



What Every Candidate Should Know About Security Cooperation

U.S. security cooperation and defense trade are critical components of U.S. national security strategy. U.S. defense exports provide the foundation for advancing U.S. security cooperation objectives, support the projection of U.S. power and encourage sharing of global security responsibilities by supplying full-spectrum capabilities to our allies and partners. U.S. national security policy emphasizes building partner capacity to meet global security challenges and sustain a peaceful and cooperative international order. Indeed, the security cooperation effects of a single sale of a U.S. defense capability can reenergize a strategic relationship with an ally, build the foundation for an emerging regional partnership or provide a critical deterrent to military conflict.

U.S. security cooperation and defense trade play a key role in U.S. economic security. Every dollar spent by other countries on U.S. defense systems helps fund innovation and lowers unit costs for the U.S. military. In addition, our foreign allies and partners become more capable of advancing our common security objectives in conjunction with U.S. forces or on their own. In fact, domestic budgetary pressures will continue to compel increased international cooperation to achieve national security objectives and financially sustain and bolster innovation in the U.S. defense industrial base.

U.S. security cooperation and building partner capacity capabilities are under stress. Industry appreciates and supports the checks and balances in the U.S. security cooperation system that ensure transfers of defense articles and technologies do not adversely impact our warfighters' technological edge and are consistent with U.S. foreign policy objectives. At the same time, the U.S. Foreign Military Sales (FMS) system managed \$47 billion in sales in 2015, has been hitting historical highs in dollar value in recent years and has to address 140 new security cooperation requests a month. It is clear the increase in tempo and scale of security cooperation activity in the current global security environment is straining interagency coordination, resources and training in an otherwise sound system.

In the current global security environment, we must do better to grow our security, political and economic influence on our allies and partners even as our competitors race to supplant our leadership.

While the U.S. has historically fared well in overseas sales campaigns, foreign competitors are aggressively trying to overtake American industry. France recently announced it had doubled its annual defense exports from 2014 to a record figure of \$17.5 billion in 2015. In addition, countries like Russia and China are aggressively expanding their defense export activity to help bolster their influence around the world. For instance, on January 13, the Chinese Foreign Ministry issued a policy document on their efforts to develop deeper defense and anti-terrorism ties with the Arab world, including joint exercises, intelligence sharing and training.

America must protect and grow its global security, political and economic influence through security cooperation. The next President must establish a clearly articulated doctrine that elevates and prioritizes security cooperation and building partner capacity. Our country ultimately needs a comprehensive National Security Cooperation Strategy supported with sufficient interagency coordination, resources and training as well as appropriate collaboration and communication with U.S. industry.

The Dynamics of the Current Global Defense Marketplace

Many of our international partners and allies do not possess an effective strategy development process for their security needs, a deliberate budget cycle, a professional acquisition corps or a systems life-cycle manager. Their security cooperation requests are growing in complexity, number and urgency. Therefore timeliness in meeting their needs matters a great deal. Their demands are putting an already under-resourced and over-burdened U.S. security cooperation system under greater strain.

In addition, foreign governments are increasingly more reliant on defense export opportunities to ensure the survivability of their domestic manufacturing base. For defense exports, foreign governments employ a “whole of nation” approach that reaches to the highest levels of their political leadership to capture market share and influence. Their efforts represent a direct challenge to American security cooperation objectives and sustaining the technological edge of the U.S. defense industrial base.

The Case for Reform

The U.S. security cooperation system was designed prior to the adoption of modern building partner capacity objectives. It relies on multiple agencies and departments to guide the review, approval, contracting, delivering and sustaining of U.S. defense transfers in a timely fashion. The deliberation among government agencies ensures that appropriate transfers are executed in support of U.S. foreign policy objectives. However, the absence of clear doctrine to guide these interagency efforts, combined with an under-resourced system and aggressive foreign competition, stresses the system and makes strategic prioritization difficult. Urgent operational requirements are flowed through the system in a timely fashion, but only by exception when world events require focused and immediate attention.

As a consequence, U.S. industry lacks predictability from U.S. government guidance to propel the right strategic investment and business development activities to support priority security cooperation objectives. For U.S. partners and allies, this confluence of circumstances creates frustration about predictability of approvals or timely discussion of alternative solutions.

Numerous studies and proposals and reforms have made and are currently making commendable improvements in discrete parts of the system and in interagency coordination and communication. However, there is agreement across the Security Cooperation Enterprise that more can and must be done to ensure the security cooperation process results in the right decisions and actions completed at the right time.

What is needed?

The next President should launch a Security Cooperation Enterprise Reform effort that considers the FMS process as well as Direct Commercial Sales and hybrid cases that advance American interests. This initiative should clearly establish the doctrine that will drive the right policies and processes that support our partners and allies and govern the transfer of defense systems. In addition, this initiative should sustain and expand on current efforts to ensure there are sufficient resources, training and coordination across the interagency and with industry to produce a National Security Cooperation Strategy that:

- > **Identifies Priority Partners and Programs to Build Partner Capacity as a Component of U.S. National Security Strategy:** Support the U.S. national security strategy by identifying and expediting the transfer of defense systems and platforms necessary to achieve stated strategic objectives in designated priority countries and regions.
- > **Aligns U.S. Industry Programs and Technology Development with Strategic Security Cooperation Priorities:** Expand consultation and cooperation with U.S. manufacturers and suppliers to ensure industry priorities and capabilities are aligned with established U.S. strategy.
- > **Streamlines the Technology Review and Approval Process for Priority Security Cooperation Transactions:** The U.S. military and the U.S. defense industrial base are poised to benefit substantially with greater clarity in the policies and processes for technology security and foreign disclosure reviews and the application of licensing caseload management techniques to items on the U.S. Munitions List.
- > **Promotes the Competitiveness of American Defense and Security Technologies in Priority Regions:** Support and expand U.S. policies, procedures and engagement that effectively make U.S. defense companies competitive in priority foreign markets.

FOREIGN TRADE IN U.S. AEROSPACE & DEFENSE: SUPPORTING AMERICA'S MANUFACTURING BASE



\$142 BILLION
IN EXPORTS IN 2015

The U.S. Aerospace & Defense industry generated a record \$142 billion worth of exports in 2015, which is an increase of 62% over the past five years.



**SUPPLY CHAIN
SHARE OF
EXPORTS**

51%

Exports of supply chain products, specifically civil engines and parts, accounted for 51% or \$69 billion of total U.S. A&D exports in 2014.



9%
OF U.S. EXPORTS

Aerospace & Defense accounted for 9% of all U.S. exports in domestic goods and is the nation's 3rd largest exporting industry.



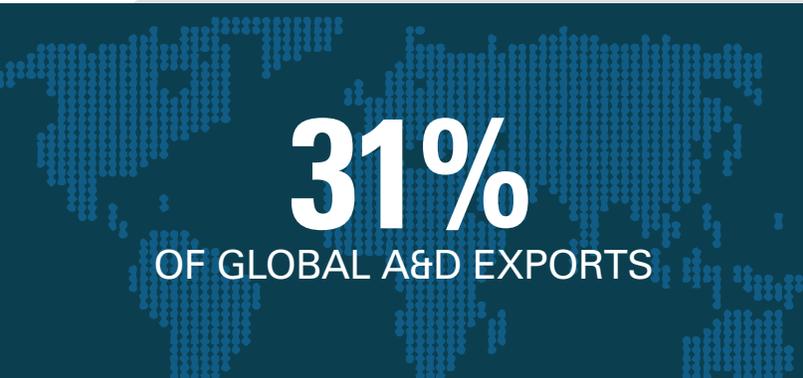
\$81B IN NET EXPORTS

Aerospace & Defense is the nation's leading net exporting industry and generated a record trade surplus of \$81 billion in 2015.



**LARGEST EXPORT MARKET
ASIA-PACIFIC**

The Asia-Pacific Region accounted for 37% of total U.S. A&D exports in 2015. Exports to the region have grown by 77% since 2010.



31%
OF GLOBAL A&D EXPORTS

The U.S. share of global A&D exports was 31% in 2014. However, since 2009, this share has not increased due to the aggressive growth of global competitors supported by foreign governments.

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