Administrative Authority . . . . .	H-2
8. Method of Fund Reservation . . . . .	H-2
9. MAP Order Funding . . . . .	H-3
10. Allocation of Funds . . . . .	H-3
11. Special Authorization . . . . .	H-3
12. Continuing Resolution Authority . . . . .	H-4
J. MAP REPORTS . . . . .	J-1
1. Purpose . . . . .	J-1
2. Structure of the MAP Data Base . . . . .	J-1
3. Categories of MAP Reports . . . . .	J-1
4. Requests for MAP Reports . . . . .	J-1
5. MAP Reports . . . . .	J-2
6. Abbreviated Titles . . . . .	J-5

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
K. UTILIZATION, REDISTRIBUTION, AND DISPOSAL OF MAP MATERIEL .	K-1
1. Utilization of MAP Materiel . . . . .	K-1
2. Supervision of End-Item Use . . . . .	K-1
3. Disposition of Materiel Declared Excess . . . . .	K-2
4. Recording Redistributable and Disposable MAP Property Transactions . . . . .	K-4
5. Applicability . . . . .	K-5
6. Cannibalization and Retention . . . . .	K-5
L. MILITARY ARTICLES AND SERVICES LIST (MASL) GUIDANCE . . . . .	L-1
1. General . . . . .	L-1
2. MASL Content . . . . .	L-1
3. Definitization Policy . . . . .	L-2
4. DSAA MASL Files . . . . .	L-2
5. Assignment of Footnote Codes . . . . .	L-3
6. MASL Relationship to DSAA Program Data Files . . . . .	L-3
7. Maintenance of the MASL . . . . .	L-4
8. Submission of MASL Data . . . . .	L-4
APPENDIX A -- MACHINE READABLE CODES . . . . .	App A-1

PART III -- FOREIGN MILITARY SALES

A. ELIGIBILITY FOR FOREIGN MILITARY SALES . . . . .	A-1
1. General Authority . . . . .	A-1
2. Conditions of Eligibility . . . . .	A-1
3. Eligible Countries and International Organizations . . . . .	A-1
4. Special Approval Requirements . . . . .	A-1
B. FOREIGN MILITARY SALES POLICIES, GUIDELINES AND RESTRICTIONS . . . . .	B-1
1. Purpose . . . . .	B-1
2. Basic Sales Policy and Guidelines . . . . .	B-1
3. Major Restraints and Significant Recurring Reports to the Congress . . . . .	B-2

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
C. GENERAL PROCEDURES	C-1
1. Introduction	C-1
2. Buyer-Seller Relationships	C-1
3. Purpose for Sale of U.S. Military Equipment Abroad	C-1
4. General Criteria Regarding Sale of Military Equipment	C-2
5. Channels Used in the Sale of Military Equipment	C-2
6. Basic FMS Sales Procedures	C-3
7. Furnishing Information on Price, Availability and Condition of Military Equipment to Foreign Governments	C-4a
8. Pricing of FMS Transactions	C-6
9. Authorized Surcharges	C-7
10. Diversion of DOD Materiel	C-8
11. Insurance	C-9
12. U.S. Response to Requests for "Offset" Procurement	C-9
13. Release of U.S. Technical Data	C-11
14. Principles Regarding Coproduction Projects	C-13
15. Processing Letters of Offer for \$25 Million or More or For Major Defense Equipment of \$7 Million or More	C-14
16. Sales Commissions and Fees	C-15
17. Engineering Review of U.S. Provided Foreign Communications Systems	C-16
18. Patent Rights	C-17
19. DOD P&A Versus a Commercial Proposal	C-17
20. Translation Services	C-17
D. PREPARATION AND PROCESSING OF LETTERS OF OFFER (DD FORM 1513, OFFER AND ACCEPTANCE)	D-1
1. Introduction	D-1
2. Processing Requests for Letters of Offer	D-1
3. Duration of Letters of Offer	D-1
4. Information Conveyed by Letters of Offer	D-1
5. Supplemental Information for Letters of Offer	D-2
6. Absence of Specific Information	D-5
7. Pricing Data to be Included with Selected Letters of Offer	D-5
8. Letters of Intent	D-6
E. CREDIT MANAGEMENT	E-1
1. Purpose	E-1
2. Policy Guidance	E-1
3. Types of Credit	E-1
4. Financial Standards and Criteria	E-2
5. Treasury Guidelines	E-3
6. Eximbank Credit Procedures	E-4

# MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
7. FMS Credit Procedures . . . . .	E-5
8. DOD - Guaranteed Credit Procedures . . . . .	E-6
9. Treasury Advertised Procedures . . . . .	E-7
10. Credit Approval Procedures . . . . .	E-8
11. Industry/Banking Coordination . . . . .	E-9
12. Preparation of Credit and Guaranty Agreements . . . . .	E-10
 IMPLEMENTATION OF FMS . . . . .	 F-1
1. Purpose . . . . .	F-1
2. Policies . . . . .	F-1
3. Types of Foreign Military Sales . . . . .	F-1
4. Requisition Procedures . . . . .	F-4
5. Management Review . . . . .	F-5
6. Delivery Performance . . . . .	F-5
7. Supply Management . . . . .	F-5
8. Packaging, Handling and Shipping . . . . .	F-6
9. Customer Service . . . . .	F-8
10. Suspensions/Cancellations . . . . .	F-9
11. Management Reports . . . . .	F-10
12. Amendment or Modification of Offer and Acceptance . . . . .	F-10
 G. FINANCIAL PROCEDURES . . . . .	 G-1
1. Purpose . . . . .	G-1
2. Basic Principles . . . . .	G-1
3. Financing and Billing for Cash Sales . . . . .	G-2
4. Financing and Billing for Foreign Military Sales Under Credit Agreements Executed Subsequent to March 1972 . . . . .	G-3
5. Financing and Billing for Military Sales Guaranties . . . . .	G-5
6. Commercial Contracts Financed from DOD Direct Credit Funds . . . . .	G-6
7. Commercial Contracts Financed by Guaranty of Private Credit . . . . .	G-7
8. Processing Foreign Military Sales under Credit Agree- ments Executed Prior to April 1972 . . . . .	G-7
9. Closing Foreign Military Sales Cases Financed Under Credit Agreement Executed Prior to April 1972 . . . . .	G-9
10. Multiple Sources of Financing . . . . .	G-10
11. Overdue Billings and Delinquent Accounts . . . . .	G-11
12. Billing for Payments of Principal and Interest for the DOD Direct Credit Program . . . . .	G-12
13. Reporting Collections of DOD Direct Credit Funds From DSAA and From Private Guaranty Credit Funds . . . . .	G-12

<u>Chapter</u>	<u>Page Number</u>
14. Sale of MAP Owned Property Under FMS . . . . .	G-13
15. Addresses of Military Departments Central Collection and Billing Offices . . . . .	G-13
16. Addresses of Military Departments Central Activities Responsible for Preparation and Issuance of Letters of Offer . . . . .	G-13
H. FOREIGN MILITARY SALES - COMMERCIAL AVAILABILITY . . . . .	H-1
1. Purpose . . . . .	H-1
2. Legislative Provisions . . . . .	H-1
3. Department of Defense Policy . . . . .	H-1
4. Guidelines for Determining Commercial Availability . . . . .	H-1
5. Guidelines for Sale Through FMS Procedures . . . . .	H-2
6. Special Exception - Federal Republic of Germany . . . . .	H-3
7. Procedures for Processing Requests for Sale or for Pricing and Availability Data . . . . .	H-3
8. Documents Rescinded . . . . .	H-4
K. FOREIGN MILITARY SALES REPORTING SYSTEM . . . . .	K-1
1. Purpose . . . . .	K-1
2. Concept . . . . .	K-1
3. Reporting Frequency . . . . .	K-1
4. Master File Update . . . . .	K-2
5. Major Features . . . . .	K-2
6. Military Articles and Services List (MASL) . . . . .	K-2
7. Preparation of FMS Data Cards . . . . .	K-2a
8. Control Fields . . . . .	K-12
9. Changing Field to Blank . . . . .	K-12
10. Increase or Decrease of Numbers . . . . .	K-13
11. Inter-Relationship of Card Fields . . . . .	K-13
12. Card Processing . . . . .	K-14
13. FMS Administrative Surcharges . . . . .	K-14
14. Special Characters . . . . .	K-14a
L. FMS REPORTS . . . . .	L-1
1. Purpose . . . . .	L-1
2. Source of FMS Data . . . . .	L-1
3. Categories of FMS Reports . . . . .	L-1
4. Requests for FMS Reports . . . . .	L-2
5. FMS Reports . . . . .	L-2
6. Abbreviated Titles . . . . .	L-6
APPENDIX A - MACHINE READABLE CODES . . . . .	App A-1
APPENDIX B - PROCEDURES FOR PROCESSING FMS LETTERS OF OFFER WHICH MUST BE REPORTED TO CONGRESS . . . . .	App B-1
APPENDIX C - MAJOR DEFENSE EQUIPMENT LIST . . . . .	App C-1

relating to any defense article, defense service, or major combatant vessel (e.g., DE, SS and above), but shall not include Restricted Data as defined by the Atomic Energy Act of 1954, as amended, and data removed from the Restricted Data category under section 142d of that Act. (Sec. 644(e) FAA 61)

**45. Defense Service**

Includes any service, test, inspection, repair training, publication, or technical or other assistance, or defense information used for the purpose of furnishing military assistance. "Training" includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid orientation, training exercise, and military advice to foreign military units and forces. (Sec. 644(f), FAA)

**46. Delivered Case (Same as Completed Case)**

An FMS case on which all materiel has been delivered and all services have been performed. The case is not closed until final billing action and funds are received.

**47. Delivery**

(a) Constructive or actual delivery (as defined above); (b) the performance of services for the customer or requisitioner; (c) accessorial services, when they are normally recorded in the billing and collection cycle immediately following performance.

**48. Delivery Commitment Date**

The date negotiated in the DD Form 1513 for complete delivery of the total quantity of the line item.

**49. Delivery Forecast**

Estimated date of delivery of the total quantity of a line item.

**50. Dependable Undertaking**

A firm commitment by the foreign government or international organization to pay the full amount of a contract for new production or for the performance of defense services which will assure the U.S. against any loss on such contract and to make funds available in such amounts and at such times as may be required by the contract, or for any damages and costs that may accrue from the cancellation of such contract, provided that in the judgment of DOD there is sufficient likelihood that the foreign government or international organization will have the economic resources to fulfill the commitment. (Sec. 22, FMSA).

**51. Designated Country Representative**

A person or persons duly authorized by a foreign government to act on behalf of that government to negotiate, commit, sign contractual agreements, and/or accept delivery of materiel.

**52. Developed Country**

A country so designated by the U.S. Treasury Department in applying the Interest Equalization Tax, and listed in Section 1 of Executive Order 11285, dated June 10, 1966. All countries not listed are less developed.

**53. Disposable MAP Property**

MAP property determined to be no longer needed for the purpose initially furnished and for which no further MAP requirement exists (see Redistributable Property); and, MAP property which does not meet the criteria for utilization screening and is classified as disposable property by the MAAG when initially reported by the country.

**54. Diversion**

Any deliberate action that causes materiel ordered to meet a foreign commitment to be delivered to other than the original intended recipient.

**55. DOD Direct Credit**

Long-term credit which is directly financed from the appropriation or account available for that purpose. Authority is Section 23 of the Foreign Military Sales Act, as amended, or pertinent earlier legislation.

**56. Dollar Value Line**

A program line representing a requirement for certain services, commodities, or a grouping of items of material (normally of high density and low unit cost) for which the requirement is measured only in dollars. These lines are identified in the MASL by unit of issues XX (dollars).

**57. Down Payment**

Money transferred to the credit of the Treasurer of the United States or other authorized officer at the time of acceptance of DD Form 1513 as partial payment for defense articles or services contracted for by an eligible foreign country.

**58. DSAA**

Defense Security Assistance Agency—See DOD Directive 5105.38.

**59. Economic Supporting Assistance**

See Security Supporting Assistance.

**60. Eligible Recipient (FMS)**

Any friendly foreign country or international organization determined by the President to be eligible to purchase defense articles and defense services, unless otherwise ineligible due to statutory restrictions. (Sec. 3, FMSA)

**61. Eligibility Recipient (MAP)**

Any foreign country or international organization determined by the President to be eligible to receive military assistance, unless otherwise ineligible due to statutory restrictions. (Sec. 503, FAA)

**62. End Item**

Assembled whole system or equipment, ready for its intended use, (1) for which only ammunition, fuel or other energy sources are required to place them in an operating state, and (2) consisting of components and parts with or without accessories or attachments, e.g., rifles, tanks, aircraft, ships, etc.

**63. Eximbank Financed Sale**

Sale of defense items or services financed by credit supplied by the Export-Import Bank. The sale may be made by DOD or by U.S. industry directly to the foreign buyer. U.S. industry sales are subject to DOD approval.

**64. Excess Personal Property**

Personal property which has been determined to be unnecessary for the discharge of DOD responsibilities after completion of utilization screening among DOD activities in accordance with policies prescribed by DOD Directive 4160.21, "DOD Personal Property Disposal Program", and Defense Disposal Manual (DOD 4160.21-M).

**65. Exclusive (Non-Exclusive) License**

A license covering a patent(s), technical or proprietary data, technical assistance, know-how, or any combination of these, granted by a U.S. firm to a foreign firm or government to produce, co-produce or sell a defense article or service within a given sales territory without competition from any other licenses or from the licensor. A non-exclusive license is a license as described above, except that competition may be permitted with other licensees and/or the licensor.

**66. Expendable Supplies and Material**

Supplies which are consumed in use, such as ammunition, paint, fuel, cleaning and preserving materials, surgical dressing, drugs, medicines, etc., or which lose their identity, such as spare parts, etc. Sometimes referred to as "consumable supplies and material."



**67. Expenditures**

Cash disbursements.

**68. Excess Defense Articles**

Defense articles owned by the United States Government and not procured in anticipation of military assistance or sales requirements, or pursuant to a military assistance or sales order, which are in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock of all Department of Defense Components at the time such articles are dropped from inventory by the supplying agency for delivery to countries or international organizations. (Sec. 644(g), FAA)

**69. Extended Offer**

A new FMS offer for which a reply from the buyer has not been received within the time limit specified on the letter of offer which is still in effect pending clarification of its status.

**70. Financing, Type of**

The method by which the U.S. Government is authorized to sell defense articles and services under the Foreign Military Sales Act (e.g., cash in advance, dependable undertaking, credit).

**71. Five Year Defense Program (FYDP)**

The official program summarizing the Secretary of Defense's approved plans and programs for the Department of Defense.

**72. Foreign Military Sales (FMS)**

Include cash sales from stocks of the DOD; procurement for cash sales by the DOD; DOD credit sales, and DOD guaranties covering the private financing of credit sales of defense articles and defense services. (Sec. 21, 22, 23, and 24, respectively, FMSA)

**73. Foreign Military Sales Order No. 1 (FMSO No. 1)**

Provides for pipeline capitalization of a cooperative logistics support arrangement, which consists of stocks "on hand" and re-

plenishment of stocks "on order" in which the participating country buys equity in the U.S. supply system for support of a specific weapons system. Even though stocks are not moved to a foreign country, deliver (equity) does in effect take place when the country pays for the case.

**74. Foreign Military Sales Order No. 2 (FMSO No. 2)**

Provides for replenishment of withdrawals of consumption-type items (repair parts, primarily) from the DOD Supply System to include charges for accessorial costs and a systems service charge.

**75. General Program Costs**

Those Military Assistance Program costs which are not specifically identified to recipient country or regional programs such as administrative expenses and supply operations; formerly termed "Non-Regional Costs."

**76. Generic Code (GC)**

Machine Readable Code—See Appendix A, Part II and Part III.

**77. Grant Aid**

Military Assistance rendered under the authority of the FAA for which the United States receives no dollar reimbursement.

**78. Implementation Date**

The date when supply action on an FMS case is initiated or directed by the implementing agency—See Appendix A, Part III.

**79. Implementing Agency**

The Military Department responsible for the execution of Grant Aid and FMS Programs. See Appendix A, Parts II & III.

**80. Investment Cost**

Cost of equipment, supplies and services that improve the capability of a force, including initial unit equipment, war reserves of equipment and ammunition, concurrent spare parts, and initial spare parts stockage

## MILITARY ASSISTANCE AND SALES MANUAL—PART I

levels. Also includes replacement costs for obsolescent and attrited equipment, rebuild and modernization costs for newly provided equipment, costs for construction facilities equipment, projects programmed as dollar value lines to facilitate administration, and training costs associated with the introduction of new equipment or an improved capability.

### 81. Joint Forces Memorandum (JFM)

An annual document prepared by the JCS and submitted to the Secretary of Defense recommending a Joint Force Program which takes into account U.S. forces and security assistance to other nations.

### 82. Joint Strategic Objectives Plan (JSOP)

An annual document prepared by the JCS which provides advice to the President and the Secretary of Defense on the military strategy and force objectives deemed necessary to attain U.S. national security objectives.

### 83. Lead Time (MAP)

The estimated time which will elapse between the first of the fiscal year in which a requirement is programmed and the date on which the item will be received by the requiring activity (usually a MAP recipient country); or in the case of services, the date on which military assistance funds will be expended for the services rendered. MAP lead time for materiel end items includes the following increments:

(a) A six-month estimated lag time between 1 July and the date the current year MAP is funded.

(b) The time required to procure, or to repair and/or rehabilitate the item, including the time required to prepare and process procurement instructions, contracts, work orders, requisitions and similar documents.

(c) The time required to prepare and package for shipment.

(d) An estimated time of two months required to ship and receive.

### 84. Lease

An agreement for temporary transfer of the right of possession and use of a non-excess defense article or articles to a foreign government or international organization, with the transferee agreeing to pay rent to the U.S. Government and/or maintain, protect, repair, or restore the article(s), subject to and under authority of Title 10 USC, Section 2667.

### 85. Less Developed Country (LDC)

Excluded from the list of developed countries designated by Executive Order 11285 of June 10, 1966, for purposes of the Interest Equalization Tax, or which are considered LDC by the Eximbank for purposes of the Exim Act of 1945, as amended.

### 86. Loan

An agreement for temporary transfer of the right of possession and use of a defense article or articles not acquired with Military Assistance funds to a foreign government or international organization, at no rental charge to the transferee, with the transferor U.S. Military Department being reimbursed from MAP funds, subject to and under authority of the Foreign Assistance Act, Section 503.

### 87. Local Currency

The official currency of the foreign country.

### 88. Major Defense Equipment

Any item of significant combat equipment on the United States Munitions List having a non-recurring research and development cost of more than \$50 million or a total production cost of more than \$200 million. Part III, Appendix C of this Manual lists items which constitute Major Defense Equipment.

### 89. MAAG (Military Assistance Advisory Group)

As used herein, the term MAAG encompasses Joint U.S. Military Advisory Groups,

Military Missions, Military Advisory Groups, U.S. Military Groups, and U.S. Military Representatives exercising responsibility within a U.S. Diplomatic Mission for security assistance and other related DOD matters. Defense Attaches are included only when specifically designated.

#### **90. Maintenance Float**

End items or components of equipment authorized for stockage at installations or activities for replacement of unserviceable items when immediate repair of the unserviceable equipment cannot be accomplished by the field maintenance activity.

#### **91. Major Item (Line)**

A program line for which the requirement is expressed quantitatively as well as in dollars. These lines are identified in the MASL by a unit of issue other than dollars (XX).

#### **92. Military Assistance Program (MAP)**

An annual program for which the United States Government receives no dollar reimbursement, showing a detailed funding program for a given fiscal year related to specific military assistance requirements by area and country, and taking into account the lead times necessary to effect the deliveries or perform the services in that program.

#### **93. MAP Assets**

Materiel for which title has been transferred to MAP ownership, but not to a recipient country or organization.

#### **94. MAP Element**

An integrated activity, a combination of men, equipment, supplies, facilities, and other resources, which together constitute an identifiable military force, unit, activity or specific function within a Country Military Assistance Program.

#### **95. MASF (Military Assistance Service Funded)**

All defense articles and defense services transferred to foreign countries under the authority contained in the Department of Defense Appropriation Act.

#### **96. Military Articles and Services List (MASL)**

Catalogue of materiel, services, and training used in the planning and programming of Grant Aid and FMS. For Grant Aid this catalogue is used to disseminate price, supply source, lead time, duration of training, and availability of materiel and services to all concerned. A separate MASL for FMS training is provided. Otherwise, the MASL should not be used to quote price and/or availability to prospective buyers under FMS.

#### **97. Military Export Sales**

All sales of defense articles and defense services made from U.S. sources to foreign governments, foreign private firms and international organizations, whether made by DOD or by U.S. industry directly to a foreign buyer. Such sales fall into two major categories, Foreign Military Sales and Commercial Sales.

#### **98. MILSTAMP**

Military Standard Transportation and Issue Procedure.

#### **99. MILSTRIP**

Military Standard Requisitioning and Issue Procedure.

#### **100. Obligations**

Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period requiring future payment of money. Such amounts include adjustments for differences between obligations previously recorded and accrued expenditures or actual payments.

#### **101. Offer Date**

The date which appears on the offer portion of DD Form 1513 and which indicates

## MILITARY ASSISTANCE AND SALES MANUAL—PART I

the date on which an FMS offer is made to a foreign buyer.

### 102. Open Sales Case

An FMS case is designated open as long as any portion of the transaction is incomplete, i.e., delivery of materiel, performance of services, financial transactions, or rendering of the final statement of accounts.

### 103. Open Sales Offer

An FMS offer made to a foreign buyer which is pending acceptance.

### 104. Operation & Maintenance Costs (O&M Costs)

Costs associated with equipment, supplies, and services required to train, operate, and maintain forces in a recipient country, including cost of spare parts other than concurrent spares and initial stockages, ammunition and missiles used in training or replacements for such items expended in training or operations, rebuild and overhaul costs (excluding modernization) of equipment subsequent to initial issue, training and other services that do not constitute investment costs, and administrative costs associated with overall program management and administration.

### 105. Orientation Tours

Tours arranged for key foreign personnel for the purpose of orientation and indoctrination.

### 106. Paramilitary Forces

Forces or groups which are distinct from the regular armed forces of any country, but resembling them in organization, equipment, training, or mission.

### 107. Personal Property

Property of any kind or any interest therein, except real property, records of the U.S. Federal Government, and Naval vessels of the following categories: battleships, cruisers, aircraft carriers, destroyers and submarines.

### 108. Pipeline

That portion of (a) approved and funded MAP articles and services, and (b) accepted FMS orders for defense articles and services, for which delivery, either constructive or actual, has not occurred, or services have not been rendered.

### 109. Planning, Programming, Budget System (PPBS)

An integrated system for the establishment, maintenance, and revision of the Five Year Defense Plan (FYDP) and the DOD budget.

### 110. Program Decision Memorandum (PDM)

A document which provides Secretary of Defense decisions on the Program Objectives Memorandum (POM) and the Joint Forces Memorandum (JFM).

### 111. Program Line

A single line of data representing a requirement for articles or services in a military assistance program.

### 112. Program Objectives Memorandum (POM)

Memorandum prepared annually by the DASD(ISA)SA which recommends total resource requirements within the fiscal guidance established by the Secretary of Defense.

### 113. Progress Payments

Those payments made to contractors or DOD industrial fund activities as work progresses under a contract, on the basis of cost incurred or percentage of completion, or of a particular stage of completion, accomplished prior to actual delivery and acceptance of contract items.

### 114. Public Law 480 (PL 480) Funds (Sec. 104(c))

Foreign currencies derived from sale of surplus agricultural commodities under Title

I, P.L. 480, Agricultural Trade and Development Act of 1954, as amended. Sec. 104(c) authorizes these foreign currencies to be used for procuring equipment, materials, facilities, and services for the common defense including internal security.

### 115. Purchase Approval

Approval issued by DSAA for DOD which permits the country to utilize the credits extended under the Credit Agreement to finance the purchase of agreed to defense articles and defense services.

### 116. Reappropriation

MAP funds which at the end of the fiscal year are not reserved or obligated and are customarily made available by the Congress for use in the subsequent fiscal year.

### 117. Recoupments

Adjustments or cancellations of outstanding MAP orders in prior year program accounts which generate additional funds for the current year operations.

### 118. Redistributable MAP Property

All MAP personal property which has been declared, by the recipient government to the United States, as no longer needed for the purposes for which furnished and which meets the criteria for utilization screening as prescribed in Chapter K Part II.

### 119. Rehabilitation Cost

See Value.

### 120. Reimbursements

Funds realized from the sale of MAP owned property, such funds being deposited to MAP accounts and available for programming.

### 121. Routing Identifier (RI)

Machine Readable Code—See MILSTRIP Routing Identifier Code, Appendix A Part II.

### 122. Secondary Item Line

A dollar value line encompassing items of equipment (e.g., "Other Support Equipment"), as distinct from a dollar value line encompassing commodities or components, parts and accessories.

### 123. Security Assistance

For the purpose of this manual, the term Security Assistance includes all DOD activities carried out under the authority of the FMSA, or FAA, or related appropriation acts and other related statutory authorities.

### 124. Security Supporting Assistance

Funds used to finance imports of commodities, capital, or technical assistance, provided either as a grant or loan in accordance with terms of a bilateral agreement; counterpart funds thereby generated may be used as budgetary support. Most such funds are used to enable a recipient to devote more of its own resources to defense and security purposes than it otherwise could do without serious economic or political consequences. Replaces term "Economic Supporting Assistance."

### 125. Services

Services include any service, repair, training of personnel, or technical or other assistance or information used for the purpose of furnishing non-military assistance. (Sec. 644(k), FAA)

### 126. Supply Operation Costs

Refers to the categorization of those costs which are related to the procurement and issue of materiel and excess articles delivered to MAP and FMS recipients but not included in the standard prices of the materiel. These costs include packing, crating, handling and transportation expenses incurred in the issue and transfer of materiel; and logistics management expenses (exclusive of military pay

and allowances) incurred by activities in the areas of procurement operations, supply management, requisition control and processing, and related services.

**127. Third Country Training**

Training provided under U.S. supervision outside the CONUS in a country other than the country of program. Training may include U.S. assistance for costs of normal student travel and living allowances.

**128. TLA**

Travel and Living Allowance.

**129. Total Obligation Authority (TOA)**

The total financial requirements of the Five Year Defense Program, or any component thereof, required to support the approved program of a given fiscal year.

**130. Training**

Formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training ex-

ercise, and military advice to foreign military units and forces.

**131. Value**

**A. Excess Defense Articles**

(1) With respect to an excess defense article, the actual value of the article plus the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying the article, except that for purposes of Section 632(d) such actual value shall not be taken into account:

(a) For major items the pricing guidance contained in DOD Instruction 2140.1 may be used to determine the value of EDA.

(b) For secondary items the inventory standard stock price is to be used.

(2) With respect to a non-excess defense article delivered from inventory to foreign countries or international organizations under this Act, the acquisition cost to the United States Government, adjusted as appropriate for condition and market value;

(3) With respect to a non-excess defense article delivered from new procurement to foreign countries or international organizations under this Act, the contract or production costs of such article, and;

(4) With respect to a defense service, the cost to the United States Government of such service.

## CHAPTER A

## PURPOSE, AUTHORITY AND SCOPE

**1. Purposes of Security Assistance**

Since World War II, the United States has been assisting friendly foreign countries in establishing and maintaining adequate defensive postures, consistent with their economic stability and growth, to maintain internal security and resist external aggression. Its reason for furnishing such assistance is based upon the tenet that the security and economic well-being of friendly foreign countries is essential to the security of the United States. This principle is inherent to the Truman Doctrine, the Marshall Plan, and more recently, the Nixon Doctrine. Assistance is rendered in a variety of ways, including the provision through sale or grant of defense articles and services, and the making of financial and commodity grants.

**2. Nature of Security Assistance**

As a program, Security Assistance comprises the sale of defense articles and services, the grant of such articles and services without reimbursement in appropriate cases, economic supporting assistance in exceptional cases to offset costs of maintaining armed forces, and grant assistance to public safety forces such as police. The Department of Defense (DOD) is concerned primarily with sales (Foreign Military Sales, or FMS) and grants (Military Assistance Program, or MAP) of defense articles and services, two forms of Security Assistance that it administers and for which it has direct responsibilities.

**3. Legislative Authorities and Constraints**

- a. The Military Assistance Program is

carried out under authority of the foreign Assistance Act (FAA) of 1961, as amended. Foreign Military Sales are made under authority of the Foreign Military Sales Act. These acts are subject to reconsideration annually by the Congress, at which time funds needed to carry out the program are authorized and, in addition, other amendments usually are made. In general, however, they provide authority.

(1) To provide Military Assistance (MAP) by grant or loan,

(2) To sell defense articles and services (FMS),

(3) To extend and guarantee credit in connection with sales (FMS),

(4) To appropriate funds needed to carry out the Military Assistance Program and to extend and guarantee credit for Foreign Military Sales.

b. In addition to the authorizing legislation cited above, fund appropriations must be obtained from Congress. Such appropriations may or may not equal the amounts authorized.

c. Historically, legislative authorizations and appropriations are not obtained until late in the fiscal year to which they pertain. Pending completion of such legislation, essential MAP and FMS activities usually are carried out under Continuing Resolution Authority (CRA) provided by the Congress.

**4. Leases****a. Establishment and Revocation**

The Foreign Assistance Act and the Arms Export Control Act do not authorize leases

## MILITARY ASSISTANCE AND SALES MANUAL—PART I

of defense articles to foreign governments or international organizations under MAP or FMS. In exceptional circumstances when in the national interest, the Secretary of a Military Department may lease a non-excess defense article or articles to a foreign government or international organization under Title 10 USC, Section 2667. Military Departments will not arrange such a lease if a Foreign Military sale is feasible or if the foreign country or international organization is eligible for a loan or grant under MAP. Further, Military Departments will not prepare such leases as FMS transactions; use of a DD Form 1513 is not authorized for leases. Leases must have the concurrence of the General Counsel or Judge Advocate General of the Military Department, and the approval of DSAA. Further, leases for Major Defense Equipment must have the concurrence of the Assistant General Counsel for International Affairs, Department of Defense. Revocation of a lease requires the approval of DSAA.

### **b. Loss, Destruction, or Damage of Articles Leased**

Lease terms will stipulate that in the event of loss or destruction of any article during its lease, the lessee government will reimburse the U.S. Military Department for the depreciated value of the article at the time of its loss or destruction. Lease terms will also provide that if any article is returned with damage beyond normal depreciation sustained during its lease, the lessee government will reimburse the U.S. Military Department for such damage upon return of the article.

### **c. Ship Transfers**

For leases of ships, the special provisions of Part I, Chapter E of this Manual also apply.

### **d. Loans**

Loans of defense articles to foreign governments or international organizations may

be arranged under authority of the Foreign Assistance Act, Section 503, in accordance with Part II, Chapter C, paragraph 4.c. of this Manual.

## **5. Distribution of the MASM**

### **a. Unified Commands and Military Departments.**

DSAA makes bulk distribution of the MASM and published changes to Unified Command and Military Department Headquarters who in turn are responsible to make proper distribution to all users within their respective areas of Command. Military Departments and Unified Commands should inform subordinate commands, MAAGs, Military Missions, Defense Attaches and U.S. Military Representatives assigned to host countries exercising Security Assistance responsibilities of proper channels for arranging to be placed on automatic distribution for MASM Transmittals. Military Departments and Unified Commands should inform DSAA (see paragraph b below) of the number of copies of Transmittals required.

### **b. Other Distribution**

DSAA will make distribution of the MASM within OSD and other government agencies. Requests placed on DSAA for MASM distribution will be honored if a valid requirement is established by the requesting office and/or agency. All inquiries should be addressed to the DSAA Attention: Directorate for Military Assistance.

## **6. Reports Control Symbol**

a. RCS: DSAA (AR) 1000 is assigned to the data processing cards and tapes as well as related narrative prescribed by MASM Part II for Grant Aid activities.

b. RCS: DSAA (AR) 1100 is assigned to the data processing cards and tapes as well as related narrative prescribed by MASM Part III for Foreign Military Sales activities.



## CHAPTER D

## PLANNING

**1. Military Security Assistance Projection (MSAP)**

a. Planning for Security Assistance is an integral part of the Department of Defense Planning, Programming and Budgeting System (PPBS) as set forth in DOD Instruction 7045.7. The Military Security Assistance Projection (MSAP) is the principle vehicle through which security assistance requirements are accumulated for inclusion. These projections permit preliminary program decision at Washington level and enable the Military Departments to include security assistance requirements in their Program Objective Memorandums.

b. Since the PPBS is a dynamic system undergoing continuous refinement, revised instructions as to content, format and timing of the Military Security Assistance Projection will be issued from time to time as required. A schedule of events normally is published by the Secretary of Defense during the first part of each calendar year. Thus, dates set forth are approximate and will be governed by the current PPBS event calendar.

**2. Foreign Country Participation**

a. Fundamental responsibility for decisions relating to the level and nature of its defense effort and the allocation of resources rests with the foreign government. Thus, to the extent practical within applicable guidelines and consistent with U.S. responsibility in controlling its own resources, devel-

opment and justification of U.S. Security Assistance plans and programs are functions of the foreign government. The essential role of the MAAG is to assist the foreign government in making its decisions, dissuading it from those that constitute an unwise allocation of resources or that otherwise do not contribute effectively to the achievement of U.S. objectives.

b. Involvement of the foreign government in security assistance planning and programming inevitably entails the release to it of essential guidelines and data. Release of such information will be as prescribed in Part I, Chapter G, paragraph 4.

c. Discussions and communications between DOD and foreign officials incidental to development of plans, programs, and related data will be conducted in such a way as to insure mutual understanding that such exchanges do not constitute or imply any commitment on the part of the US. In case of doubt as to interpretation by the foreign officials, a memorandum for record will be prepared setting forth clearly the nature and scope of the communication or discussion, the fact that it is (was) for planning purposes only, and that it is (was) in no way a commitment on the part of the U.S. Copies of such memorandums will be furnished the

Chief of the U.S. Diplomatic Mission and the foreign officials concerned.

d. Security Assistance planning documents and related data constitute internal staff papers of the Executive Branch. They do not represent a statement of U.S. Government intentions and are not releasable outside the Executive Branch except as specified in Part I, Chapter G, paragraph 4, or as specifically authorized by the DASD/ISA (SA) in situations to which Chapter G does not apply.

### **3. Coordination at Country Level**

Chiefs of MAAGs will insure that Security Assistance programs are fully coordinated within the U.S. Country Team. Comments of the Chief of the U.S. Diplomatic Mission will accompany all program recommendations forwarded by the MAAG in accordance with these instructions.

### **4. Continuous Appraisal**

Security Assistance planning must be a continuous, systematic process in order to reduce reaction time to a minimum when objectives and requirements change, minimize peak workloads at all management levels, and allow decisions to be made in light of current planning information. Therefore, Security Assistance planning procedures at all levels of the Department of Defense will include provisions for continuing review and a system for recommending program adjustments.

### **5. Coordination**

During all stages of Military Security Assistance planning, programming and execution, USCINCEUR and USCINCSO will consider the views of CINCLANT on those aspects which affect the LANTCOM area. USCINCSO will consider the views of

CINCPAC on those aspects which affect the PACOM area. USCINCEUR and the U.S. Mission to NATO will consider each other's views on matters of mutual interest, particularly weapons development and production.

### **6. Projection Period**

Unless otherwise specified, the term "projection period" will refer to a five-year time span. A new MSAP submitted to the Secretary of Defense on or about 1 March of each year will address a five-year planning period beginning nineteen months later.

### **7. Planning Cycle**

Unless otherwise specified, the term "planning cycle" will refer to the approximate 28-month period of time necessary to develop guidance, to plan responsive programs for the current planning period, and to obtain authorization and appropriations for the first year of a planning period (normally called the "budget year"). Since a planning cycle extends beyond twelve months, key events of two or more cycles will be occurring at the same time.

The planning cycle includes the following key events:

**a. JSOP Vol II Guidance (including Book III, "Allied and Friendly Forces")**

In May, the Joint Chiefs of Staff (JCS) provide guidelines/format for the development of the Joint Strategic Objectives Plan (JSOP), Volume II, Book III, "Allied and Friendly Forces."

**b. JSOP Vol I (Military Strategy and Force Planning Guidance)**

This document, issued in May is prepared by the JCS and is based on current policy and planning guidance. It covers the mid-range period. The section on strategy provides statements of the national security objective, derived military objectives, global

## CHAPTER F

## AUDITS AND INSPECTIONS

**1. Purpose**

This chapter prescribes the action to be taken by MAAG's, MILGP's, Unified Commands and other activities having responsibilities for the Military Assistance Program (MAP), Foreign Military Sales (FMS) and Military Assistance Service Funded (MASF) programs on audits, inspections and reports by the General Accounting Office (GAO); the Office of the Deputy Assistant Secretary of Defense (Audit), OASD(C); Military Department Audit Agencies; and the Inspector General of Foreign Assistance (IGA), Department of State.

**2. Types of Audits/Inspections****a. GAO Audits**

GAO audits are designed to provide a comprehensive review of U.S. Government agencies and their activities. In order to evaluate management controls, GAO examines the history, purpose, authority, organization, activities, policies and procedures of the agency, then reviews its operating results. In evaluating an agency's management control, GAO representatives perform various audit functions such as review, analysis and test of accounting and operating data, property records, supporting data for budgetary statements, and other evidence of the agencies activities. The results of comprehensive audits are set forth in reports made available to the head of the agency concerned, the Office of Management and Budget and the Congress.

**b. DOD Internal Audits**

The Military Department Audit Agencies are responsible for continuing audit coverage of activities in the United States per-

forming functions under MAP, FMS, and MASF programs. The DASD(Audit), OASD(C) is responsible for continuing audit coverage of activities overseas performing such functions. Reports of audits are addressed through channels (beginning with the audited activity) to the Secretary of Defense.

**c. IGA Inspections**

The IGA is responsible as a matter of law for conducting reviews, inspections and audits to assure that Security Assistance Programs are in consonance with the foreign policy of the United States. IGA reports are made to the Secretary of State and to the Congress. Reports dealing with Military Assistance are directed to the Secretary of Defense.

**3. Notification of Audits and Inspections**

Normally, the GAO, IGA and the DASD (Audit) notify agencies to be audited of proposed audits/inspections, their scope, and the time of audit. Upon receipt of notification of audits/inspections relating to MAP, FMS or MASF activities, DSAA will advise the Unified Command and MAAG.

**4. Policy Concerning Releasability to GAO of DOD Records Relating to MAP, MASF and FMS**

a. DOD records relating to MAP, MASF and FMS are available to the GAO, subject to the following specific limitations:

(1) Documents related to Tactical Operational Planning, Conduct of Military Operations, War Plans, Force Deployments, Force Goals, Intelligence Collection and Analysis are not releasable.

## MILITARY ASSISTANCE AND SALES MANUAL—PART I

(2) Documents originated by non-DOD Agencies are released only with consent of the originating agency.

(3) Reports of Military Inspectors General and Criminal Investigations Organizations are released only on approval of appropriate departmental secretary.

(4) Budget program data for fiscal years not yet presented to the Congress (including planning documents) are not releasable.

(5) Specific authority of ASD (ISA) is required for access to:

(a) Confidential correspondence exchanged between heads of State.

(b) Presidential Memoranda

(c) Performance evaluation reports

(d) Internal Executive Branch working papers and memoranda

(e) Documents revealing sensitive information about the conduct of U.S. negotiations with foreign countries.

(f) Other DOD material which the Ambassador or major military component commanders consider may be sensitive and could, if revealed, have a serious adverse effect on the conduct of USG foreign relations or otherwise prejudice the national interests of the U.S.

b. Whenever access to certain documents is denied, efforts will be made to modify, extract or summarize the information in order to facilitate the GAO review, if this can be done with propriety and the GAO is informed that the document has been so modified, extracted or summarized.

### 6. Exit Conference

a. A letter report on the exit conference or its equivalent conducted by the GAO or the Defense Audit Service (DA) will be forwarded within 30 days to the Assistant for Audits and Inspections, Operations Directorate, DSAA. A message report is required for exit conferences with the IGA and is to be dispatched within 15 days.

b. When appropriate, DSAA will be represented during GAO, IGA, and DAS exit conferences.

### 7. Action on GAO Draft Reports

a. The GAO transmits draft reports of review of Unified Command, MAAG, ODC (Office of Defense Cooperation), and MILGP security assistance activities to the Assistant Secretary of Defense (Comptroller), concurrently. GAO is to forward information copies to the concerned field organizations.

b. Upon receipt of the draft report, the MAAG, ODC, or MILGP will:

(1) Verify the accuracy and validity of each pertinent finding, conclusion, and recommendation.

(2) Take suitable corrective action.

(3) Submit to the Unified Command within 15 days a statement with respect to each finding, conclusion, and recommendation, giving:

(a) additional facts

(b) acceptance or refutation

(c) corrective action taken and anticipated completion date.

c. The Unified Command will forward a message report with the above information along with its comments to DSAA (Attn: Assistant for Audits and Inspection) within 25 days from the date of the GAO draft report.

### 8. Action on GAO Final Reports

a. The GAO transmits final reports to the Congress and the Office of Management and Budget with information copies to the Secretary of Defense, the Unified Command, and the MAAG, ODC, or MILGP.

b. Action required on final reports is the same as that for draft reports. Comments should not be repetitive but merely update the statement on the draft report.

### 9. Action on DAS Reports

a. The DAS normally provides a copy of the draft report along with a request for appropriate comments to the field organizations reviewed. The Unified Command will simultaneously forward to the Assistant for Audits and Inspections, Operations Directorate, DSAA, a copy of the reply being furnished

DAS.

b. Upon receipt of the final report, the MAAG, ODC, or MILPG will:

(1) Verify the accuracy and validity of each finding, conclusion, and recommendation.

(2) Take suitable corrective action.

(3) Submit to the Unified Command a statement with respect to each finding, conclusion, and recommendation, giving:

(a) additional facts

(b) acceptance or refutation

(c) corrective action taken and anticipated completion date.

c. The Unified Command will forward a reply incorporating the above information and its comments to the Assistant for Audits and Inspections, Operations Directorate, DSAA, within 60 days from the date of the report.

#### 10. Action on IGA Reports

a. The IGA transmits draft reports on its inspections of Security Assistance activities to the Director, DSAA, for review and comments. The importance of the exit conference message report required in paragraph 6 cannot be overemphasized since DSAA is only provided 7 days in which to reply to the draft report.

b. The IGA transmits final Security Assistance inspection reports to the Secretary of Defense and simultaneously distributes copies to the JCS, DSAA, Unified Command, and concerned activity.

c. Upon receipt of the Final Report, the concerned activity will:

(1) Verify the accuracy and validity of each finding, conclusion, and recommendation.

(2) Take suitable corrective action.

(3) Submit to the Unified Command a statement with respect to each finding, conclusion, and recommendation, giving:

(a) additional facts

(b) acceptance or refutation

(c) corrective action taken and anticipated completion date.

d. The Unified Command will forward a reply incorporating the above information and its comments to the Assistant for Audits and Inspections, Operations Directorate, DSAA, within 60 days from the date of the report.

#### 11. Corrective Action Follow-Up

a. MAAGs, ODCs, MILGPs, and Unified Commands should provide for positive follow-up corrective action responses to GAO, IGA, and DAS findings and recommendations. In some instances, special reports on status of corrective action may be required by DSAA. In all cases, the adequacy of corrective action on audits and inspections may be raised during DSAA staff visits.

b. Annually, Unified Commands will submit a report to the Assistant for Audits and Inspections, Operations Directorate, DSAA which reflects, as of 31 December, the status of incomplete corrective actions for each applicable GAO, IGA, and DAS report. The report is due 1 February and negative reports are required.

## CHAPTER G

### SECURITY CLASSIFICATION AND RELEASE OF INFORMATION

#### 1. Purpose and Scope

The only basis for classifying selected Security Assistance information is to protect the national security, that is, the national defense and foreign relations of the United States. This chapter contains specific criteria, based on Executive Order 11652 (Classification and Declassification of National Security Information and Material), and provided by the Department of State, for classification and release of Security Assistance information for the purpose of protecting the United States foreign relations. Security Assistance information will be classified for national security purposes in accordance with the criteria of this chapter and of DOD 5200.1-R (Information Security Program Regulation) and corresponding Military Department regulations. The Department of State, the Assistant Secretary of Defense for International Security Affairs (ASD/ISA), and the Director, Defense Security Assistance Agency (DSAA) may issue special instructions which modify or supplement this chapter in particular situations.

#### 2. Security Classification Guidelines

##### a. General Guidelines

(1) All Security Assistance information not specifically designated as classified under paragraph b. below is unclassified unless the Department of State, ASD/ISA, or Director, DSAA directs classification in a particular situation, or unless the national security classification criteria of DOD 5200.1-R and corresponding Military Department regulations warrant classification for national defense purposes.

(2) All Security Assistance information designated as classified under paragraph b. below is CONFIDENTIAL unless the Department of State, ASD/ISA, or Director, DSAA directs a higher level of classification in a particular instance, or unless the national security classification criteria of DOD 5200.1-R and corresponding Military Department regulations warrant a higher level of classification for national defense purposes.

(3) All classified Security Assistance information will be declassified in accordance with the schedules in paragraph b. below unless a longer period of classification is either directed in a particular situation by the Department of State, ASD/ISA, or Director, DSAA, or is warranted by the national security classification criteria of DOD 5200.1-R and corresponding Military Department regulations for national defense purposes.

(4) The Department of State has approved the exemptions from the General Declassification Schedule of DOD 5200.1-R which are specified in paragraph b. below.

##### b. Specific Guidelines

(1) Military Assistance Program (MAP) and International Military Education and Training Program (IMETP)

Dollar levels and content of a program for the budget or a subsequent fiscal year are classified for each individual country and international organization. Such program data falls within the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101, and will be declassified upon delivery to Congress of the Congressional Presentation Document for the program. Classified program dollar levels and content will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),  
DECLASSIFY ON DELIVERY OF  
CONGRESSIONAL PRESENTATION DOCUMENT  
TO CONGRESS."**

**(2) Foreign Military Sales (FMS)**

(a) The primary factors considered by the Department of State and OASD/ISA in requiring classification of FMS information under paragraphs (b) and (c) below are: the extent to which disclosure of the information would reveal the purchaser's order of battle, taking into consideration the nature and quantity of defense articles being sold and the degree to which the purchaser relies on the United States as a source of military supply; and, the extent to which disclosure of the information could be expected to stimulate demands by third countries upon the United States or upon other supplying nations for defense articles, thus encouraging global or regional instability or fostering an arms race.

(b) Information concerning Iran, Israel, Jordan, Kuwait, Lebanon, or Saudi Arabia in Letters of Offer (DD Forms 1513), in all related documents except those specified in paragraph (f) below, and in the RCS: DSAA(AR) 1100 reporting system is classified when it indicates by specific type any item in one of the following groups:

1. Major weapons systems (e.g., combat and combat related aircraft falling within Section 121.13(b) of the International Traffic in Arms Regulations (ITAR) plus associated equipment in ITAR Categories VIII (d) and (i), vessels falling within Section 121.12(a), military vehicles falling within Category VII (a), (b), (c), (f), and (g) (military bridging and deep water fording equipment only), artillery and projectors falling within Category II (a) and (b), fire-arms (in quantities over 1,000) falling within Category I (a) and (b), and missiles and rockets falling within Category IV (a) and (b)).

2. High technology weapons-related equipment and systems (e.g., items falling within Category XI (a) and (c) and Category XII (a) and (b).)

3. Munitions, other than small arms ammunition (e.g., torpedoes, bombs, and

fuzes).

4. Other. Ammunition manufacturing machines and ammunition loading machines; aerial cameras and special military cameras; cryptographic devices, and decoys.

(c) The Department of State, ASD/ISA, or Director, DSAA may direct classification of FMS information in specific situations other than those covered by paragraph (b) above.

(d) A request from a foreign government that FMS information in a Letter of Offer or related document be classified will be honored only if classification is warranted by paragraph (b) or (c) above or by the national security classification criteria of DOD 5200.1-R and corresponding Military Department regulations.

(e) Information which is classified under paragraph (b) or (c) above falls within the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101, and will be declassified at the end of the third full fiscal year following the fiscal year in which the U. S. Government offers the DD Form 1513 to the foreign government. For example, a DD Form 1513 with an offer date of 19 November 1976 (FY 1977) would be declassified on 30 September 1980 (end of FY 1980). Such information will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),  
DECLASSIFY ON 30 SEPTEMBER (insert year)"**

(f) FMS implementation records, such as case directives, production or repair schedules, International Logistics Supply Delivery Plans, requisitions, shipping documents, bills of lading, work orders, contract documents, billing and accounting documents, work sheets, and related feeder information are unclassified.

(g) Projections of dollar levels or content of FMS agreements for fiscal years subsequent to the budget year, and of dollar levels of FMS credit extensions for fiscal years subsequent to the budget year, are classified for each individual country and international organization, and are subject to the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101. Dollar level projections for

all countries and international organizations will be declassified upon delivery to Congress of the Congressional Presentation Document for the fiscal year to which the projections apply. Dollar level projections will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),  
DECLASSIFY ON DELIVERY TO CONGRESS OF  
CONGRESSIONAL PRESENTATION DOCUMENT  
FOR FISCAL YEAR (insert fiscal year)."**

Projections of sales content for all countries other than Iran, Israel, Jordan, Kuwait, Lebanon, and Saudi Arabia, and for all international organizations, will be classified and marked in the same manner as provided above for dollar level projections. Projections of sales content for Iran, Israel, Jordan, Kuwait, Lebanon, or Saudi Arabia will be declassified at the end of the third full fiscal year following the fiscal year to which the projections apply; these projections will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),  
DECLASSIFY ON 30 SEPTEMBER (insert year)."**

(h) Reports from the RCS: DSAA (AR) 1100 FMS reporting system which contain classified information are exempted from the General Declassification Schedule of DOD 5200.1-R and will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),  
EXEMPT FROM GENERAL DECLASSIFICATION  
SCHEDULE OF EXECUTIVE ORDER 11652,  
EXEMPTION CATEGORIES 5B(1) and (3),  
DECLASSIFY UPON NOTIFICATION BY THE  
ORIGINATOR."**

(3) Co-production

(a) Information concerning Iran, Israel, Jordan, Kuwait, Lebanon, or Saudi Arabia in co-production proposals or agreements is classified when it indicates by specific type any item which would require classification in a Letter of Offer under paragraph 2.b.(2)(b) above. Such information falls within the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101, and will be declassified at the end of the third full fiscal year following the fiscal year in

which the U. S. Government offers the co-production arrangement to the country. Such information will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),  
DECLASSIFY ON 30 SEPTEMBER (insert year)."**

(b) For all countries other than those in paragraph (a) above and for all international organizations, information which indicates by specific type any item which would require classification in a Letter of Offer under paragraph 2.b. (2) (b) above is classified in co-production proposals only. Such information falls within the Advanced Declassification Schedule of DOD 5200.1-R, paragraph 3-101, and will be declassified upon entering into a co-production agreement. Such information will be marked:

**"CLASSIFIED BY MASM (DOD 5105.38-M),  
DECLASSIFY ON ACCEPTANCE OF OFFER BY  
FOREIGN GOVERNMENT."**

**3. RCS: DSAA(AR) 1100 FMS Report Submissions**

**a. Entry of Data**

Each entry into the RCS 1100 system of data pertaining to a new FMS case will indicate whether that data is classified under the criteria of paragraphs 2.b(2) (b) and (c) above. The security classification of an FMS case in the 1100 system is based solely on the case data which is entered into that system. The existence of classified technical data concerning defense articles in an FMS case does not warrant classification of that FMS case in the 1100 system, since such technical data is not entered into the 1100 system.

**b. Declassification**

Each September the Security Assistance Accounting Center (SAAC) will review for possible declassification under paragraphs 2.a. (3) and 2.b. (2) (e) above data in the 1100 system pertaining to all FMS cases which were offered at least three full fiscal years prior to the current fiscal year. Further, SAAC will ensure that declassification of any data in the 1100 system is reflected in



## MILITARY ASSISTANCE AND SALES MANUAL—PART I

that system within 15 working days after it occurs.

### c. Codes; Card Columns

Machine readable code "U" will designate unclassified FMS cases; code "C" will designate CONFIDENTIAL cases. The proper code for classification or declassification will be entered in column 19 of the "2" or "B" card as appropriate, and in column 35 of the "Q" card.

## 4. Release of Information to Foreign Governments, International Organizations, and the Public

### a. Unclassified

#### (1) Public

In accordance with Section 21 (f) of the Arms Export Control Act, it is the policy of the Department of Defense to maximize to the fullest extent consistent with national security the amount of information available to the public. Further, it is the policy of the Department of Defense to comply fully with both the specific provisions and the general intent of the Freedom of Information Act, as amended. Release of information will be in accordance with procedures established by DOD Directives 5400.7 and 5400.10.

#### (2) Foreign Governments and International Organizations

Unclassified information may be released to the concerned country or international organization as appropriate for purposes related to Security Assistance. Price data may be released to MAP and IMET recipient countries and international organizations, subject to recipients' understanding that prices are provided for procurement planning and related purposes only, and that prices quoted are estimates and are not necessarily those which have been or will be applied to articles delivered or services rendered to the country or organization as Grant Aid.

### b. Classified

#### (1) Tentative Security Assistance Plans and Programs

Classified information as to tentative

plans and programs for the budget and future years may be released to an involved foreign government or international organization to the extent necessary for its effective participation in the Security Assistance planning process or its effective development of related defense plans, and to the extent that it can be relied upon to maintain adequate security precautions and to use the information only for the purposes for which provided. Classified dollar levels of tentative country or organization programs may be released only with the specific permission of the Deputy Assistant Secretary of Defense for Security Assistance, OASD/ISA, with the concurrence of the Department of State. U.S. officials who release information under this paragraph will, in accordance with Part I, Chapter D, paragraph 2.c. of this Manual ensure that the recipient government or international organization clearly understands that such release does not constitute a commitment by the United States.

#### (2) FMS Agreements

Classified information as to the quantity and projected delivery schedules for articles and services in FMS agreements may be released to the concerned country or international organization to facilitate appropriate planning by the recipient, subject to assurance by the recipient that it will maintain adequate security precautions and will use the information only for the purposes for which provided.

#### (3) Procedures for Release

Release of classified information under paragraphs (1) and (2) above is subject to the provisions of DOD Directive 5230.11 (Disclosure of Classified Military Information to Foreign Governments and International Organizations), and DOD 5200.1-R, paragraph 8-104. Release will be made only to officials of the country or international organization involved who require the information in their official capacity.

### c. Approval of Chief of Diplomatic Mission

Release of all Security Assistance information to a foreign government or interna-

**MILITARY ASSISTANCE AND SALES MANUAL—PART I**

ational organization will be made through or  
with the approval of the Chief of the U.S.

Diplomatic Mission to the government or  
organization involved.

assistance under Sec. 503(c); and

(e) arrangements are made with the agency making the loan to be reimbursed in the event such article is lost or destroyed while on loan, such reimbursement being made first out of any funds available to carry out this chapter and based on the depreciated value of the article at the time of loss or destruction.

(3) Under Sec. 503(c)—

(a) In the case of any loan of a defense article made under this section, there shall be a charge to the appropriation for military assistance for any fiscal year while the article is on loan in an amount based on—

1. the out-of-pocket expenses authorized to be incurred in connection with such loan during such fiscal year; and
2. the depreciation which occurs during such year while such article is on loan.

(b) The provisions of this subsection shall not apply—

1. to any particular defense article which the United States Government agreed, prior to the date of enactment (17 December 1973) to lend; and
2. to any defense article, or portion thereof, acquired with funds appropriated for military assistance under this Act.

(4) Recommendations to loan equipment in lieu of transferring its title will be considered on a case-by-case basis and will be submitted through the appropriate Unified Command to the Defense Security Assistance Agency (DSAA) for approval. Loan agreements will (1) be of specified duration with an option for renewal on a mutually agreed basis, (2) provide for return of the equipment on short notice in event of an unanticipated U.S. need, and (3) contain a requirement that the equipment be maintained in a fully serviceable condition in accordance with U.S. standards. Loans under the authority of Section 503 FAA shall be implemented only by: (1) a Memorandum of Understanding between the Director, DSAA and an appropriate authorized official of the lending agency, setting forth the terms and conditions under which the loan is authorized to

be made and all charges, including depreciation, to MAP funds during specified fiscal years; and, (2) a written loan agreement is concluded prior to the commencement of the loan on behalf of the lending agency and the borrowing government.

(5) For loans of ships, the special provisions of Part I, Chapter E of this Manual also apply.

#### d. Construction

(1) Military Departments will curtail maintenance and repair of real property projects under Operation and Maintenance of MAP Installations (generic code L3G) to the maximum extent. Only those projects urgently required for support of the Military Assistance mission should be considered for funding.

(2) Special instructions governing the planning, programming, and execution of construction (generic code Q2) are set forth in Chapter D.

#### e. Technical Assistance

General policies governing the planning, programming and execution of grant aid technical assistance (generic code M) are as follows:

(1) Contract technician services performed in support of Military Assistance will be funded by Military Assistance Program funds to defray cost of salaries, travel and per diem.

(2) Technical assistance provided by DOD personnel will be funded by Military Assistance Program funds to cover cost of travel, per diem, and, in the case of DOD civilian personnel, salaries.

(3) Deployment of DOD personnel and teams, military or civilian, on PCS under MAP or FMS for the purpose of providing technical assistance or training to foreign countries, will require approval of the Director, DSAA, on a case-by-case basis, prior to making any offer or commitment to the foreign government concerned.

#### f. Police Training and Related Programs

(1) No funds made available to carry

## MILITARY ASSISTANCE AND SALES MANUAL—PART II

out the Foreign Assistance Act of 1961, as amended, shall be used to conduct any police training or related program in a foreign country or in the United States. Related programs include MAP materiel programs.

(2) All military assistance, including excess defense articles, is subject to this prohibition. (Cash sales, credits, or guaranties made or issued under the Foreign Military Sales Act are not affected by this prohibition.)

(3) No funds made available to carry out the Foreign Assistance Act of 1961, as amended, shall be used in any program of internal intelligence or surveillance on behalf of any foreign government within the United States or abroad.

(4) "Police" as used in this prohibition

includes military police as well as civilian police if the military police perform civilian law enforcement functions. Neither the name given to a unit of the foreign government nor the ministerial authority under which it operates is sufficient, in and by itself, to determine whether a particular force is a "police unit." The determining factor is the nature of the function performed.

(5) All assistance to police in foreign countries, including the provision of defense and services and not just training assistance, is prohibited.

(6) Assistance in foreign countries for all phases of civilian law enforcement (other than narcotics control) is prohibited. "Law enforcement" includes apprehension and control of political offenders and opponents

**MASM  
PART III**

**FOREIGN MILITARY SALES**

CHAPTER A

ELIGIBILITY FOR FOREIGN MILITARY SALES

---

**1. General Authority**

No defense article or defense service may be sold to any country or international organization unless the President finds, in accordance with Section 3 of the Foreign Military Sales Act, as amended (hereafter referred to as the FMSA), that

(1) the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the United States and promote world peace;

(2) the country or international organization shall have agreed not to transfer title of, or possession of, any defense article or related training or other defense service so furnished to it to anyone not an officer, employee, or agent of that country or international organization and not to use or permit the use of such article or related training or other defense service for purposes other than those for which furnished unless the consent of the President has first been obtained;

(3) the country or international organization shall have agreed that it will maintain the security of such article and will provide substantially the same degree of security protection afforded to such article by the United States Government; and

(4) the country or international organization is otherwise eligible to purchase defense articles or defense services (see para 2 below).

**2. Conditions of Eligibility**

Countries or international organizations found eligible to purchase defense articles and defense services under the Presidential finding are also subject to other provisions of the FMSA. A summary of the major restraints on FMS and FMS Credits is included under MASM III, Chapter B, Foreign Military Sales Policies, Guidelines and Restrictions, para 3.

**3. Eligible Countries and International Organizations**

The current list of eligible countries and international organizations as determined by the President is appended as Table A-1.

**4. Special Approval Requirements**

a. Approval channels related to major capital end-items and maintenance support items and where emergency procedures or special instructions apply are indicated in Table A-2. The procedures for the implementation of FMS requests are covered in Chapter D.

b. Except as authorized in Table A-2, requests for the purchase of defense articles and defense services will be submitted through diplomatic channels to the Department of State for approval and forwarded, as appropriate, to the Department of Defense for implementation in accordance with established policies and procedures. Out of channel requests, i.e. requests not received in accordance with para a, immediately above, will be processed as outlined in Chapter D.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

Table A-1

FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE  
TO PURCHASE DEFENSE ARTICLES AND DEFENSE SERVICES  
UNDER THE AUTHORITY OF THE ARMS EXPORT CONTROL ACT<sup>1</sup>

COUNTRIES

*Africa*

Cameroon	Mali
Benin	Mauritius
Ethiopia	Morocco
Gabon	Niger
Ghana	Nigeria
Guinea	Senegal
Ivory Coast	Sudan
Kenya	Tunisia
Liberia	Upper Volta
Libya	Zaire
Malagasy Republic	

*Near East and South Asia*

Afghanistan	Nepal
Bahrain	Oman
Greece	Pakistan
India	Qatar
Iran	Saudi Arabia
Israel	Sri Lanka (Ceylon)
Jordan	The United Arab Emirates
Kuwait	Turkey
Lebanon	Yemen Arab Republic

*Europe*

(Less Greece & Turkey)

Austria	Malta
Belgium	Netherlands
Denmark	Norway
Finland	Portugal
France	Spain
Germany	Sweden
(Fed Rep of)	Switzerland
Iceland	United Kingdom
Ireland	(Incl Crown Agents)
Italy	Yugoslavia
Luxembourg	

*Western Hemisphere*

Argentina	Haiti
Bahamas	Honduras
Bolivia	Jamaica
Brazil	Mexico
Canada	Nicaragua
Chile	Panama
Colombia	Paraguay
Costa Rica	Peru
Dominican Republic	Surinam
Ecuador	Trinidad and Tobago
El Salvador	Uruguay
Guatemala	Venezuela

*Far East*

Australia	Korea, Rep of
Brunei	Laos
Burma	Malaysia
Cambodia	New Zealand
China, Rep. of	Philippines
Fiji	Singapore
Indonesia	Thailand
Japan	Vietnam, Rep of

*International Organizations*

North Atlantic Treaty Organization (NATO)  
and its agencies

Organization of American States (OAS)

United Nations (UN) and its agencies to in-  
clude International Civil Aviation Organiza-  
tion (ICAO)

1. As of 31 December 1976

## CHAPTER B

## FOREIGN MILITARY SALES POLICIES, GUIDELINES AND RESTRICTIONS

**1. Purpose**

Supplement information provided in MASM—Part I, DOD Directive No. 5132.3, Department of Defense Policy and Responsibilities Relating to Security Assistance, December 20, 1972 and other related basic directives and instructions governing military export sales activities.

**2. Basic Sales and Guidelines**

In enacting the Foreign Military Sales Act (FMSA), as amended, the Congress consolidated and revised foreign assistance legislation relating to reimbursable exports.

**a. Basic Sales Policy.** In this Act, the Congress:

(1) Declared the ultimate goal of the U.S. to be a world free of the dangers and burdens of armaments with the use of force subordinated to the rule of law;

(2) Affirmed the increasing cost and complexity of defense equipment and recognized that there continues a need for international defense cooperation to maintain peace and security;

(3) Established that the United States will facilitate the common defense by entering into international arrangements with friendly countries on projects of cooperative exchange of data, research, development, production, procurement and logistics support to achieve national defense requirements and objectives of mutual concern;

(4) To this end, authorized sales to friendly countries to equip their forces with

due regard to impact on social and economic development and on arms races;

(5) Declared the sense of the Congress that all such sales be approved only when they are consistent with the foreign policy interests of the United States.

**b. Military exports sales support specific foreign policy and security interests of the United States.** Such sales have in the past improved internal order and increased the prospects for regional stability, thereby reducing the likelihood of direct U.S. military involvement. Standardization of materiel, doctrine, and training is enhanced among our allies and friends. The U.S. production base is maintained, U.S. employment is increased, research and development costs are spread wider, unit costs to the U.S. Services reduced, and forward materiel support is facilitated. The U.S. balance of payments is aided and closer relations, cooperation, and partnership with other nations are engendered.

**c. Guidelines**

Except where overriding considerations dictate otherwise, the following guidelines will govern Department of Defense sales activities:

(1) Department of Defense sales will support the foreign policy interests of the United States.

(2) Department of Defense will be responsive to foreign requests for sales proposals.

(3) Countries will be encouraged, consistent with economic-financial capabilities, to



## MILITARY ASSISTANCE AND SALES MANUAL—PART III

make the transition from grant aid to sales.

(4) To the extent practicable, the Department of Defense will assist U.S. industry in making sales directly to foreign governments. Relationships with industry will be forthright, factual, and will avoid all connotation of favoritism.

(5) The Department of State has advised commercial firms who plan to discuss the sale of defense articles overseas to:

(a) touch base with the local MAAG or American Embassy representative upon arrival in-country, and

(b) inform the MAAG or Embassy representative whether or not they have a license to discuss technical data regarding the project planned to be discussed with host nations, and if not, how the commercial firm expects to handle the matter.

There is no mandatory requirement for a commercial firm to contact the MAAG or local Embassy representative but it is in the best interests of all concerned if commercial firms do so.

Department of Defense policy is one of even-handedness when dealing with commercial firms engaged in overseas marketing activities. When U.S. industry representatives approach the MAAG for assistance in conducting normal marketing efforts abroad, MAAG personnel should, within policy guidelines, use their own best judgement in determining whether a commercial firm should be referred to foreign country officials for the purpose of discussing a possible sale or whether any other assistance should be given.

(6) Unless dictated by overriding logistics considerations approved by the Secretary of Defense, the Department of Defense will not enter into sales arrangements which entail commitments for Department of Defense procurement in foreign countries.

(7) Credit and credit guaranties under the Foreign Military Sales Act will be used only to assist countries in acquiring essential items which cannot reasonably be financed by other means and normally will be used only to finance investment requirements.

(8) Wherever practicable, guaranteed credit will be used instead of direct FMS

credit.

(9) Concessionary FMS credit terms (i.e., interest rates less than cost of money to the U.S. Government) will be granted only when determined by the President to be required by the national interest.

(10) We welcome consultation with our friends and allies on research, development, production, and logistic support programs of mutual interest.

d. When procuring for a foreign government, DOD will apply the same contract clauses and contract administration as it would use in procuring for itself, except where exceptions are authorized in the Armed Forces Procurement Regulations. When a sole source procurement requested by a foreign government appears to be motivated by objectives in conflict with this requirement or with any U.S. legislation, the request must be forwarded to DSAA, which will forward the request to the Department of State for consideration. No Letter of Offer in such cases will be issued without approval of the Director, DSAA.

### 3. Major Restraints and Significant Recurring Reports to the Congress

The following is a summary of the major restraints and requirements for reporting to the Congress which govern foreign military sales activities, and reflect major requisites which impact on military export sales. Unless otherwise noted, references are to the FMSA, as amended.

#### a. Major Restraints

(1) Sales will be approved only when consistent with U.S. foreign policy interests, foreign aid purposes as embodied in the FAA, the extent and character of the military requirement, the economic and financial capability of the purchases, with particular regard being given, where appropriate, to proper balance among such sales, grant military assistance and economic assistance as well as to the impact of the sales on social and economic development programs and on existing or incipient arms races (Sec. 1).

(2) Sales and credit guaranties (Secs.

21, 22, 23 and 24) shall not be approved to arm military dictators who are denying the growth of fundamental rights or social progress to their people. The President may waive this limitation when he determines it would be important to the security of the United States (Sec. 1).

(3) The Secretary of State shall be responsible for determining whether there shall be a sale to a country and the amount thereof, and whether these shall be delivery or other performance under such sale or export to the end that sales and exports are integrated with other U.S. activities and the foreign policy of the U.S. is best served thereby. (Sec. 2(b)).

(4) The President must determine the eligibility of the prospective purchaser on the basis that sales will strengthen U.S. security and promote world peace (Sec. 3(a)(1)).

(5) The purchaser must agree not to transfer title to, or possession of, any defense article or related training or other defense service without prior U.S. consent; and the President must report to the Congress before such consent is given (Sec. 3(a)(2)).

(6) Sales, credits, and guaranties shall be cut off for 1 year to any country which seizes or takes into custody or fines U.S. fishing vessels for engaging in fishing more than twelve miles from the coast of that country, unless the President waives the cut off as important to U.S. security or receiving reasonable assurances from the country involved that future violations will not occur and promptly so reports to the Congress (Sec. 3(b)).

(7) Sales may be made only for purposes of internal security, legitimate self defense, civic action, or regional or collective arrangements consistent with the United Nations (U.N.) Charter, or requested by the U.N. (Sec. 4).

(8) No FMS credits or guaranties shall be extended to less developed countries—except Greece, Turkey, Iran, Israel, Republic of China, Philippines, and Korea—to buy sophisticated weapons, such as missiles and jet aircraft for military purposes, unless the President determines that such financing is

important to the U.S. national security (Sec. 4).

(9) Sales will be made for the FMS credits repaid only with U.S. dollars (Secs. 21, 22 and 23).

(10) FMS credits must be repaid within twelve years after the delivery of the defense articles or the rendering of the defense services (Sec. 23).

(11) Financing of sales of defense articles and defense services by any individual, corporation, partnership or other judicial entity doing business in the United States (excluding U.S. Government agencies other than the Federal Financing Bank) may be guaranteed by the USG. Fees shall be charged for such guarantees. An amount equal to 10% of the principal amount of the contractual liability under guaranty shall be set aside as a reserve from funds appropriated under the Act (Sec. 24).

(12) Export-Import Bank financing of sales to economically less developed countries is prohibited (Sec. 32).

(13) A ceiling on grant aid and credit sales combined (excluding training) shall not exceed \$40,000,000 in each fiscal year for African countries. The President may waive this provision when he determines it to be important to the security of the United States (Sec. 33).

(14) FMS credit and guaranty standards and criteria, e.g., interest rates, shall be established by the President in accordance with the foreign, national, security, and financial policies of the U.S. (Sec. 34).

(15) Further sales, credits, and guaranties shall be terminated to any economically less developed country which diverts economic aid, or its own resources to unnecessary military expenditures to a degree which materially interferes with its development (Sec. 35).

(16) The munitions licensing requirement controls the export requirement which controls the export and import of arms, ammunition, and implements of war, including technical data relating thereto remains in effect (Sec. 414, Mutual Security Act of 1954, as amended).

(17) Cash received from FMS and from repayments of FMS credits shall not be used for financing new credits or guaranties (Sec. 37).

(18) Arms control consequences must be taken into consideration when evaluating any FMS sale (Sec. 42(a)(3)).

(19) FMS funds may be used for procurement outside the U.S. only if the President determines that such procurement will not result in adverse effects upon the U.S. economy or the industrial mobilization base (Sec. 42(c)).

(20) Provisions of Atomic Energy Act and 10 USC 7307 (requiring separate legislation for major ship loans and sales) are unaffected by the FMSA (Sec. 44).

(21) Consistent with its resources and the situation prevailing in-country, the MAAG is responsible for supervising and reporting on the utilization by the foreign country of defense articles and services acquired through FMS.

(22) Any foreign country which hereafter uses defense articles or defense services furnished under the FMSA, in substantial violation of any provision of that Act or any agreement entered into under that Act, shall be immediately ineligible for further cash sales, credits or guarantees until such time as the President determines that such violation will not recur, and that, if such violation involved the transfer of sophisticated weapons without the consent of the President, such weapons have been returned to the country concerned (Sec. 3c and 3d).

(23) Sale of defense articles, defense services or training to foreign organizations or units, including foreign police forces, will not be made unless such organizations or units are a part of the national defense forces under the direction and control of the Ministry of Defense. Any requests for exceptions to this policy should be referred to DSAA for decision. Also, prior approval of DSAA is required for the sale of defense articles, defense services or training to foreign organizations or units that are under the direction and control of the Ministry of Defense if they are engaged in on-going civilian police functions.

#### b. Significant Reports to the Congress

(1) Quarterly reports of:

(a) all letters of offer to sell any major defense equipment for \$1,000,000 or more under this Act to each foreign country and international organization, by category, if such letters of offer have not been accepted or cancelled. (Sec. 36(a)(1)).

(b) all such letters of offer that have been accepted during the fiscal year in which such report is submitted, together with the total value of all defense articles and defense services sold to each foreign country and international organization during such fiscal year. (Sec. 36(a)(2)).

(c) the cumulative dollar amounts, by foreign country and international organization, of sales credit agreements under Section 23 and guaranty agreements under Section 24 made during the fiscal year in which such report is submitted. (Sec. 36(a)(3)).

(d) projections of the dollar amounts, by foreign country and international organizations, of cash sales expected to be made under Sections 21 and 22, credits to be extended under Section 23, and guaranty agreements to be made under Section 24 in the quarter of the fiscal year immediately following the quarter for which such report is submitted. (Sec. 36(a)(5)).

(e) a projection with respect to all cash sales expected to be made and credits expected to be extended to each country and organization for the remainder of the fiscal year in which such report is transmitted. (Sec. 36(a)(6)).

(f) an estimate of the number of officers and employees of the United States Government and of United States Civilian contract personnel present in each country at the end of that quarter for assignments in implementation of sales and commercial exports under this Act. (Sec. 36(a)(7)).

(g) an analysis and description of the services being performed by officers and employees of the U.S. Government under Section 21(a) of this Act, including the number of personnel so employed. (Sec. 36(a)(8)).

(2) In the case of any letter of offer to sell any defense articles or services under

this Act for \$25,000,000 or more, or any major defense equipment for \$7,000,000 or more, a numbered certification of (1) the foreign country or international organization to which the defense article or service is offered or was sold, (2) the dollar amount of the offer to sell or the sale and the number of defense articles offered or sold, (3) a description of the defense article or service offered or sold, and (4) the United States Armed Force or other agency of the United States which is making the offer to sell or the sale, as the case may be; and a description of any contribution, gift, commission, or fee paid or offered or agreed to be paid in order to solicit, promote, or otherwise to secure such letter of offer. See Appendix B, Figure App B-2 for a detailed listing of the information specified to be included in this report.

(Sec. 36(b)(1)).

(3) Notification to the Congress before issuance of Letters of Offer in the amount of \$25,000,000 or more or for the sale of major defense equipment in the amount of \$7,000,000 or more. Further, the Arms Export Control Act provides that the Letter of Offer shall not be issued if Congress, within 30 calendar days of receipt of such notification, adopts a concurrent resolution stating in effect that it objects to such proposed sale, unless the President in his notification to Congress states that an emergency exists which requires such sale in the national security interests of the United States (Sec. 36(b)(1)). See Chapter C, paragraph 15 for processing LOAs in the amount of \$25 million or more or for LOAs in the amount of \$7 million for major defense equipment.

major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this act." For detailed procedures on commercial sales, see Chapter H.

The Defense Department preference, therefore, is to use commercial channels as much as possible. Nevertheless, some two-thirds to three-fourths of all U.S. military exports actually pass through government-to-government channels for one or more of the following reasons:

- a. This GFE likewise cannot be sold directly to U.S. prime contractors for incorporation in weapons systems for sale to foreign buyers.
- b. For some special situations, the U.S. Government wishes to exercise the control that is more easily achieved with the FMS channel.
- c. Classified equipment, which must in any event be delivered through government channels, is often easier to sell through the government channel.
- d. Sales made under supply support arrangements and similar logistics sales arrangements are handled through the FMS channel as the only practicable way of permitting the armed forces of friends and allies to "buy into" the procedure as do using U.S. units.

Direct contact between MAAGs and Military Departments is authorized to provide information to host countries concerning technical advice, data on item configuration and availability, cost factors, and other essential technical and supply data.

## 6. Basic FMS Sales Procedures

Eligible countries and international or-

ganizations authorized to procure military equipment and services from the United States are listed in Chapter A. Special approval requirements are prescribed for major capital end-items, maintenance support items, and where emergency procedures or special instructions apply, as shown in Chapter A, Table A-2.

Following are the prescribed procedures and administrative channels for implementing FMS requests:

### a. Normal Sales Channels

(1) Category A countries—\*For major end-item or maintenance support items: At the discretion of the requesting country, FMS requests will be submitted either through the country's representatives in the United States, such as the Purchasing Missions, Embassies, or Military Attaches in Washington, or through United States Country Team located in the foreign country, such as the U.S. Embassy, Military Assistance Advisory Group, U.S. Military Mission, or U.S. Defense Attache's Office. Such requests for cash sales will be submitted directly to the appropriate U.S. Military Department concerned with the FMS request.

In all cases where a regional ceiling on FMS has been imposed by statute, information copies of all FMS requests shall be provided to the Department of State.

Category B. Countries: The preferred channel for FMS requests is through the purchasing country's representatives in the U.S., e.g., purchasing mission or military attache, via the Embassy of the country, to the State Department. Requests received by the U.S. mission in country should be sent

\* Some countries are listed as Category A for maintenance support and Category B for major end-items.

Special Conditions: Sale of electronic warfare (EW) equipment to NATO countries will, for the most part, follow normal FMS channels. However, special coordination and review by USEUCOM will be required to assure that the equipment to be purchased by one NATO country is compatible with the overall NATO EW concept.

## MILITARY ASSISTANCE AND SALES MANUAL—PART III

to the DSAA for forwarding to the Department of State.

(2) Military Departments will submit all Letters of Offer for major end-items and for those items or services of a critical or special nature to the Defense Security Assistance Agency (Attn: Director of Operations) for approval prior to submission to the requesting country. Such Letters of Offer include but are not limited to:

(a) all letters of offer to African countries and Iran;

(b) all letters of offer for \$1 million or more, and all amendments which increase the value of a case to \$1 million or more, for Bahrain, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the United Arab Emirates and the Yeman Arab Republic;

(c) all letters of offer for sale of major weapon systems;

(d) all letters of offer for sale of end-items when the value of the proposed sale exceeds \$5 million. Special instructions for letters of offer for sale of end-items in the amount of \$25 million or more are contained in Section 15 of this chapter;

(e) all letters of offer for items containing a non-recurring surcharge as an element of cost of the items are prescribed in DOD Directive 2140.2;

(f) all letters of offer for items or services which are not standard in the DOD inventory and for which Research, Development, Test and Evaluation are included as an element to be procured;

(g) all letters of offer involving the sale of Technical Data Packages or similar data which would result in the establishment of a foreign production capability for an item; and,

(h) all letters of offer including agent's fees.

### b. Out of Channel Requests

When a Military Department receives a request for defense articles or services in a manner not specifically authorized as outlined above, or specified in Chapter A, Table

A-2, the request should be forwarded to the DSAA. The DSAA will, in turn, seek State Department approval. With such approval, the DSAA will return the request to the appropriate Military Department for implementation and will advise the originator of this action as well as the proper channel for similiar future requests.

### c. Price and Increase Notifications

DOD components initiating Letters of Offer will promptly and officially notify purchasers whenever the estimated total costs (block 20, of the DD Form 1513, Letter of Offer and Acceptance) increase more than 10 percent. All notifications of price increases will be provided the purchaser on the DD Form 1513-2, Notice of Modification of Offer and Acceptance.

*NOTE:* This form does not require acceptance by the purchaser, but merely acknowledgement of receipt.

All price increase notifications will be coordinated with DSAA (TS).

### d. Letters of Intent

There are two form Letters of Intent: The DD Form 2012, used to finance procurement of long lead time items prior to the issuance of a DD Form 1513, Letter of Offer and Acceptance; and the DD Form 2012-1, used to finance procurement of long lead time items during the period between issuance of a DD Form 1513 and acceptance by the purchasing country.

As both forms contemplate a specified dollar limitation upon the liability of the purchasing country for the procurement of the long lead time items, in order to comply with the requirements of the Arms Export Control Act, it is necessary that all cost-reimbursement contracts awarded to implement a Letter of Intent (procurement as well as research and development) include a Limitation of Cost or Funds contract clause (see ASPR 7-203.3(a), 7-402.2 and 7-702.11). That clause may be deleted by contract amendment after Purchaser's signature of the DD Form 1513.

In the event that a Military Department which transmits a proposed Letter of Intent for signature to a purchasing country requires a cash payment concurrently with signature of the Letter of Intent or within a short period after signature of the Letter of Intent, the letter of transmittal should specify that requirement and not that the request for payment is being made in accordance with the provisions of paragraph 2.b. of the Letter of Intent.

Use of the DD Form 2012 does not constitute authorization to take implementing action under such Letter of Intent in advance of compliance with the statutory reporting requirement of Section 36(b) of the Arms Export Control Act. The procedures prescribed in Appendix B of the MASM apply to any such Letter of Intent regardless of dollar amount, when it is contemplated that the DD Form 1513 will total \$25 million or more or for the sale of a major defense equipment for \$7 million or more. In the event that a Military Department is of the view that production scheduling requirements necessitate initiation of procurement of long lead items in advance of full compliance with Section 36(b) of the Arms Export Control Act, the Military Department concerned shall, prior to transmitting a proposed Letter of Intent to a purchasing country, promptly forward its recommendation to the Director, DSAA, for a decision. If an exception is made by the Director, DSAA, a modified version of the DD Form 2012 will be provided to the Military Department by DSAA on a case-by-case basis.

## 7. Furnishing Information on Price, Avail-

### ability and Condition of Military Equipment to Foreign Governments

#### a. Importance of Accurate Estimates

The terms and conditions of the DD Form 1513 stipulate that any price and availability data shown on the DD Form 1513 are estimates rather than fixed prices or firm commitments. This point continually must be stressed to foreign governments. Nevertheless unexpected and substantial price increases, delivery delays, or the receipt of equipment in poor condition can lead to a foreign government's disappointment or even disillusionment with the FMS system. It is essential that all DOD elements concerned strive for accuracy in the development of price and availability data; the process must include the identification of contingencies which might cause the "best estimate" of price and availability to fluctuate beyond acceptable bounds. The nature of any such contingency or qualification as to the accuracy of estimates normally should be brought to the attention of the FMS purchaser during the offer and acceptance process, unless this would result in disclosure of classified information, U.S. force planning information, or data which otherwise is sensitive to United States interests.

#### b. Discussions with Foreign Governments

Economic, production and budget uncertainties all contribute to Military Department and DSA difficulties in making accurate price and availability estimates. The large volume of price and availability estimates which are processed also increase the likelihood of error. It is imperative that the utmost discretion be exercised by members of

U.S. The results of DCA review of these projects will be submitted to DSAA through the JCS.

#### **b. Commercial Communications Projects**

In addition to projects covered by paragraph a above, foreign communications projects being provided by U.S. industry that come to the attention of military departments or other DOD elements should be brought to the attention of DCA in order that plans can be obtained and reviewed for compatibility with DOD communications systems.

### **18. Patent Rights**

In the event that an individual, commercial entity or foreign country should assert ownership of a foreign patent on an item intended for sale or being sold under FMS, and there are reasonable grounds for the belief that a purchasing country may be subjected to a possible claim for foreign patent infringement, the Military Departments in coordination with DSAA, are authorized to make such a sale, provided a "note" is added to the DD Form 1513 for the FMS case advising the purchaser of the existing allegation of a foreign patent right. The note should read substantially as follows:

"(Name of individual, commercial entity or foreign country, and address,)" has alleged that he/they own exclusive foreign patent rights in certain components of the (Name of FMS item) offered herein. In this connection, the Purchaser's particular attention offered herein connection, the Purchaser's particular attention is invited to Conditions A.3 and C.1 on the reverse of this DD Form 1513.

### **19. DOD P&A Versus a Commercial Proposal**

There are cases when a foreign government has requested and received Letters of Offer, and subsequently solicited bids from private industry for the same supplies and

services. Such action by the foreign government does not automatically require DOD withdrawal of the Letter of Offer. The Letter of Offer should not be withdrawn unless the foreign government has requested such action. In no case should the Letter of Offer be withdrawn by request from commercial sources without prior concurrence from DSAA.

The Military Departments should not, except under unusual circumstances where such action is specifically approved by DSAA, engage in comparison studies requested by a foreign government of an FMS offer versus a commercial proposal.

### **20. Translation Services**

a. The responsibility for the translation of any documents rests with the user or recipient country. U.S. security assistance organizations should make this point clear to their host country counterparts.

b. In day-to-day operations, security assistance organizations may provide for government-to-government purposes only, "informal translations" using the same practices and procedures as the local U.S. diplomatic mission, provided the host country so requests, or the chief of the U.S. security assistance organization determines an informal translation of an English text is in the U.S. interest. In each case, translators must clearly mark the translated document "Informal and unofficial translation—English text governs." Security assistance organizations should ensure that a forwarding letter accompanies each contractual document (e.g., Form 1513) emphasizing that the English text is the officially binding document.

c. Security assistance organizations will not provide translation assistance to contractors or others who are not a part of the U.S. or host country official family. In the event you receive a request from such sources, you should advise requestors to seek assistance from competent local translators.



TYPE OF MATERIEL/SERVICES SOLD

SUPPLEMENTARY INFORMATION FOR LETTERS OF OFFER	Weapons Systems Package Sale	Communications Systems Package Sale	Coproduction/Co-assembly	End Item	SSA Stock Level Case	Requisition Cases Incl SSA Req	Definitized Spare Parts or Supplies (incl ammunition)	Excesses "As-is, Where-is"	Modifications	Publications, Charts, Film	Training	Maintenance and Overhaul	Contractual Services CETS	Military Services Overseas, e.g., TAFT	Military Service in CONUS (i.e., Project Management Office)	Aircraft Flight Delivery	Transportation Services MAC & MSTs	RD&E Services	Technical Data Package	Pro-Rata R&D or Royalty Cases	Non-Standard Military Equipment
Mode and Destination of Shipments	X	X	X	X		X	X	X	X	X		X	A/R			X	X		X		X
Delivery Schedule of Items	X	X	A/R	X				X	A/R			A/R				X	X		A/R		A/R
Personnel Movement to and from Country	A/R	A/R	A/R						A/R		A/R	A/R	X	X		A/R					A/R
Qualifications Regarding Validity of Price and Availability Data	X	X	X	X			X		X		X	X	X	X		X	X	X	X		X
Agreements to Safeguard Status of USG or Contractor Personnel While in Host Country	A/R	A/R	A/R		A/R				A/R				X	X		A/R	A/R				A/R
Statement of Facilities, Services, or Personnel to be Provided by Purchasing Nation	A/R	A/R	A/R		A/R		A/R	A/R	A/R		A/R		A/R	A/R		A/R		A/R			A/R
Separate Memorandum of Understanding or Detailed Statement of Work	A/R	A/R	A/R		A/R						A/R		A/R	A/R				A/R			
Schedules of Personnel Training	A/R	A/R	A/R								X		A/R	A/R							A/R

TYPE OF MATERIEL/SERVICES SOLD

SUPPLEMENTARY INFORMATION FOR LETTERS OF OFFER	TYPE OF MATERIEL/SERVICES SOLD																				
	Weapons Systems Package Sale	Communications Systems Package Sale	Coproduction/Co-assembly	End Item	SSA Stock Level Case	Requisition Cases Incl SSA Reg	Definitized Spare Parts or Supplies (incl ammunition)	Excesses "As-is, Where-is"	Modifications	Publications, Charts, Film	Training	Maintenance and Overhaul	Contractual Services CETS	Military Services Overseas, e.g., TAFT	Military Services in CONUS (i.e., Project Management Office)	Aircraft Flight Delivery	Transportation Services MAC & MSTs	ROT&E Services	Technical Data Package	Pro-Rata R&D or Royalty Cases	Non-Standard Military Equipment
Logistical Information	X	X	X	A/R	A/R	A/R	A/R	A/R	A/R	A/R		A/R			A/R		A/R	A/R			X
Explanation of Condition of Equipment	X	X	X	X				X	A/R			A/R									A/R
Identification of Equipment Supportable/Non-Supportable Under Case, as appropriate	A/R	A/R	A/R	A/R	X	X		A/R	A/R			A/R						A/R			A/R
Description of Services to be Provided	A/R	A/R	A/R						A/R		X	X	X	X	X	X	X	X			A/R
Description of Components of Pricing	A/R	A/R	A/R	A/R				A/R	A/R		A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R
Responsibility for Initiation of Requisitions	X	X	X	X		X	X		A/R	A/R		X									A/R
Payment Schedules	X	X	X	A/R			A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R	A/R

**MILITARY ASSISTANCE AND SALES MANUAL—PART III**

OFFER AND ACCEPTANCE PREPARATION  
CHECKLIST

Item	Action Officer (Last Name, Phone, Date)	Validation	
		Service (Last Name, Phone, Date)	DSAA (Last Name, Phone, Date)
Mode and destination of shipments			
Delivery schedule of items			
Personnel movement to and from country			
Qualifications of Pricing and Availability Data			
Agreements to safeguard status of USG or contractor personnel in-country			
Statement of facilities, services, or personnel to be provided by purchaser			
Separate Memorandum or Understanding or detailed State of Work			
Schedule of Personnel Training			
Logistical Information			
Explanation of condition of equipment			
Identification of equipment supportable under case			
Description of services to be provided			
Description of components of pricing			
Responsibility for initiation of requisitions			
Indemnification and assumption of risk			
Payment schedules			
Financial analysis			

REMARKS:

structions and issue a billing adjustment. Returned overages will not be charged to the recipient. If an overage is requested to be returned, transportation costs will be at U.S. expense. Should disposition instructions require reshipment to another location, the appropriate RCO will furnish complete instructions. In certain instances military components may authorize local disposal action by an agency of the U.S. Government.

#### **d. Shortages**

When the purchaser determines that a shortage exists, he should first ascertain that the carrier has received the proper quantity. If the carrier received an incorrect quantity, the purchaser should claim appropriate credit from the U.S. If the carrier is determined responsible for the shortages, the customer should initiate a claim against the carrier. In instances where the U.S. Government is responsible for transportation, all pertinent details of the short shipment should be referred to the RCO.

#### **e. Erroneous Shipment**

Erroneous shipment is defined as property shipped to a destination other than the desired consignee of the purchasing country appearing on the shipping document, or shipment of an item other than listed on the shipping document. The recipient in this case has the responsibility for advising the U.S. of details of the shipment. If the recipient requests retention of the materiel, billing will be pursuant to established procedures. If recipient elects to return the materiel at U.S. expense, the RCO will furnish him shipping instructions and issue a billing adjustment.

#### **f. Damaged or Unserviceable Materiel**

In the case of damaged or unserviceable materiel, the purchaser must first ascertain the probable cause. If the damage was inflicted by the carrier, a claim should be made by the purchaser to that carrier. If the damage apparently occurred prior to shipment, or is otherwise indicated to be the fault of the shipping agency, the discrepancy report should be forwarded to the appropriate service RCO for processing.

#### **g. Complaints Regarding Services**

Inquiries and complaints of foreign governments concerning services, such as training or technical representative assistance, should be directed by letter or cable to the activity designated to receive purchase orders, or to the headquarters of the service involved. Concurrently, the country should also notify the U.S. MAAG in the country to assure full coordination in correcting the deficiency. Following the same procedure as that applicable to materiel complaints, the MAAG will advise the Unified Command that the complaint has been filed.

### **10. Suspensions/Cancellations**

In the event the Department of State determines that it is necessary to suspend foreign military sales to any recipient country, DSAA will issue instructions to the military departments and the Defense Supply Agency based on the merits of each suspension or cancellation requirement. Any or all of the following specific requirements may be directed or requested:

**a.** Suspension or cancellation of the issuance of Letters of Offer and Acceptance (DD Form 1513) to the recipient government.

**b.** Suspension or cancellation of action on all accepted FMS cases for which supply action has not been initiated by the Military Departments.

**c.** Review of all FMS cases for which delivery has not yet been completed, in order to determine:

(1) Which items, if any, could be cancelled without cost to the U.S. Government.

(2) Which items, if cancelled, would result in cost to the U.S. Government.

**d.** Identification of the source of each item, and whether the transaction is cash, credit, or dependable undertaking, including the value of monies received with the order, or

paid in by the purchaser up to the time of suspension.

e. Diversion of the items under order to other purchasers or for other purposes in the event the suspension were to become a cancellation.

## 11. Management Reports

Reports and EAM card submissions integrating supply and financial management of FMS are described in Chapters K and L.

## 12. Amendment or Modification of Offer and Acceptance

Changing circumstances frequently require that changes be made to a completed Letter of Offer and Acceptance (DD Form 1513). To assure that FMS records reflect adjustments to program content in the fiscal year in which such changes occur, it is essential that we make all practical efforts to process new DD Form 1513's to provide for significant increases in scope to previously approved programs.

We recognize that there are times when our interests are best served by processing Amendments to cover small changes in scope, since administrative reasons sometimes preclude, or make difficult and costly, the preparation of new Letters of Offer. The Amendment to Offer and Acceptance (DD Form 1513-1) may be used for minor changes in scope, when such use of the form is essential for administrative reasons. Minor changes in scope occur most frequently for:

- (1) changes or requirements within FMS training cases,
- (2) minor changes in configuration of equipment previously ordered in an original Letter of Offer, and
- (3) minor changes in scope due to omis-

sion in the original LOA of supporting equipment or services for major weapon systems previously sold.

The DD Form 1513-1 may also be used for changes to Letters of Offer resulting from a decrease in value due to a change in the scope (e.g., deletion of an item) of an existing Letter of Offer.

All DD Form 1513-1s which reflect an increase in excess of \$50,000 should be coordinated with the Director, Operations Directorate, DSAA.

The DD Form 1513-1 should be used to meet only minimum essential administrative needs. All other changes in scope resulting from an increase in value of an FMS case due to a major change in the scope of an existing Letter of Offer will be treated as a new FMS case and will be prepared on the basic DD Form 1513. For clarity, a cross-reference to the previous FMS case may be made on LOAs issued due to an increase in scope.

For changes not affecting scope, the DD Form 1513-2 (Notice of Modification of Offer and Acceptance) should be used. Examples of changes not affecting the scope of an Offer and Acceptance are: all notifications of price increases and related changes in payment schedules. When the DD Form 1513-2 is used, acceptance by the customer is not required, but merely acknowledgement of receipt, to ensure that the Notice of Modification has been received by an authorized official. If the Military Department has any doubt as to whether to use the DD Form 1513, DD Form 1513-1 or the DD Form 1513-2 in a particular case, that case should be promptly referred to DSAA for determination. (Note: When a completed DD Form 1513-2 is signed for dispatch, appropriate change card (s) should be submitted to DSAA for inclusion in the 1100 system).

## CHAPTER H

## FOREIGN MILITARY SALES—COMMERCIAL AVAILABILITY

**1. Purpose**

This chapter establishes guidelines for sale by the Department of Defense of articles and services which are commercially available. Provisions of this chapter apply to all elements of the Department of Defense.

**2. Legislative Provisions**

a. The Foreign Military Sales Act, as amended, states that: "It remains the policy of the United States to facilitate the common defense by entering into international arrangements with friendly countries which further the objective of applying agreed resources of each country to programs and projects of cooperative exchange of data, research, development, production, procurement, and logistic support to achieve specific national defense requirements and objectives of mutual concern," and that "all such sales be approved only when they are consistent with the foreign policy interests of the United States."

b. The Act also states: "No license may be issued under this Act for the export of any major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this act."

**3. Department of Defense Policy**

The DOD recognizes that, within the objective and limitation stated in paragraph 2 above, there are cases in which it is advantageous to encourage the use of commercial sources by foreign purchasers.

Responsibility for determining whether, within the context of this chapter, an item or service is to be offered for sale by DOD rests in the first instance with the Military Department processing the foreign government's purchase request. Questions of interpretation should be referred to DSAA for decision.

Nothing in this chapter will be construed as precluding DOD from making any sale, regardless of the defense articles or services involved, that is approved on a case-by-case basis by the Director, DSAA.

**4. Guidelines for Determining Commercial Availability**

a. Items or services will be considered to be available from commercial sources when, as a practical matter, such sources are fully capable of meeting the foreign country's requirements and the following criteria are met:

(1) The foreign country has the necessary technical and administrative capability to make a prudent purchase of the item or service directly from U.S. commercial sources. A previous commercial procurement of the same or similar item or service

could be one form of evidence of such capability.

(2) There is no specific government-to-government agreement approved by the Director, DSAA, or higher authority, covering such sale.

**b. Special Cases.** In addition, provided the above criteria are met, an item or service will be considered to be commercially available under any of the following conditions.

(1) The item or service has been determined previously to be commercially available to other foreign purchases; provided, however, that such previous determination shall not be considered as making the same determination mandatory in any given case.

(2) The Military Department concerned is aware of a previous request by the purchasing country for price and availability data from a U.S. commercial source.

(3) The defense item or service requested is covered by a known exclusive licensing arrangement in the territory where the purchasing government is located.

(4) The sale by the USG of the defense item requested would involve known foreign patent infringement.

(5) The items are not directly related to a requirement for support or maintenance of military equipment (e.g., furniture, cement), providing such items are normally traded by and used by civilian enterprises.

## **5. Guidelines for Sale Through FMS Procedures**

In the absence of special circumstances, the following types of cases normally will be sold through FMS procedures if requested by the foreign purchaser:

- a.** Classified articles and services.
- b.** Supply Support Arrangements and similar follow-on support sales arrangements.
- c.** Surplus personal property including MAP disposable property.

**d.** Department of Defense long supply stocks when, in the judgment of the Military Department concerned, reduction of such stocks is desirable.

**e.** Repair parts or components normally carried in DOD stocks, and support services, when, in the judgment of the Military Department concerned, such parts, components or services are required for follow-on support of end items previously sold by the Military Department.

**f.** All ammunition rounds above 20mm in caliber.

**g.** All aircraft flares which are not procured in complete form from commercial sources.

**h.** All defense items which contain components as Government-Furnished Equipment (GFE).

**i.** Any defense item normally procured by the Military Department which the U.S. producer requests be sold through FMS channels provided that such FMS does not infringe on a known exclusive licensing arrangement covering the territory in which the purchasing government is located.

**j.** Any defense item not normally procured or type-classified by the Military Departments, when the FMS is requested by a foreign government and the U.S. producer agrees, provided that such FMS does not infringe upon a known exclusive licensing arrangement covering the territory in which the purchasing government is located.

**k.** Any defense item or service known to be available from two or more producers which a foreign government insists on procuring through FMS procedures for which the foreign government designates a sole-source producer. In such cases the foreign government will be requested to negotiate its own price directly with the designated

**Advance Notification of Possible  
Section 36(b) Statements  
Foreign Military Sales**

- a. *Prospective Purchaser:*
- b. *Description and Quantity or Quantities of Articles or Services under Consideration for purchase:*
- c. *Estimated Value(s) of This Case:*
- d. *Description of Total Program of which This Case is a Part* (including any associated weapons, training, construction, logistical support, or other direct supply implications not included in the case itself):
- e. *Estimated Value of Total Program of which This Case is a Part* (including the estimated number and dollar value of any increments and the duration of the total program, if it is a multi-year project):
- f. *Prior Related Cases, if any* (including dates, values, descriptions, etc.):
- g. *Military Department:*
- h. *Estimated Date Letter of Offer/Acceptance (LOA) Ready for Statutory Notification to Congress:*
- i. *Case Designator:*
- j. *A Description of Each Payment, Contribution, Gift, Commission or Fee Paid or Offered or Agreed to be Paid in order to Solicit, Promote or Otherwise to Secure Such Letter of Offer. Description Should Include:*
  - (1) Name of person who made such a payment, contribution, gift, commission, or fee;
  - (2) The name of any sales agent or other person to whom such payment, contribution, gift, commission or fee was paid;
  - (3) The date and amount of such payment, contribution, gift, commission, or fee;
  - (4) A description of the sale in connection with which such payment, contribution, gift, commission or fee was paid;
  - (5) The identification of any business information considered confidential by the person submitting the information under section 39 of the Arms Export Control Act to the Secretary of State.

Figure App B-1



**MILITARY ASSISTANCE AND SALES MANUAL—PART III**

**MEMORANDUM FOR THE COMPTROLLER, DSAA**

**SUBJECT: FMS Letters of Offer Which Total \$25 Million or More, or \$7 Million or More for Major Defense Equipment**

The following information is provided in accordance with the reporting requirement of Section 36(b) of the Arms Export Control Act.

- a. Country:
- b. Military Department:
- c. Case Designator:
- d. Total Value:
- e. Type and Quantity of Equipment:
- f. Security Classification of Sale:
- g. Sales Commission, Fee, etc. Paid, Offered, or Agreed to be Paid:\*
- h. The impact of such sales or transfers on the current readiness of United States forces:
- i. The adequacy of reimbursements to cover, at the time of replenishment to United States' inventories, the full replacement costs of those items sold or transferred:
- j. If reimbursements are inadequate, explain impact and justification for such disparity:

\* Information supplied under g. above shall be in the same detail as is required to be supplied under paragraph 10 of figure App B-1.

The following additional information, as requested by the House Armed Services Committee, is provided:

- a. Effect of proposed sale on U.S. readiness posture (materiel—personnel—other).
- b. Effect of the proposed Foreign Military Sale on current Department of Defense procurement programs (costs—deliveries—etc.).
- c. Is this foreign military sale item one which must be offered by the Defense Department, or can it be procured commercially in direct negotiations between a U.S. contractor and the foreign government involved?
- d. If known, what impact will this foreign military sale have on arms control considerations (international impact, regional impact, etc.)?
- e. What will be the monetary impact of this foreign military sale to the United States Government (net loss or profit, balance of payments implications, etc.)?

**Figure App B-2**

APPENDIX C

MAJOR DEFENSE EQUIPMENT LIST

**CATEGORY I—FIREARMS**

Rifle, 5.56MM, M-16  
 Rifle, 7.62MM, M-14  
 Machine Gun, Caliber 50

**CATEGORY II—ARTILLERY AND PROJECTORS**

Gun, 20MM  
 Gun, 90MM  
 Gun, 105MM  
 Recoilless Rifle, 90MM  
 Recoilless Rifle, 106MM  
 Howitzer, 105MM  
 Howitzer, 155MM

**CATEGORY III—AMMUNITION**

Cartridge, 20MM  
 Cartridge, 60MM  
 Cartridge, 81MM  
 Cartridge, 90MM  
 Cartridge, 105MM  
 Cartridge, 106MM  
 Cartridge, 4.2 inch  
 Projectile, 155MM  
 Projectile, 8 inch

**CATEGORY IV—LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS, TORPEDOES, BOMBS AND MINES**

ASROC (Anti-Submarine Rocket)  
 Rocket, 2.75 inch  
 Rocket, 3.5 inch  
 Bomb, MK-82, 500#, General Purpose  
 Bomb, MK-83, 1,000#, General Purpose  
 Bomb, MK-84, 2,000#, General Purpose  
 Bomb, M-117, 750#, General Purpose  
 CBU-24  
 CBU-29  
 Torpedo, MK-46

Torpedo, MK-48  
 Mine, Naval Warfare  
 (QUICKSTRIKE—MK 62 Mod O,  
 MK 63 Mods O and 1, MK 64 Mods O  
 and 1, MK 65 Mods O and 1)  
 Mine, Naval Warfare, MK-68, Mod O  
 (PRAM)  
 Mine, Anti-personnel, M-2  
 Mine, Anti-personnel, M-18  
 Mine, Anti-tank, M-6  
 Mine, Anti-tank, M-19  
 Missile, AIM-4, Falcon  
 Missile, AIM-7, Sparrow  
 Missile, AIM-9, Sidewinder  
 Missile, AGM-12, Bullpup  
 Missile, AGM-45, Shrike  
 Missile, AGM-65A, E/O, Maverick  
 Missile, Chaparral  
 Missile, Condor  
 Missile, Dragon  
 Missile, Harpoon  
 Missile, Hawk  
 Missile, Improved Hawk  
 Missile, Lance  
 Missile, Pershing  
 Missile, Phoenix  
 Missile, Rockeye  
 Missile, Walleye  
 Missile, Nike Hercules  
 Missile, Roland  
 Missile, Standard Arm  
 Missile, Standard ER RIM-67A  
 Missile, Standard MR RIM-66A  
 Missile, Tartar  
 Missile, Terrier  
 Missile, TOW  
 XM-65 Airborne TOW  
 Grenade, Hand, Fragmentation,  
 (MK-2, M26, M26A2, M33, M33A1,  
 M56, M57, M61, M67, XM68)

**MILITARY ASSISTANCE AND SALES MANUAL—PART III**

**CATEGORY V—PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS**

No items in this category are designated as Major Defense Equipment.

**CATEGORY VI—VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT**

DD—963—Destroyer (SPRUANCE Class)

DD—Destroyer

DDG—Guided Missile Destroyer

PHM—Patrol Hydrofoil (Missile Equipped)

FFG—Guided Missile Frigate

LCM/LCU/LCVP—Amphibious Landing Craft

LPD—Amphibious Transport Dock

LSD—Dock Landing Ship

LST—Tank Landing Ship

LKA—Amphibious Cargo Ship

LPA—Amphibious Transport

MSO—Minesweeper, Ocean (Non-Magnetic)

SS—Submarine (Conventionally Powered)

**CATEGORY VII—TANKS AND MILITARY VEHICLES**

Tank, M-47 Series

Tank, M-48 Series

Tank, M-60 Series

Carrier, Armored Personnel, M-113

Carrier, Command Post, M-577

Carrier, Cargo, M-548

Howitzer, Self-Propelled, 155MM, M-109

Gun, Self-Propelled, 175MM, M-107

Howitzer, Self-Propelled, 8-inch, M-110

Combat Engineering Vehicle, M-728

Vehicle, Recovery, M-88A1

Vehicle, Amphibious, LVTP-7

**CATEGORY VIII—AIRCRAFT, SPACECRAFT, AND ASSOCIATED EQUIPMENT**

A-4

A-7

A-10

A-37

F-4

F-5

F-8

F-14

F-15

F-16

F-100

F-102

F-104

F-111

E-2C

E-3A

EA-6

S-3

P-3

OV-1

C-130

AMST

T-2

T-28

T-33

T-37

S-65

H-3

OH-6

CH-34

H-46

CH-47

H-53

CH-54

OH-58

YUH-60/61 (UTTAS)

H-65

UH-1

AH-1

T-F30

TF-34

TF-41

T-53

T-55

T-56

T-58

T-64

J-47

J-52

J-57

J-85

J-79

F-100

P-100  
CF-6

**CATEGORY IX—MILITARY TRAINING EQUIPMENT**

No items in this category are designated as Major Defense Equipment.

**CATEGORY X—PROTECTIVE PERSONNEL EQUIPMENT**

No items in this category are designated as Major Defense Equipment.

**CATEGORY XI—MILITARY AND SPACE ELECTRONICS**

Currently no items in this category are designated as Major Defense Equipment. However, certain items in this category are being considered for such designation; notice of any such designation will be provided as it occurs.

**CATEGORY XII—FIRE CONTROL RANGE FINDER, OPTICAL AND GUIDANCE AND CONTROL EQUIPMENT**

Director, Fire Control, MK 51-2  
Computer, Fire Control, MK1A  
Gunsight, MK-14  
Gunsight, MK-15  
System, Fire Control, MK-105  
Radar, Fire Control MK-25  
Goggles Night Vision AN/PVS-5  
System Fire Detection, AN/GSG-10  
System, Gun Fire Control, MK 56 & 63  
Tactical Operations System (TOS)  
Remotely Monitored Battlefield Sensor  
System (REMBASS)  
Radar, AN/TPQ-37  
Radar, AN/TPQ-36

**CATEGORY XIII—AUXILIARY MILITARY EQUIPMENT**

No items in this category are designated as Major Defense Equipment.