

NATIONAL SECURITY COUNCIL

INFORMATION

July 22, 1975

MEMORANDUM FOR: GENERAL SCOWCROFT
FROM: CLINTON E. GRANGER
SUBJECT: War Reserve Ammunition

Section 514 of the Foreign Assistance Act (Tab A) prohibits DOD from stockpiling ammunition planned for the use of a foreign power, unless the ammunition is paid for by MAP funds. This was an amendment designed to preclude using funds in the Defense budget to supplement funding for Indochina, but is still current law.

The Army apparently did not understand the provisions of Section 514, and continued procurement of ammunition - some being contracts which were originally in support of Vietnam and Cambodia - at a rate well above U.S. program requirements. Some of this can probably be absorbed into U.S. inventories; however, the real problem is with ammunition of types no longer required for U.S. units (e.g., 60 mm mortar; that mortar is no longer a standard Army weapon, but procurement for 60 mm ammunition has continued).

To attempt to salvage the situation, Defense has written a letter to Carl Maw (Tab B), proposing that the FY 76 MAP request be raised from \$826.3 to \$1,040 million, a difference of \$213.7 million. In effect, DOD is asking the MAP program to assume the costs for the ammunition in an after-the-fact sense.

If DOD does not get reassurance, Army has advised DOD that 12,000 workers will lose their jobs in fifteen different States, and cancellation costs will be about \$33.8 million.

Defense has indicated that they will be satisfied if Carl Maw gives them a memo stating that the ammunition will be purchased with MAP money. Maw is not in Washington at present, and his Deputy sees this DOD action as virtually destroying the FY 76 MAP program.

OSD REVIEWED 22-Mar-2011: NO OBJECTION TO DECLASSIFICATION.

DOS REVIEWED 21 MAR 2011 NO OBJECTION TO DECLASSIFICATION

- 2 -

The Departmental lawyers are exploring the situation, seeking loopholes.

We have not been formally approached - both State and Defense have informed me of the situation informally, but they are seeking to resolve it between the Departments at the present.

Defense is talking about \$213.7 million in ammunition - but I suspect that this includes the overproduction of all types, including a good many (possibly the majority) that would be compatible with current U.S. weapon systems. There is no reason the ammunition which fits current U.S. weapons cannot be retained in DOD stocks; there would be no violation of the law, and that ammunition could subsequently be used for purely U.S. military purposes. This would, of course, require considerable reprogramming in DOD, and consequently they would be reluctant to use this partial solution.

The ammunition which is not compatible with U.S. weapon systems presents another problem, but before we can really examine this we need to define the magnitude - perhaps MAP requirements will help here, but I think we should only apply the ammunition in this category to actual existing programmed requirements. Otherwise we will be buying ammunition with funds that were originally planned for some other purpose - and ammunition has little political impact in comparison with equipment.

My initial reaction - pending detailed study of the legal aspects - is that to raise the MAP asking level by almost a quarter of a billion dollars would be to invite Congressional slashing at the overall program, with the loss of some of the currently planned moves necessary to our foreign policy and strategy. DOD justifies the \$213 as the difference between the original budget request (which included Indochina) and the level we are seeking now - but there are plenty of indications that Congress is looking at the original budget request, and subtracting the full Indochina amount - which would give us a level considerably below our current \$826 million level.

This situation represents a tremendous error, but apparently is stupidity and not dishonesty. However, it would initially appear that the solution should be in DOD, and that our foreign assistance programs should not be required to bear the burden - but I will reserve any final recommendations until we have all the details. However, in the event you are contracted by Defense, these are the facts as we know them.

cc: Les Janka

Sec. 514.^{272, 273} Stockpiling of Defense Articles for Foreign Countries.—(a) Notwithstanding any other provision of law, no funds, other than funds made available under this chapter or section 401(a) of Public Law 89-367 (80 Stat. 37), or any subsequent corresponding legislation, may be obligated for the purpose of stockpiling any defense article or war reserve material, including the acquisition, storage, or maintenance of any war reserve equipment, secondary items, or munitions, if such article or material is set aside, reserved, or in any way earmarked or intended for future use by any foreign country under this Act or such section.

(b) The cost of any such article or material set aside, reserved, or in any way earmarked or intended by the Department of Defense for future use by, for or on behalf of the country referred to in section 401(a) (1) of Public Law 89-367 (80 Stat. 37) shall be charged against the limitation specified in such section or any subsequent corresponding legislation, for the fiscal year in which such article or material is set aside, reserved, or otherwise earmarked or intended; and the cost of any such article or material set aside, reserved or in any way earmarked or intended for future use by, for, or on behalf of any other foreign country shall be charged against funds authorized under this chapter for the fiscal year in which such article or material is set aside, reserved, or otherwise earmarked. No such article or material may be made available to or for use by any foreign country unless such article or material has been charged against the limitation specified in such section, or any subsequent corresponding legislation, or against funds authorized under this chapter, as appropriate.

OFFICE OF THE DIRECTOR DEFENSE SECURITY ASSISTANCE AGENCY
AND
DEPUTY ASSISTANT SECRETARY (SECURITY ASSISTANCE), DASD/ISA
WASHINGTON, D.C. 20301



18 JUL 1975

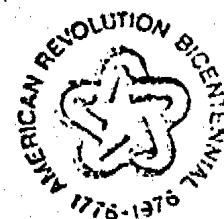
In reply refer to:
I-7778/75

Honorable Carlyle E. Maw
Under Secretary for Security Assistance
Department of State
Washington, D.C. 20520

Dear Mr. Maw:

The President's Budget for FY 1976 contains a budget authority (NOA) for MAP of \$1040 million. Your submission of 8 July to OMB contains a budget authority (NOA) for MAP of \$826.3 million. The difference between these is \$213.7 million. This sum should be employed to obtain War Reserve Stocks for Allies (WRSA), and to avoid implementing a plan to close down several US Army ammunition plants.

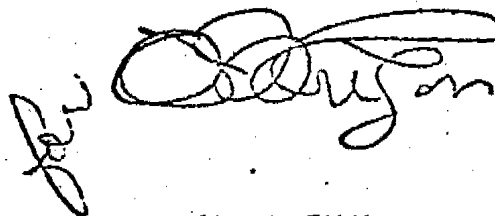
In prior years, and before the enactment in December 1974 of Section 514 of the Foreign Assistance Act of 1961, as amended, DOD-funded munition procurement calculations included requirements for stocking WRSA for possible use by other nations. This ammunition was retained in the custody of DOD, was a logical planning device, and provided a timely resource in emergencies. The sudden cessation of Southeast Asia munition demands and the enactment of Section 514, which restricts stockpiling of defense articles for foreign countries to funding only under MAP, have caused the US Army to propose an immediate and drastic cut-back of its active ammunition plants. Three ammunition plants are proposed for closing, three more may be closed, and production is to be curtailed at eight others, unless relief can be obtained. Thirty-two contractors will be impacted, and 12,000 workers will be laid off in fifteen states during the next several months. Ammunition procurements valued at \$81 million are to be terminated, with cancellation costs estimated at \$33.8 million. More important, perhaps, is the fact that DOD munitions stocks will not be sufficient to meet US contingencies and at the same time support other nations in an emergency.



The nations likely to require assistance from a war reserve of ammunition under Section 514 cannot be identified with precision in advance. There is no need to do so, inasmuch as the war reserve of ammunition will remain in US custody. If needed by a given country, delivery of war reserve stocks will be charged to the country MAP program, or the country will reimburse the MAP under FMS procedures.

I am now having developed a specific list of ammunition requirements, by type and quantity, which should be included in the FY 1976 grant aid submission to the President. It will not exceed \$213.7 million in total value. I shall provide it to you during the next few days. Meanwhile, it is requested that appropriate action be initiated to make necessary adjustments in the FY 1976 Military Assistance Program transmitted to the Office of Management and Budget.

Sincerely,

A handwritten signature in dark ink, appearing to read "H. M. Fish", with a stylized flourish extending from the end.

H. M. FISH
Lieutenant General, USAF
Director, Defense Security Assistance Agency
and
Deputy Assistant Secretary (ISA), Security Assistance