

DEPARTMENT OF DEFENSE RESPONSIBILITIES  
RELATED TO FOREIGN MILITARY SALES  
SYSTEM AND INTERNATIONAL ARMAMENTS  
COOPERATION

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HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES  
UNITED STATES SENATE

ONE HUNDRED NINETEENTH CONGRESS

FIRST SESSION

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MAY 15, 2025  
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# **DEPARTMENT OF DEFENSE RESPONSIBILITIES RELATED TO FOREIGN MILITARY SALES SYSTEM AND INTERNATIONAL ARMAMENTS COOPERATION**

**THURSDAY, MAY 15, 2025**

UNITED STATES SENATE,  
COMMITTEE ON ARMED SERVICES,  
*Washington, DC.*

The Committee met, pursuant to notice, at 9:31 a.m. in room SD-G50, Dirksen Senate Office Building, Senator Roger Wicker (Chairman of the Committee) presiding.

Committee Members present: Senators Wicker, Fischer, Cotton, Rounds, Ernst, Scott, Budd, Banks, Sheehy, Reed, Shaheen, Gillibrand, Blumenthal, Hirono, Kaine, King, and Warren.

## **OPENING STATEMENT OF SENATOR ROGER F. WICKER**

Chairman WICKER. The hearing will come to order. Thank you for being here. This morning the Committee welcomes three experts to testify on how the United States can equip our allies and partners with more U.S. made weaponry. This ought to be a very good hearing because we've got Dr. William Greenwalt, Dr. Lisa Saum-Manning, and Mr. Keith Webster, experts in the field with government expertise also. Thank you all three for joining us.

On May 12th, 1940, American playwright Robert Sherwood was quoted in the New York Times, but not for any commentary about theater. Mr. Sherwood said, "This country is already, in effect, an arsenal for the democratic allies." It is fitting that we are holding this hearing nearly 85 years to the day since these words were published. We face a threat environment that feels eerily similar to that of 1940, and we're seeking to rebuild the arsenal of democracy in our own time.

That brings us to the Foreign Military Sales (FMS) system. FMS is the principal mechanism by which we transfer arms to our foreign partners. It is the FMS system that allows us to work with partners to strengthen conventional deterrence and bolster allied burden sharing. In the executive branch, the State Department is responsible for coordinating FMS, including considering what to sell. In the Senate, that job belongs primarily to our colleagues down the hall, the Foreign Relations Committee, to Chairman Risch and Ranking Member Shaheen.

But the Department of Defense and this Committee have significant responsibilities in informing and implementing those decisions, and that's why we're here today. Similarly, the Pentagon

plays a leading role in International Armaments Cooperation activities such as co-development, co-production, and the integration of American and allied industrial bases.

Today, we hope to discuss how the Pentagon can better run both the FMS and International Armaments Cooperation processes to maintain deterrence. To respond to our current threat environment, the Department of Defense (DOD) needs a dramatic shift in mindset, one that embraces the key fact that arming allies and partners is a core function of the U.S. military.

Unfortunately, over the past 3 decades, the Pentagon's ability to implement FMS and to develop mutually beneficial weapons deals with allies has deteriorated alongside our defense industrial base, a bureaucracy that is overspecialized and slow. While it is capable of producing exquisite systems, it cannot do so at scale or with speed.

In 2024, the United States sold \$118 billion of weaponry, a significant increase over recent years and multiple times more than the next closest country. \$118 billion is equivalent to 70 percent of DOD's own procurement budget for 2024, the potential of even more weapons exports is massive. Nearly all our allies and partners have allowed their weapons production to deteriorate. They are now scrambling to re-arm amid a worsening security environment.

We are at the cusp of a manufacturing revival in this country. We can be at the cusp of a manufacturing revival, which can dramatically expand the types of weapons available for export. To harness that moment, I would propose we focus on four areas.

First, DOD should make FMS and International Armaments Cooperation a core mission of the military. DOD should have a dedicated workforce of FMS experts. No one at DOD would ignore \$100 billion of additional weapons spending if it were called anything other than FMS. Our production is a weapon and DOD must reorganize itself to recognize that fact. So be prepared to give us some advice about that.

Second, we need to tailor requirements to the weapons they regulate. Requirements to the weapons. A 3D-printed one-way attack drone is not an aircraft carrier. Our regulations should recognize this. The technology, security, and foreign disclosure community should adjust its approach to risk management when considering technology release, especially for close allies.

Third, we need to build exportability into our weapons development. Build it into our development. Here's what I mean. We frequently ignore allied requirements when developing weapons. As a result, it should surprise no one that these capabilities are often not approved for release to the very allies we plan to fight with and defend. This needs to stop.

Fourth, we need to partner with our defense industrial base to make the right investments to expand production. If we build it, they will come, and right now we have allies and partners waiting years and years for weapons that we cannot produce fast enough. So help us there.

Over the past 2 decades, each administration has reviewed the FMS system almost every year with the same results. The Trump administration's recent executive order is directionally correct and

holds the promise of real generational reform, but it will take hard work by this committee, our colleagues on the Foreign Relations Committee, our colleagues in the House and our two departments to reimagine the fundamentals of our FMS system and integrate our industrial base with allies.

With that said, I look forward to hearing from our experts today and a lively round of questions, and I now turn to my friend, Senator Reed.

#### **STATEMENT OF SENATOR JACK REED**

Senator REED. Thank you very much, Mr. Chairman, and I want to welcome the witnesses Dr. Greenwalt, Mr. Webster, and Dr. Saum-Manning. You each bring unique and important perspectives to the conversation about Foreign Military Sales and International Armaments Cooperation. We're fortunate to have such a distinguished panel before us.

I want to acknowledge upfront the Foreign Military Sales or FMS is largely the jurisdiction of the Senate Foreign Relations Committee as the chairman indicated, but we're fortunate to have Senator Shaheen here and Senator Risch is someone I know will be interested in cooperating with us as we move forward.

The Department of Defense plays a significant role, although the jurisdiction is perhaps mainly in another committee, and it's my hope that the two committees can join together and develop an overall plan that will accelerate and make more efficient the FMS process. It's well established that America's greatest comparative advantage against our rivals is our network of allies and partners, from Europe to Asia and the southern hemisphere to the northern hemisphere, our relationships with foreign nations are fundamental to our security and prosperity at home.

Many of our friends and partners rely on the state-of-the-art military equipment that we provide through FMS, and this arrangement is mutually beneficial as our military capabilities are reinforced by those of our allies. When executed well, FMS strengthens the connective tissue between our respective militaries. FMS provides our partners with capabilities to advance their own defense and deterrence capabilities, and it provides us with the ability to draw upon our allies when we need them. We can dial up or dial back partner and allies support as the situation dictates.

However, I fear that many of the aspects of the FMS process are not working as well as they could be, which means ceding our advantage to adversaries rather than capitalizing on FMS. In my overseas travels, I have often heard from foreign leaders about the difficulties and delays they experienced in acquiring weapons and hardware from the United States.

Time and time again, I have heard that the Foreign Military Sales process has become too slow, too rigid, and too outdated to keep pace with the changing world. During today's hearing, I hope our witnesses can help us better understand the complex FMS roles and responsibilities across the Department of Defense and how to potentially make these more efficient. This committee and the Defense Department may not be able to fix the entire process, but we should start with improving functions that fall within our jurisdiction.

I would also appreciate our witness's views on the workforce requirements to support FMS and the potentially harmful impacts of recent efforts to dramatically reduce the workforce at the Pentagon and critical supporting agencies like the State Department where the activities of FMS and International Armaments Cooperation intersect with the acquisition community. I would ask our witness to discuss how we can align roles, responsibilities, and expertise to deliver better performance outcomes.

I look forward to the hearing and the insightful advice of the panelists. I hope we can work together to develop a better understanding of the Department of Defense so that they can adapt quickly to a rapidly changing world. Thank you again to our witnesses, and I look forward to your testimony.

Chairman WICKER. Thank you. I have a live microphone this morning. Thank you, Senator Reed. Let's get right into 5-minute summaries of testimony and we'll begin with Dr. Greenwalt.

**STATEMENT OF DR. WILLIAM C. GREENWALT, FORMER DEPUTY UNDER SECRETARY OF DEFENSE FOR INDUSTRIAL POLICY**

Dr. GREENWALT. Terrific. Chairman Wicker, Ranking Member Reed, and other distinguished members of the committee.

Chairman WICKER. Have you pressed your button?

Dr. GREENWALT. I did. Hello, can you hear me? There we go. I'm sorry. I already lost 10 seconds. I can't believe it.

Chairman Wicker, Ranking Member Reed, thank you for the opportunity to testify this morning on both FMS and International Armaments Cooperation in general. How the U.S. decides to share existing technology or work together with other countries on new defense solutions is a critical component of our national security. Unfortunately, the way the U.S. international arms cooperation system works, at least for our closest allies, is fundamentally broken.

This springs not from a failure to be diligent or to dutifully carry out the law, but from a failure to keep up with the times. Quite simply, the world has changed and the tools of arms cooperation created the mid-1970's no longer make sense in this new world. These tools were designed around an era of U.S. defense technological dominance, that now no longer exists. DOD is no longer the main or only driver of innovation in the globe today, and yet we continue to act like it still is. We make it really hard for our allies to gain access to legacy technologies that many of them would produce on their own or get from somewhere else. We make it even harder for them to bring in superior knowledge and capabilities into the United States, and then even harder than that to jointly work on something new.

National security threats are now fundamentally different than those posed in the cold war. They're such at scale that the U.S. needs to leverage the resources and capabilities of a much larger, more innovative, commercially driven industrial base to support an interoperable allied force. Yet, our tools of cooperation designed to keep 1970's technology out of the hands of the old Soviet Union conspire to prevent that from happening.

Breaking down the barriers to effective arms operations is vital. If we want to enhance our own capabilities as well as those of our allies, we need to first take a look at all of our arms export and technology transfer processes, not just FMS. In their place, we need to adopt a time-based cooperative approach that positively differentiates between a select group of allies and partners.

Reform would not mean a wholesale elimination of current controls and deliberate processes for the vast majority of the 223 countries and international organizations that the U.S. deems eligible to buy our weapons, decisions on whether to transfer weapons capabilities to those entities can still be based on a less than urgent step-by-step approach, shaped by a debate on our foreign policy goals in each of those countries.

But for a critical segment of our closest allies who already share our values and interests, there should be a series of fast lanes backed by incentives to favor the joint development of the next generation of capabilities. These allies should also be tightly integrated into our industrial base planning.

How would this work? Well, countries already identified in law as part of the national technology industrial base, and then selectively expanded to other close allies, should face a streamlined process that reflects a greater sense of urgency. This process should be based on certainty, predictiveness, and timeliness, rather than the current one-size-fits-all, time consuming, years-long, methodical approach.

For these allies, there should be an upfront agreement within the U.S. Government on a pre-approved list of specific types of systems these countries can buy. A contracting vehicle that allies can buy off from should be established, with pre-negotiated prices for these capabilities. Next, the stockpile should be established to store U.S. weapons readily available for immediate export.

Perhaps more importantly, a broad-based waiver from the International Traffic and Arms Regulations (ITAR) needed beyond the in inadequate limited waiver that has been provided under Australia, United Kingdom, United States (AUKUS) and to Canada. This waiver and exemption will be designed to incentivize, enable American and allied engineers and scientists to work quickly, and work together on new military capabilities.

Finally, leadership at DOD needs to be aligned to enable these changes. This could be done by creating a defense war production board or something like that, chaired by the Deputy Secretary of Defense and staffed by two assistant secretaries, one for international production and a resilient supply chain, similar to what we have have right now with the Assistant Secretary of Defense (ASD) for Industrial Policy, and another for International Cooperation and Production.

This board would provide a formal senior decisionmaking and oversight mechanism over the disparate stove pipes that govern international arms cooperation in DOD as well as for guiding defense industrial production.

Thank you again for the opportunity to testify. I look forward to your questions.

[The prepared statement of Dr. William C. Greenwalt follows:]



Statement before the Senate Committee on Armed Services on "Department of Defense responsibilities related to the Foreign Military Sales system and international armaments cooperation"

## **Retooling U.S Arms Cooperation for a More Dangerous World**

The Need for a Time-Based and Differentiated Approach

**Dr. William Greenwalt**  
Senior Fellow

May 15, 2025

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.

## Retooling U.S Arms Cooperation for a More Dangerous World

Chairman Wicker, Ranking Member Reed, and other distinguished members of the Committee, I would like to thank you for the opportunity to testify this morning on the Department of Defense's responsibilities related to Foreign Military Sales (FMS) and international armaments cooperation in general. How the US decides whether to share technology or work together with other countries on new approaches to meet defense missions is a vital component of our national security.

Unfortunately, the U.S. international arms cooperation system is even more challenged than the U.S. defense acquisition system. This should come as no surprise as at its foundation are incorporated all of the pathologies found in DOD's procurement, budgeting, and security processes, and then layered on top of that are reams of opaque State Department required foreign policy related bureaucracy, paperwork, and procedures. This system can (and has) limped along during peacetime with relatively few consequences, but acquires more serious implications in a period of rising tension and conflict.

FMS is one of several tools available to enhance cooperation with our allies and partners. It is a government-to-government sales approach to transferring arms technology to our allies and is distinct from U.S. contractor to foreign government sales of US military items known as Direct Commercial Sales (DCS) or in any joint development and collaboration with our allies that creates new capabilities.<sup>1</sup> Each of these approaches is fundamentally broken in its own way.

Proposed reforms such as those contained in the recent Executive Order on "Improving Defense Sales to Improve Speed and Accountability" are a good first start, but barely scratch the surface on what is really needed. If we want to enhance our own capabilities as well as those of our allies, we need to take a hard look at all of our arms export and technology transfer processes. Just as has been done in domestic defense acquisition with non-traditional contractors there is a need to create a series of authorities and pathways around this system for a targeted group in the industrial base – in this case our closest allies. These pathways should also limit the time it takes to conduct the arms transfer process similar to what has been done in acquisition with Rapid Acquisition, Middle Tier Acquisition, and Software Acquisition authorities and pathways.<sup>2</sup>

These types of reforms would not mean a wholesale elimination of current controls and deliberate processes for the vast majority of the 223 countries and international organizations that the US has deemed eligible to participate in FMS. The decisions on whether to transfer weapons capabilities to these countries can still be based on a less than urgent, step-by-step

<sup>1</sup> The Foreign Military Financing (FMF) program is another tool that is funding mechanism using grants or loans to enable the purchase by foreign entities of military items or services through FMS or DCS.

<sup>2</sup> Rapid acquisition is limited to capabilities that can be delivered to the warfighter in less than two years' time while MTA targets a 3–5-year timeframe. The software acquisition pathway will likely evolve into time limits measured in days, weeks or months.

approach shaped by a debate on our foreign policy goals and ideals. But for a critical segment of our closest allies who already share our values and interests there should be a series of segmented fast lanes backed by incentives and the means to jointly develop the next generation of capabilities that are vitally needed to deter our adversaries. For this select group of allies there is a need for process differentiation and a time-based approach to deliver capability.

Building up the capacity of our closest allies and partners to share the burden of defense and deterrence in an era of great power competition will require a much different strategy than the present and the creation of a set of tools that we currently do not have. FMS, the International Traffic in Arms Regulations (ITAR) that governs both DCS and joint collaboration and development, and other tools of our cooperative defense trade relationships with our closest allies should also reflect a greater sense of urgency and be based on certainty and predictiveness, guided by time constraints rather than the current one-size fits all, time consuming, deliberate approach.

How would this work? For close allies, there should be an upfront agreement within DOD and in the interagency that leads to a pre-approval on the specific types of US systems that these countries can buy. A contracting vehicle should be established with pre-negotiated prices that allies can buy from and a stockpile established of US weapons available for immediate export. This stockpile could be funded either through an expanded Special Defense Acquisition Fund (SDAF) or a defense export loan guarantee that could be created by using and modifying existing Title 10 authority under the Defense Export Loan Guarantee program (DELG). Next, a broad-based ITAR waiver is needed (beyond the limited waiver that has been provided under AUKUS and the Canadian ITAR exemption) that incentivizes and enables American and allied engineers and scientists to quickly work together on new military capabilities. In addition, greater opportunities for co-producing weapon systems with close allies should be authorized where the US industrial base is not capable of increasing production. Finally, leadership at DOD needs to be aligned to enable these changes. This could be done by creating a Defense War Production Board chaired by the Deputy Secretary of Defense and staffed by two Assistant Secretaries – one for industrial production and supply chain and another for international cooperation and production -- to provide a formal senior decision making and oversight mechanism over the disparate stovepipes that govern international arms cooperation in DOD as well as for guiding defense industrial production.

In the remainder of my written testimony, I will outline why there is the need to adopt a more time-based arms cooperation approach that positively differentiates between select groups of allies and partners. Next, FMS will be assessed in greater detail as requested by the Committee, but it is just one aspect or symptom of what is wrong with our arms cooperative approach. Still, much can be learned from this example. I will address the barriers to working together and the need to bring allied technology to the US. Finally, I will outline policy recommendations that could be implemented that could better achieve US objectives in international arms cooperation.

**The Current Arms Cooperation Regime is an Anachronism:** Why is change needed now? Quite simply because the world has changed and the tools of arms cooperation created in the mid-1970s no longer make sense in this new world. These tools were designed around an era of US defense technological dominance that now no longer exists. New national security threats are fundamentally different and of such a scale that the US needs to leverage the resources and capabilities of a larger allied force. Breaking down the barriers to such cooperation is vital.

At the foundation of the US arms cooperation regime is the Arms Export Control Act of 1976. This Act was passed at the height of the Cold War with the Soviet Union during the arms control era of détente. It split jurisdiction between the Departments of State and Defense and that has hampered cooperative efforts ever since. That was really not an issue at first as the primary goal of arms cooperation in US policy at the time was not augmentation of US capabilities but to limit cooperation and delay as long as possible the transfer of potentially disruptive defense technologies around the globe.

Perhaps, most importantly the 1970s was still a period where the US could realistically do that. This was an era of U.S. technological domination that at least on the military side was built up over the previous decades where DOD and the US government were the predominate drivers of scientific research and development in the world.<sup>3</sup> The problem to be solved at the time was how to keep this technology from falling in the hands of the Soviet Union. No other nation had developed so many new military capabilities as the US had by this time. The US approached its technology control process from a position of strength and could afford to be linear and deliberate in how it shared it. Our allies were essentially treated as supplicants and the US government could spend the time to determine not only what they would get, but also unilaterally determine what they really needed.

Our current industrial relationship with our allies is still grounded in this Cold War experience, culture, and division of responsibilities between DOD and the State Department. A technologically dominant U.S. decided whether to grant the privilege of industrial cooperation in exchange for everlasting political control over whatever evolved from that relationship. This is achieved through a labyrinthian technology transfer system of the ITAR or within controls of an original FMS agreement. As the world fundamentally changed through technology proliferation and the decline of DOD technology dominance, our processes did not change and in practice got even more stringent and bureaucratic as the decades passed.

DOD's technological decline began even before the end of the Cold War. This is symbolized when in 1980 US commercial research and development (R&D) exceeded US government R&D for the first time. Over the succeeding decades almost 95% of global R&D is now conducted by commercial and global actors, rather than by the American government. As a result, the DOD

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<sup>3</sup> In 1960, the U.S. share of global R&D was 69%, the majority of which was funded by the U.S. government. Today, that share of global R&D is about 30% with almost 80% funded in the private sector. These two trends – the privatization and globalization of research and development – are at the heart of DOD's technological decline.

first lost its technological edge to Silicon Valley beginning in the 1980s and 1990s, and then through adversarial asymmetric developments and better adoption of commercial advances through, for example, Chinese Military-Civil Fusion policies. Of the 1970s origin set of technologies, many of which still serve as the basic foundation of US military systems, these capabilities have proliferated around the globe or are within the competencies of most advanced technological powers.

Thus, while US arms cooperation policy did disincentivize and slow advances in defense innovation over the last five decades, the global proliferation of legacy defense technologies married with advances in commercial technology allowed China and others to overcome the United States' historical military-technology advantages. Indeed, it is not only Beijing that has caught up: US allies, once largely recipients of US military technologies, are increasingly capable of developing these sorts of capabilities, as well as emerging ones, on their own. As allied defense budgets increase these gains should multiply even faster.

Much has been written about the return of great power competition and the rise of Chinese manufacturing dominance. China is a profoundly different potential adversary than the old Soviet Union and will require a different approach than what was successful in the Cold War. Compounding this equation is the recent growing industrial cooperation from an axis of powers – Russia, China, North Korea, and Iran – that is pursuing massive arms cooperation efforts that are not limited by time or bureaucratic constraints.

This threat has had a positive effect in spurring on the types of defense expenditures that have been lacking in our allies for decades. This funding should awaken the defense industrial potential of a set of allies (EU/NATO plus Japan, South Korea, and Australia) that combined make up 125% of the GDP and two and a half times the population of the United States. Together, the US and these allies are not far from equaling China in population and are 3.5 times as rich. There is a playbook here for winning the global competition for innovation, but only if the US changes its arms cooperation processes to leverage this wealth and innovation potential residing in its allies.

In the future the U.S. will need to tap into a larger base of scientists and engineers to compete against the innovation potential of an adversary like China, which has four times our population, graduates seven times the number of scientists and engineers than the US, has embraced civil-military integration of its defense market, and achieved manufacturing dominance. Our allies so far have stood ready to contribute to this goal, but we have mostly shut them out.

A larger industrial base exists in the commercial marketplace and within our closest allies, but the obstacles to accessing this innovation are formidable. Unfortunately, the US is not taking advantage of these circumstances and working together with our allies and with commercial companies are hindered because of 1970s era control systems. Our allies now have money to spend and technology to bring to the table but US arms cooperation regimes will deter the types of cooperation that are necessary and lead to a lot of wasted and duplicative efforts

across the alliance.

**The Time and Lack of Urgency Problem within FMS:** Under FMS, the US government transfers and sells US defense systems to foreign countries. FMS can be used to further foreign policy goals, strengthen the military capability of our allies, augment US capability when operating with our allies through greater interoperability, and support the US defense industrial base through increased throughput. Allies and partners have historically used FMS because they lacked the budgets to produce their own capabilities and either because they prefer the benefits of the US government negotiating with US industry on their behalf, or they are forced into the system through U.S. requirements to only sell certain capabilities through FMS-only channels.

Since the end of the Cold War, FMS has operated in a peacetime mode that takes years to get to a decision and even longer to deliver capabilities. It has become a primarily foreign policy tool that lacks a sense of urgency. As such it has increasingly lost its relative ability to be a factor in increasing allied military capability or to support the US defense industrial base. This lack of a sense of urgency perhaps really didn't matter much in past decades as most allies (with the exception of Israel) were not under an existential threat. It must also be said that many allied customers may have been playing a foreign policy game of their own by buying US weapon systems through FMS to take the political sting out of their historic low defense expenditures. This has all changed with Chinese, Russian, and Iranian proxy aggression. The world has changed, but the way the US sells weapon systems and cooperates with its allies has not.<sup>4</sup>

FMS is a transactional step-by-step approach that lacks discrimination, prioritization, and learning in the process, something also seen in the export control licensing process under ITAR. Moving through the Letter of Request (LOR), Letter of Acceptance (LOA), and Congressional Notification gateways is a year's long process that foreign customers have to face each time they want to buy something. Each case stands on its own and past determinations do not appear to have any merit or consideration when approving something new. This transactional process is no different for a Zambia or Ecuador than it is for a NATO or Five-Eyes country.

The impact of the long decision process was aptly pointed out last year by the House Foreign Affairs Committee that: "Strategic partners wait too long for crucially needed defense capabilities that might change the balance of power in our national interest today. Strategic partners turn elsewhere for equipment. The U.S. domestic defense industrial base faces

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<sup>4</sup> As was seen in recent transfers to Ukraine and Israel, in an emergency the FMS process can be overtaken by the use of Presidential Drawdown Authority (PDA) out of existing US stocks. While this may speed up the delivery of systems it takes away from US capabilities and then requires the US to wait on the industrial base to gear up to replace these transferred systems. It also has the effect of putting existing FMS customers even further in the back of the line. Through the use of PDA there is the opportunity for a suboptimal sprint to move weapon systems faster capability versus the very deliberate slow walk of the FMS process.

additional uncertainty. Lower interoperability between U.S. and foreign partners.”<sup>5</sup>

DOD acquisition requirements are also overburdening the system and there is a workforce challenge at DOD to be able to comply with all of the requirements for FMS in addition to contracting for underlying US defense needs. In this case either three things can happen or a combination of the three – DOD must hire more people, reduce its requirements, or spread out the time to do things. The latter is what has traditionally happened.

The slow pace of the process exacerbates US industrial base shortfalls. The uncertainty of whether an FMS case will actually be approved, let alone be executed, incentivizes the industrial base to not plan for increased production. Industry answers to shareholders who do not take kindly to subsidizing the government to build capacity that may or may not be used. While the defense industry does want to sell more through FMS, there is a lack of demand signals and other incentives to make the necessary investment to expand capacity. In the best circumstances, once an FMS decision is made it may well take 18-24 months to gear up the industrial base to begin expanded production. As a result, there is now a year’s long production backlog for US systems.

Finally, FMS comes with strings attached for our foreign customers. These are limitations on how, when, and why they can use their purchased systems and further limitations on who can maintain them. In peacetime these limitations may not matter, but now countries are vitally aware of them and concerned about their impact. Combined with the slowness of the FMS decision process and the uncertainty about when arms will be delivered, there is a greater incentive to Buy European or Buy Asian to not only get capability faster, but to have greater sovereign flexibility to use their military equipment. This has created opportunities for countries like South Korea who have recently increased sales to Poland because their systems can be delivered faster and do not have the same restrictions attached to their sale. Even within AUKUS where many of the limitations on arms transfers and re-transfers were supposedly worked out, the UK and Australian have found out that an ITAR waiver does not impact the strings attached to an FMS sale which has different requirements than those under ITAR.

**The Problem with DCS and ITAR:** The industrial base incentives surrounding FMS are similar to those found in direct commercial sales but the vagaries of ITAR create a different set of problems that result in many of the same effects for DCS but more negatively impact the development of new innovation. As in FMS, DCS is hampered by a transactional process that increases decision time. I have written elsewhere about the “Eight Deadly Sins of ITAR”<sup>6</sup> that have stymied the ability of the DOD to access commercial and allied innovation. These include

<sup>5</sup> House Foreign Affairs Committee, Foreign Military Sales Technical, Industrial, and Governmental Engagement for Readiness Task Force Report, February 7, 2024

<sup>6</sup> William Greenwalt and Tom Corbin “Breaking the Barriers: Reforming U.S. Export Controls to Realize the Potential of AUKUS”, United States Studies Centre, University of Sydney, May 2023 p.11-16

an outdated mindset of control, universality and non-materiality or a focus on the unimportant, extraterritoriality, non-discrimination, transactional process compliance, export contamination or the “ITAR taint”, non-reciprocity, and unwarranted predictability. For DCS, US contractors must navigate through this ITAR minefield merely to have discussions of what a foreign customer may need.

To overcome these barriers to cooperation, first the National Technology Industrial Base (NTIB) was expanded by Congress to encourage ITAR reform and then an ITAR waiver was granted in the 2024 NDAA for the AUKUS nations of the UK and Australia.<sup>7</sup> Neither of these reforms have led to the easing of barriers for US and allied companies to work together on joint capability developments. The AUKUS ITAR waiver has made it easier to transfer older or less important US technologies and systems not on the so-called AUKUS Excluded Technology List. This is at least progress but is wholly inadequate for today’s national security threat environment.

U.S. export controls continue to incentivize countries and companies to hold back their best technologies so as to not limit their ability to use or sell solutions based on that technology in the future. Cooperation with the U.S. triggers the so-called ITAR “taint,” and the extraterritorial application of American export controls. To avoid these constraints, the rational solution is just not to cooperate with the US. Increasingly, DoD will be forced into replicating needed technologies already available on the global market. The ITAR is unsuited to the contemporary strategic imperative of building or preserving US — let alone collective — military technological advantages over capable adversaries like China.

**Options to Fix FMS, DCS and ITAR:** Fixing the arms cooperation system requires creating tools that can speed decision and delivery times to our closest allies. Speeding decision times should focus on the elimination of the transactional nature of the process. We know what systems are in the US inventory and should be able to make an up-front determination about what systems we would be willing to sell to an allied country if they asked for it. DOD should thus have a mechanism to make those upfront determination on systems and technologies, differentiated by country. These determinations should be clearly made to the State Department in order to lead to a transparent system of pre-approvals for our closest allies.

It has been almost two decades since DOD attempted to go down the path of a pre-approval process through the creation of the Arms Transfer Technology Release Senior Steering Group (ATTR-SSG) to do so. A change in Administration and priorities eventually derailed this project but a restoration of the ATTR-SSG’s focus on proactive export and technology release determinations is still a good idea. Another option to streamline decision time would be to rather than increase congressional arms sales notification thresholds is to for a select group of

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<sup>7</sup> I have written extensively on the potential to use AUKUS and the NTIB as a test case for arms cooperation reform: See William Greenwalt “Leveraging the National Technology Industrial Base to Address Great-Power Competition: The Imperative to Integrate Industrial Capabilities of Close Allies” Atlantic Council, April 2019; “*Breaking the Barriers*” and “*AUKUS Enablers? Assessing Defence Trade Control Reforms in Australia and the United States*” United States Studies Centre, University of Sydney, August 2024.

allies replace that notification process with a reporting requirement.

Next, decision speed to contract can be enhanced by establishing a multi-award indefinite delivery indefinite quantity contracting vehicle with pre-negotiated prices that allies could buy from. This would be similar to a GSA multiple award schedule but for military items and services. Establishing up-front prices would not only eliminate long acquisition negotiation times but would provide potential pre-approved customers some budget certainty that better align with their budgets. This could potentially lead to greater sales and greater certainty in industrial base planning. In addition to the more traditional sales of US program of record systems a process for non-program of record capabilities and emerging technologies and services could be established to rapidly get these capabilities on the arms export schedule contract and offer them for sale to our closest allies.

Once decision time as measured by approval and contracting time have been reduced the next step is to address delivery time. The establishment of an FMS/DSC arms schedule contract and getting companies to agree to up-front pricing should force greater planning and commitment to produce and deliver exports by industry, but more can be done. Ideally, these systems should already be produced and be on the shelf waiting to be delivered. This could be done by establishing a stockpile of US weapons that are available for immediate export. This stockpile could be funded either through an expanded Special Defense Acquisition Fund (SDAF) appropriation or a defense export loan guarantee to either the purchaser or builder. The Committee could consider modifying an existing authority in title 10 called the Defense Export Loan Guarantee (DELG) program that was established almost 30 years ago. This DELG authority could potentially be used to provide finance for expanded production to supply an arms export stockpile for certain weapon systems. Defense Production Act grants and loans could also be considered to expand these existing production lines.

Designing exportability up front into weapons acquisition has been a long-standing challenge. As weapons production becomes more modular and open, export tailoring becomes possible. Still, this will continue to be an issue with legacy weapon systems although perhaps less so with closer allies. Any weapons stockpile would need to consist of or be able to be quickly adapted to export versions.

Finally, arms cooperation is more than just about transferring existing technology to our allies. It needs to embrace joint development and joint production. To do this will require broad-based ITAR waivers that are beyond the limited waiver that has been provided under AUKUS and the Canadian ITAR exemption – although similar waivers and wide-ranging program licenses could be used for non-NTIB countries. This expanded ITAR waiver/exemption for initially the AUKUS nations would incentivize and enable American and allied engineers and scientists to quickly work together on new military capabilities. This waiver would need to address the concepts of extraterritoriality and the ITAR taint as US, allied, and commercial capabilities co-mingle technologies and knowledge in new emerging military systems. In addition, greater opportunities for co-producing weapon systems with close allies should be authorized where the US industrial base is not capable of increasing production.

**Options for Binning the Allies:** All of these proposals are geared to developing a greater differentiation of our allies from the rest of the world. Any such carve out from the existing process would need to be deliberated and authorized by Congress and the executive branch. Our allies would need to be sorted for purposes of defense cooperation and within each “bin” a different rule set of authorities, procedures, and exemptions could be applied.

There are currently several ways to do this. Canada has a historically robust set of international arms cooperation agreements with the US and a modest ITAR exemption in place. It was established as an original part of the legislative definition of the NTIB in the 1990s. Through Congressional action, the NTIB has grown to now encompass the Five-Eyes nations. This appears to conform to Congress equating the trust needed to share sensitive intelligence information as being the same as what is needed to share arms technology. AUKUS is essentially a subset of the NTIB that now has a limited ITAR waiver.

DOD has 28 reciprocal procurement agreements with different nations negotiated by DOD under various Memorandum of Understandings, and a further six reciprocal quality assurance agreements. The nations covered under these agreements would likely comprise the definitional whole set of what are the US’ closest allies beyond the NTIB nations. Further sub-classifications could cover those countries where we have intelligence sharing regimes set up and referred to as various X-Eyes formats or with those countries that DOD has negotiated Security of Supply Agreements. Finally, a different construct could be created around those countries that are able to build and produce exquisite new capabilities similar to what the US is capable of doing and have taken measures to secure this technology.

**Improving Management and Oversight of International Arms Cooperation:** The interagency approach to risk management is challenging. The mid-1970s diffusion of responsibilities between State and Defense has led to a transactional, one-size fits all processes that meet transactional rather than strategic foreign policy, operational, or industrial base goals. Defense goals of enhancing allied firepower, interoperability, augmenting our DIB and advancing defense innovation are oftentimes sacrificed to a well-intended desire to limit proliferation and the means for conflict. Still, if the State Department is downsized even necessary discussions and decisions may become harder to have and obtain and the timelines for both FMS and DCS will inevitably slow down, just at the moment they need to speed up.

In addition to challenges at the State Department, DOD’s organization and approach is not working well either. There is a need for a single source of responsibility and decision making on international cooperation issues. Leadership at DOD needs to be aligned to enable reform and better management and oversight. This could be done by creating a Defense War Production Board chaired by the Deputy Secretary of Defense and staffed by two Assistant Secretaries – one for industrial production and supply chain (the existing ASD for industrial base policy) and another for international cooperation and production. This could provide a formal senior decision making and oversight mechanism over the disparate stovepipes that govern international cooperation in DOD.

This proposal would create a new position for arms cooperation but would elevate that position along with the ASD for industrial policy and make them both direct reports to the Deputy Secretary of Defense and placing both in that office. When the Undersecretary of Defense for Acquisition, Technology and Logistics (ATL) was broken up something was lost in the two cross cutting functions of industrial policy and arms cooperation. Still, even under ATL there were difficult organizational issues with USD Policy and the services on these issues that required a higher adjudication authority and champion. International cooperation still needs a higher level of focus and decision-making authority and that can only come from either the Secretary or Deputy Secretary. A new Assistant Secretary for international cooperation should chair a newly revitalized ATTR-SSG and should control the DELG, the arms export stockpiles, and have decision making authority delegated from the Deputy Secretary over the entire DOD international cooperation apparatus.

Finally, from a DOD perspective, the arms cooperation system could be improved through a process of differentiating between different classes and capabilities of our allies, establishing pre-approvals of export available systems, creating an arms export contracting vehicle backed up by a robust stockpile, and putting the Deputy Secretary of Defense in charge of the process. Still, Congress may find that the ability to make these changes could be stymied by the bureaucracy and meet the same fate as the past reforms of the last two decades have had. It may be that the system is not reformable under the current legal framework of a rather complicated and byzantine 90-page Arms Export Control Act. If so, a more comprehensive reform and streamlining of the underlying statute may need to be considered and an even greater culling of underlying regulations, guidance and practices.

Chairman WICKER. Thank you very much, Dr. Greenwalt. Mr. Webster, you're next.

**STATEMENT OF MR. KEITH WEBSTER, PRESIDENT, DEFENSE  
AND AEROSPACE COUNCIL/ PRESIDENT, FEDERAL ACQUISITION  
COUNCIL, U.S. CHAMBER OF COMMERCE**

Mr. WEBSTER. Thank you, Chairman Wicker, Ranking Member Reed, and members of the committee for this opportunity to testify before you today.

I have the honor of serving as President of the Defense and Aerospace Council at the U.S. Chamber of Commerce, as well as President of our Federal Acquisition Council within the Chamber's Center for National Security Policy. Prior to joining the Chamber, I served 32 years in the Department of Defense in various roles associated with international political military policy and related programs.

One thing is clear, the time for bold action is now. The Foreign Military Sales process is cumbersome, and after nearly 3 decades of attempts, no meaningful reforms have been made. Together, we can change that. Beginning in 1998, we saw initial public criticism of the Foreign Military Sales or FMS program and demands for change. In the past 27 years, there have been approximately 15 DOD tiger teams to look at issues of speeding up processes, meeting demand on time, reducing costs. As we sit here today, little has changed.

Within 6 months of the first Obama administration, the National Security Council (NSC) signed a letter to then-Secretary of Defense, Robert Gates, directing the Department to improve the FMS process. As a result of that assessment, then Secretary Gates explained to the NSC that significant FMS reform requires a task force led by the National Security Council, since issues of concern cut across the entire interagency.

The NSC agreed with this conclusion, however, such a task force never materialized and DOD once again was on its own to determine what could change within its limited control. So why does the FMS process take so long? The informal congressional notification process for complex and contentious programs can take months to conclude. Once concluded, the formal notification to Congress can proceed and when complete, the DOD and the buying nation can proceed with finalizing the FMS agreement, which is a bilateral agreement, not a contract.

Once that agreement is signed by both nations and funding has begun to flow, the DOD contracting officers is now legally allowed to begin negotiating a contract with U.S. industry. It's worth thinking about that an FMS contract is a DOD contract developed and executed by the same DOD personnel, buying the same capability for U.S. Forces. On average, a DOD contract to implement a major FMS program takes 18 months to award.

The delay is in part because over 2 decades, the DOD contracting community has been understaffed annually between 15 to 30 percent, and quite simply, most FMS contracts are not a priority within DOD. Once on contract, U.S. industry is authorized to begin production, and it's at this point that stresses within our defense industrial base become painfully clear. The Pentagon continues to face supply chain and industrial base challenges, all compounded by continuing resolutions and an increasingly inefficient annual defense appropriation cycle.

Now's the time for bold action. The DOD must take steps that it hasn't before, including reorganizing the International Sales and Cooperation Offices, placing them under a newly formed Assistant Secretary of Defense reporting to the Under Secretary of Defense for Acquisitions and Sustainment. Amending DOD program executive officers and program management charters to include a rating element for their development and execution of international programs. Incorporating artificial intelligence (AI) and automation to help speed up the DOD contracting process. Reexamining what should be an FMS only case or sale.

Now's the time to transfer as much as we can into the direct commercial contracting processes led by our industries with U.S. Government approval. Finally, the Secretary of Defense needs to form an international cooperation advisory board to solicit other ideas and recommendations for improvement. Congress and the administration have a role to play as well, including increasing congressional notification thresholds, and developing a list of allied and close partner nations and pre-approved capability, thus eliminating ambiguity and debate on select future sales.

The business community and the administration must also work closely together to better understand the challenges in ramping up production to include supply chain stress, delays in appropriations, changing capability strategies, and top-down mandates. True FMS transformation is a task for the interagency in partnership with Congress, the administration, and the private sector. Without a unified approach, true FMS transformation will remain elusive. Thank you.

[The prepared statement of Mr. Keith Webster follows:]



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#### SASC Hearing remarks

Thank you, Chairman Wicker, Ranking Member Reed, and members of the committee, for the opportunity to testify before you today. My name is Keith Webster and I have the honor of serving as President of the Defense and Aerospace Council at the U.S. Chamber of Commerce, as well as President of our Federal Acquisition Council within the Chamber's Center for National Security Policy. Prior to joining the Chamber, I served 32 years in the Department of Defense in various roles associated with international political military policy and related programs.

One thing is clear: The time for bold action is now. The Foreign Military Sales process is cumbersome and after nearly three decades of attempts, no meaningful reforms have been made. Together, we can change that.

Beginning in 1998, we saw initial public criticism of the Foreign Military Sales, or F-M-S, program and demands for change. In the past 27 years, there have been approximately 15 DoD tiger teams to look at issues of speeding up processes, meeting demand on time, and reducing costs. As we sit here today, little has changed.

Within six months of the first Obama administration, the National Security Council signed a letter to then-Secretary of Defense Robert Gates directing the Department to improve the FMS process. As a result of that assessment, then-secretary Gates explained to the NSC that significant FMS reform requires a task force led by the NSC since issues of concern cut across the entire interagency. The NSC agreed with this conclusion, however, such a task force never materialized and DoD once again was on its own to determine what could change within its limited control.

So why does the FMS process take so long? The informal Congressional notification process, for complex and contentious programs, can take months to conclude. Once concluded, the formal notification to Congress can proceed and when complete, the DoD and the buying nation can proceed with finalizing the FMS agreement. Once that agreement is signed by both nations, and funding has begun to flow, the DoD contracting officer is now legally allowed to begin negotiating a contract with U.S. industry.

It's worth thinking about, that an FMS contract is a DoD contract developed and executed by the same DoD personnel buying the same capability for U.S. Forces. On average, a DoD contract to implement a major FMS program takes 18 months to award. This delay is, in part, because over two decades the DoD contracting community has been understaffed annually between 15 to 30%. And quite simply most FMS contracts are not a priority within DoD.

Once on contract, U.S. industry is authorized to begin production. It is at this point that the stresses within our defense industrial base become painfully clear. The Pentagon continues to face

supply chain and industrial base challenges, all compounded by continuing resolutions and an increasingly inefficient annual defense appropriation cycle.

Now is the time for bold action. The DoD must take steps that it hasn't before, including:

1. Reorganizing the international sales and cooperation offices placing them under a newly formed Assistant Secretary of Defense reporting to the Under Secretary of Defense for Acquisitions and Sustainment.
2. Amending DoD Program Executive Officers and Program Management charters to include a rating element for their development and execution of international programs.
3. Incorporating AI and automation to help speed up the DoD contracting process.
4. Reexamining what should be an "FMS only" sale. Now is the time to transfer as much as we can into the direct commercial contracting process lead by our industries.
5. Finally, the Secretary of Defense needs to form an international cooperation advisory board to solicit other ideas and recommendations for improvement.

Congress and the administration have a role to play as well including increasing congressional notification thresholds and developing a list of allied and close partner nations and pre-approved capability thus eliminating ambiguity and debate on select future sales. The business community and the Administration must also work closely together to better understand the challenges in ramping up production to include supply chain stress, delays in appropriations, changing capability strategies and top-down mandates. True FMS transformation is a task for the interagency, in partnership with the Congress, administration, and private sector. Without a unified approach, true FMS transformation will remain elusive.

Our servicemen and women and our allies merit action on this critical issue and while there have been efforts before, the time for bold action is now. Again, thank you for the opportunity to testify and I look forward to answering your questions.

Chairman WICKER. Thank you very much. Dr. Saum-Manning, you're now recognized.

**STATEMENT OF DR. LISA SAUM-MANNING, ASSOCIATE DIRECTOR, INTERNATIONAL SECURITY AND DEFENSE POLICY PROGRAM, RAND**

Dr. SAUM-MANNING. Chairman Wicker, Ranking Member Reed, and distinguished members of the committee, thank you very much for the opportunity to testify on the findings of RAND's research report: Optimizing Foreign Military Sales Roles, Responsibilities, and Authorities.

The FMS program is authorized by the Arms Export Control Act and is a vehicle through which the Defense Security Cooperation Agency (DSCA) operates the program and at no cost to the U.S. taxpayer because it is funded by administrative charges paid to the foreign purchaser. FMS is a vital U.S. foreign policy tool that strengthens allied contributions to U.S. integrated deterrence.

In fiscal year 2024 FMS totaled \$118 billion, and this week, the White House announced a potential \$142 billion sale to Saudi Arabia, underscoring the program's strategic and economic significance. Despite this significance, our research found that the complexity of the FMS process can result in unacceptable delays, which in turn risks undermining U.S. credibility with our partners and provides openings for strategic competitors.

We interviewed over 100 FMS stakeholders across government and industry representing more than 1300 years of collective experience. Frustrations were consistent from senior leaders lacking authority to direct the process, to frontline personnel struggling to navigate it. I'll highlight just several challenges that we identified. Strategically first, the Department of State and DOD lack unified front on and process for prioritization of our partners, making it difficult for the FMS enterprise to forecast the demand signal for FMS requirements. There are also missed opportunities to engage in each other's internal efforts to reform. As we've heard, there are a lot of reform efforts that have gone.

Second, the office of the Undersecretary of Defense for Policy may be missing opportunities to effectively advocate for the role of FMS in achieving U.S. security objectives. Operationally first, Defense Security Cooperation Agency (DSCA) is charged with overseeing FMS, but lacks adequate management, oversight, and enforcement authorities.

Second, the military department's implementing agency similarly lacks such leverage to hold acquisition stakeholders accountable for delays or under performance. Third, the FMS system relies on the DOD acquisition for procurement, but is often a secondary player behind domestic defense acquisition. As one of our interviewees noted, training and equipping our foreign partners is well below everything else. If this were baseball, it's definitely the minor leagues.

Fourth, acquisition offices are microfederated, meaning they're dispersed among myriad stakeholder organizations with their own systems, processes, and priorities, most of which do not pertain to security assistance cases. This can make it difficult to identify responsive points of contact when choke points arrive. Some offices also describe being understaffed.

Fifth, industrial based bottlenecks further slow the progress, and then finally, data is fragmented across microfederated systems lacking standardized formats, governance or sharing protocols. As one stakeholder put it, we are data-rich and information-poor.

We've got several recommendations that came out of our study, many of which align with the recent executive order in addition to other reform efforts that have gone in the past. At the strategic level, first amend DOD directives so that the Under Secretary of Defense for Policy (USD(P)) can aggressively assert themselves into the FMS process. For example, by advocating for FMS among combatant commands to incorporate partners FMS derived capabilities into planning and exercises. The joint staff might develop a defense planning guidance that factors in ally and partner contributions.

Second, amend DOD directives so that U.S.D policy in consultation with State is responsible for codifying the criteria to inform an annual DSCA led partner prioritization process to help forecast the equipping demand signal for future purchases. At the operational level, strengthen DSCA's ability to manage and oversee the FMS process and hold key stakeholders accountable.

First, require the military departments to provide regular reporting to DSCA on the status of FMS cases. Second, the DSCA director should participate in the process for selecting implementing agency key leaders and provide input into their performance eval-

uations. Third, DSCA should establish a governmentwide data czar to lead enterprise-wide FMS data governance with an aim to set data sharing standards, approve transparency across agencies, industry, and international partners.

Finally, empower implementing agencies. The military departments should amend service regulations to allow giving the implementing agencies more influence over internal FMS activities, including leadership selection and performance evaluations for relevant offices outside of their chain of command.

There is no silver bullet to FMS reform. The FMS enterprise involves a diverse network of actors and varied missions and priorities. However, the need for reform is urgent. Implementing recommendations that foster a more agile, transparent, and accountable FMS process is essential for enabling our partners, deterring adversaries, and reinforcing America's global leadership. Thank you for your attention to this critical issue, and I welcome your questions.

[The prepared statement of Dr. Lisa Saum-Manning follows:]

## Waiting to Win: The FMS Accountability Gap

Remarks before the Senate Armed Services Committee

Lisa Saum-Manning

CT-A4055-1

Testimony presented before the U.S. Senate Committee on Armed Services on May 15, 2025



For more information on this publication, visit [www.rand.org/t/CTA4055-1](http://www.rand.org/t/CTA4055-1).

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*Waiting to Win: The FMS Accountability Gap*

Testimony of Lisa Saum-Manning<sup>1</sup>  
 RAND<sup>2</sup>

Before the Committee on Armed Services  
 United States Senate

May 15, 2025

**M**r. Chairman, ranking member Reed, and distinguished members of the Committee, thank you for the opportunity to testify on the findings of RAND's research report *Optimizing Foreign Military Sales Roles, Responsibilities, and Authorities*.<sup>3</sup> The Foreign Military Sales (FMS) program, authorized under the Arms Export Control Act, is a key mechanism by which the United States transfers defense articles, services, and training to international partners and organizations. FMS is managed by the Defense Security Cooperation Agency (DSCA) and operates at no cost to the U.S. taxpayer, as it is funded by administrative fees charged to foreign purchasers. The U.S. government uses the Department of Defense's (DoD's) acquisition system to procure FMS defense articles and services.

FMS is a strategic instrument of U.S. foreign policy. By bolstering our allies' military capabilities, FMS enhances deterrence and strengthens our global partnerships. In FY24 alone,

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<sup>1</sup> The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of RAND or any of the sponsors of its research.

<sup>2</sup> RAND is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND's mission is enabled through its core values of quality and objectivity and its commitment to integrity and ethical behavior. RAND subjects its research publications to a robust and exacting quality-assurance process; avoids financial and other conflicts of interest through staff training, project screening, and a policy of mandatory disclosure; and pursues transparency through the open publication of research findings and recommendations, disclosure of the source of funding of published research, and policies to ensure intellectual independence. This testimony is not a research publication, but witnesses affiliated with RAND routinely draw on relevant research conducted in the organization.

<sup>3</sup> Lisa Saum-Manning, Jefferson P. Marquis, Irina A. Chindea, Daniel Elinoff, Theiline Pigott, and Elliott Brennan, *Optimizing Foreign Military Sales Roles, Responsibilities, and Authorities*, RAND Corporation, RR-A2631-1, 2024, [https://www.rand.org/pubs/research\\_reports/RR-A2631-1.html](https://www.rand.org/pubs/research_reports/RR-A2631-1.html).

FMS sales totaled approximately \$118 billion, underscoring the program's strategic and economic value.<sup>4</sup>

Yet our core finding is that although the FMS process is intended to deliver defense capabilities to our international partners, the complex array of roles, responsibilities, and authorities, often spread across numerous organizations without clear lines of command or sufficient enforcement powers for lead agencies, can indeed impede the process. This complexity contributes to delays in the transfer of U.S. defense systems critical to the defense of our allies and partners that may contribute to perceptions of a wavering U.S. commitment to our international partners, creating an opening that America's adversaries can seek to exploit.

In our research, we found that frustrations reverberate across the workforce, from senior-level leaders who struggle to exert the authorities required to direct and administer FMS to frontline personnel tasked to support those requirements.

I will first highlight several challenges that we identified, followed by recommendations we provided for addressing them.

#### Challenges at the Strategic Level

- **The Office of the Under Secretary of Defense for Policy (OSD-P) struggles to streamline competing priorities, reduce confusion, and advocate for FMS** as a value contributor to interoperability with international partners.
- **The Office of the Under Secretary of Defense for Acquisition and Sustainment (USD[A&S]) also lacked responsibility and authority** to ensure that the acquisition community provides regular and accurate information on the status of FMS cases.
- **FMS is but one tool that supports U.S. national security objectives. As a result, processes that prioritize the U.S. warfighter will always take precedence over the demand signals from U.S. allies and partners.**

#### Challenges at the Operational Level

- **DSCA is charged with directing the FMS process but lacks sufficient authority over, and visibility into, the process to hold organizations accountable when the process goes awry.** As one DSCA stakeholder noted, "When things go wrong, . . . the Secretary of Defense doesn't look at the [Military Department Implementing Agencies]; he turns to the DSCA director and asks, 'Why can't you make this system work? You're responsible for it.'"
- **The FMS process involves many touchpoints across different stakeholder organizations, and there is no clear chain of command.** For practical purposes, DSCA delegates actual FMS case management to the military departments, serviced through their international affairs secretariats: Secretary of the Air Force International Affairs (SAF/IA), Deputy Assistant Secretary of the Army for Defense Exports and Cooperation

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<sup>4</sup> Bureau of Political-Military Affairs, "Fiscal Year 2024 U.S. Arms Transfers and Defense Trade," fact sheet, U.S. Department of State, January 24, 2025, <https://www.state.gov/fiscal-year-2024-u-s-arms-transfers-and-defense-trade>.

(DASA[DE&C]), and Navy International Programs Office [NIPO]). These are key operational policy and oversight entities, and they can lack sufficient authority or mechanisms to hold other parts of their respective services involved in FMS execution accountable for failing to meet timelines.

- **Bandwidth can be a challenge.** Contracting nodes in the service implementing agencies are understaffed and prioritize domestic contracts over FMS cases.
- **The Defense Technology Security Administration (DTSA) lacks the authority to ensure that the implementing agencies follow technology security and foreign disclosure policies** or meet quality and timeliness standards.
- **The U.S. defense industrial base faces challenges in supporting FMS.** One acquisition stakeholder described how proprietary concerns regarding defense industry subcontractors can impede transparency and cause delivery chokepoints, having an outsize impact on the contracting process. Exportability requirements can also be risky and cost-prohibitive to fulfill.
- **Ascertaining where chokepoints exist can be difficult because FMS data are siloed** in myriad places without standardization, storage, or sharing requirements. As one interviewee described, “We’ve got 47,000 different databases with stuff in it. We are data rich and information poor.”

Our recommendations center on amending directives and regulations to strengthen and streamline the FMS system.

#### Recommendations at the Strategic Level

- **For the Under Secretary of Defense for Policy (USD-P): Encourage combatant commands to integrate partners’ FMS-acquired capabilities** into operational planning and exercises and **support a DSCA-developed standardized FMS prioritization decision tool.**
- For DoD: Amend relevant Department of Defense directives (DoDDs) to state that USD(A&S) has the responsibility and authority to develop standards and procedures for reporting FMS-related acquisition contracting and production status and periodically evaluate military departments’ acquisition reporting for accuracy and timeliness.
- For DoD: Amend relevant DoDDs to state that the Office of the Under Secretary of Defense for Research and Engineering (OUSD[R&E]) and USD(A&S) have the authority to ensure that exportability requirements are clearly defined, documented, and resourced by the military departments early in the acquisition life cycle.

#### Recommendations at the Operational Level

- **Strengthen DSCA’s authority:** We recommend that DSCA
  - be **granted authority to require regular reporting from military departments** on case development status
  - **provide periodic evaluations** of implementing agencies’ FMS case development performance to senior leaders
  - have its **director participate in the process of selecting top leaders** at relevant implementing agencies

- **establish a data czar** to improve enterprise-wide data visibility.
- **Empower implementing agencies:** We recommend that service regulations be amended **to grant SAF/IA, DASA(DE&C), and NIPO increased authority** within their respective services over FMS implementation activities, including having input into the selection of subordinate security assistance leadership and the ability to evaluate performance.

There is no silver bullet solution to FMS reform. The FMS enterprise involves a diverse network of actors with varied missions and priorities. However, the need for reform is urgent. Implementing recommendations that foster a more agile, transparent, and accountable FMS process is essential for enabling our partners, deterring adversaries, and reinforcing America's global leadership.

Thank you for your time and attention to this critical issue. I welcome your questions.

Chairman WICKER. Dr. Saum-Manning, when did RAND release this report and how long did you work on it?

Dr. SAUM-MANNING. We worked on this report for a year. It was a year-long study, and we published it in the end of 2024.

Chairman WICKER. I think all three of you, well, gave great testimony and very thought-provoking and I'm sure we'll have a lot of

good questions. You had recommendations. How much of the problem do you think—we'll start with Dr. Greenwalt and going down the table, how much of the problem is mindset in the various departments and how much of it is a need for statutory reform. Dr. Greenwalt?

Dr. GREENWALT. I think the mindset issue is a critical one. I think I would say non-traditional defense firms here in the United States faced many of the same issues about working with the Department of Defense as far as the understanding of breaking in and bringing their innovation and technology to the mix. I think there's a mindset that our allies are supplicants for our technology and this technology is just so wonderful that everyone will jump through hoops to get it.

The reality is there's a lot of technological leveling going on out there, and right now there's a great opportunity for us to sell weapon systems because a lot of these countries haven't built up the manufacturing facilities to do so. But if the incentives don't change, they will do that, and we will lose sales.

I think there is some issues on the legislative side, but mostly a lot of the problems are on the regulatory side. It's just how the Departments are interpreting what Congress has put into place.

Chairman WICKER. Regulations that are in place, not just practices.

Dr. GREENWALT. Regulations that are in place like the International Traffic in Arms Regulations.

Chairman WICKER. So that regulation needs to be retooled?

Dr. GREENWALT. It needs to be retooled and re-looked at, at least for our closest allies. Again, I think well—

Chairman WICKER. Let us know on the record because—

Dr. GREENWALT. Sure.

Chairman WICKER.—time is fleeting, what statutory changes we need, and so, Mr. Webster, you're next on the very same question.

Mr. WEBSTER. Sir, the issue of mindset let's start where technology development begins. It begins for the U.S. warfighter, and the U.S. warfighter fundamentally does not desire to have a proliferation of the latest and greatest technology around the world. So when we look at technology security foreign disclosure decisions, it starts with the services who have tasked their community and their industries to develop capability for them.

Chairman WICKER. Okay. If you were running the State Department and the Defense Department, what would you do today? What would you start doing?

Mr. WEBSTER. What I would do today is convene the leadership, both in uniform and political, in a meeting to say that let's start with our allies. It is absolutely necessary that we harmonize technology release and be risk takers and be creative in finding ways to support their needs. It's an issue of taking risk and willing to take risk.

Chairman WICKER. We typically pass one bill a year out of this committee, and that will not come for months. You could do a great deal I'm taking from the first two answers to my question. You could do a great deal without the Congress—House and Senate—passing anything.

Mr. WEBSTER. That's correct. It's a issue of leadership.

Chairman WICKER. Dr. Saum-Manning, and you speak for RAND?

Dr. SAUM-MANNING. I speak for RAND.

Chairman WICKER. Okay.

Dr. SAUM-MANNING. That's right. So I do think that it's a cultural mindset, and I don't know if you can regulate culture. As I mentioned, FMS can be sort of considered a secondary player. We're focused on the U.S. warfighter, equipping the U.S. warfighter and our allies of partners come in second. So in my mind, the way that you work on this is to incentivize leadership so that those within these organizations and offices really prioritize FMS. If that is a priority, give them reasons to prioritize it.

Again, looking at performance, looking for metrics, looking for performance evaluations, ways that you can hold our leaders accountable for taking this seriously.

Chairman WICKER. Quickly you mentioned continuing resolutions, Dr. Saum-Manning, here, here. Do Continuing Resolutions (CRs) reduce the national debt? Do they save us money?

Dr. SAUM-MANNING. Our study did not look at that, and I don't think I—

Chairman WICKER. Mr. Webster?

Mr. WEBSTER. Not aware. No idea, sir.

Chairman WICKER. Okay. So you don't have an opinion as RAND does about the harmfulness or helpfulness of year after year of continuing resolutions?

Mr. WEBSTER. Oh, no, sir. I do. That was in my remarks. It is absolutely a disaster to have continuing resolutions. Even the one that was passed this year, which has enormous flexibility is helpful, but DOD budgets need to be passed. They need to be passed on time. Industry needs that certainty. Our Pentagon needs that certainty. These CRs are not a wartime footing.

Chairman WICKER. Disastrous. Dr. Greenwalt?

Dr. GREENWALT. I think if you give the Department greater flexibility for a larger pot of money, it may not be as disastrous, but if you tie them to the rigid planning, programming, budgeting, and executing (PPBE) budget accounts that create inflexibility, then yes, they would be a disaster.

Chairman WICKER. Thank you. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and thank you to all of our witnesses. I wholeheartedly agree with most of what each of you have said, and certainly believe that the lack of budget certainty and the continuing CRs are detrimental not just to industry, but to our national security, and that needs to change.

I think we've got another issue with respect to how FMS works also, and that is the tariffs that have just been imposed. I visited a company in New Hampshire that makes ball bearings for the aerospace industry. They do a significant amount of their business with the Department of Defense. Because of the steel tariffs, they had one domestic supplier, they had been able to get an allied supplier that now that they have lost, and their lead time went from 20 weeks to two and a half years. We can't provide what we need for the industry with that kind of problem, and their ball bearings are in almost every major exportable U.S. platform, whether it's guided multiple rocket launch systems, patriot air defense, joint di-

rect attack munitions, to all of our NATO allies, golf partners, Taiwan, Singapore, others.

One of the things in my role as ranking on the Foreign Relations Committee, I sign off on our military sales, and recently I reviewed a proposal for AIM-120 advanced medium-range air-to-air missile (AMRAAM) missile sales. That's going to take 7 years to deliver. So clearly, we can't continue to operate in this way and assume that we're going to get what we need for national security. I think several of you pointed out that in order to be successful, we don't just need a cross agency collaboration, I think we also need to get the private sector involved in this because clearly one of the big challenges is the defense industrial base and their inability to produce, because we have made the process difficult, we have not given them the budget certainty they need in order to invest. So, to go back to the tariffs, let me just ask you, one of the things that, we raised this in a previous hearing and talked about the fact that DOD is not tracking what the impact is of tariffs on increasing costs and lead times for production.

So can anybody speak to what you think the challenge is there and how we can actually track that in a way that would allow us to make better decisions?

Dr. GREENWALT. I had wished the DOD had tracked inflation impact as well too. That that hit a lot of companies, very hard. On tariffs the issue is down in the third, fourth, and fifth tiers of the industrial base, which a lot of that is commercial and how that impacts those commercial sources of supply and increased costs will more than likely drive increased costs throughout the system.

There's another potential impact, and that's when we use foreign subsystems and foreign imports. Those imports should be under the defense Federal acquisition regulations exempt from tariffs. But there's still that risk because that's just based on a memorandum of understanding between the countries of whether that really, and so actually Congress could actually ensure that and clarify that that's one thing that could be done to ensure that those type of tariffs aren't impacted on any subsystems we happen to be buying.

Senator SHAHEEN. Do either of you have views on that? Mr. Webster?

Mr. WEBSTER. Yes, Senator. First of all, I can sympathize a little bit with the Department of Defense because of the fluid situation of what percentage are we applying to tariffs. Once that settles out, then I think data will be able to be collected. That is, I mean, that's our challenge at the chamber as well.

But let me share with you just a couple of data points that we have confirmed, if you will. Steel prices have gone up since the tariffs have been in effect for over 2 months now. In response to these new duties, U.S. steel benchmarks have risen to roughly twice world prices. For aluminum, the widely tracked Midwest premium benchmark for that metal has doubled since November, reflecting the fact that more than half of U.S. demand is met by imports, chiefly, Canada.

Companies are not only reporting increased lead times, to your point, but also expected higher input costs, followed by increased sales prices and potential employment reductions. These are firm

fixed price contracts, often very thin margins, as you know, in the supply chain and these small mom-and-pop companies, they will suffer.

Senator SHAHEEN. Thank you. Dr. Saum-Manning?

Dr. SAUM-MANNING. I will just say that RAND, all we do is study, and so this sounds like a really interesting sort of quick-turn study that we could do to kind of look at the cascading effects of tariffs along the way. It's just so quickly happening, and so I wouldn't want to venture sort of a response to that right now, but I think it's something worth studying really quickly.

Senator SHAHEEN. That would be very helpful, I think. Thank you.

Chairman WICKER. That's a helpful answer, Doctor. Senator Fischer.

Senator FISCHER. Thank you, Mr. Chairman. Dr. Saum-Manning, you said at RAND you study. I appreciate that, and we earlier talked about the report that came out in 2024, I think you said. It highlighted a number of insufficient authorities and inefficiencies within the Department's FMS process and organizations and provided recommendations. Do you know if the Department has followed up on any of those recommendations or the status of that?

Dr. SAUM-MANNING. I don't know if they have followed up on them, but I have seen that in the recent executive order, some of the same recommendations are in that. So my assumption is that they remain as challenges.

Senator FISCHER. With regard to the executive order, do you have any suggestions on which areas would be most ripe for improvement?

Dr. SAUM-MANNING. Well, I think looking at the manpower restraints, doing a study to kind of understand where the resources are needed, training, where that training is being held up or where it needs to be doubled down. I think that looking at partner prioritization is another one. So trying to figure out which partners do we prioritize in the system to the point about we sort of have this one size fits all process. So how do you get the DOD and DOS (Department of State) obviously has a role in kind of understanding what the criteria are and let DSCA lead a prioritization sort of framework and process.

Senator FISCHER. Thank you. Dr. Greenwalt, the International Traffic and Arms Regulations, or ITAR regulates defense exports for the United States. There are methods in place for companies to obtain exemptions for this process, which I believe is cumbersome, to support our allies. But it's not always clear whether certain programs are even eligible for those exemptions, and that means that interested companies, they're forced to perform that extra due diligence, and it might end up being a fruitless exercise if the program turns out to be ineligible for an exemption.

While many larger contractors can absorb these costs, small businesses have a harder time doing that. How can the U.S. Government work to make it clear whether new contracts would fall under ITAR exemptions?

Dr. GREENWALT. That's one of the really difficulties of ITAR is new companies trying to understand where their technology is classified. What happens is a lot of these companies do go through in-

credible amounts of legal costs and so on to try to figure this out. Many of them come to the conclusion, with some of our best technology in the United States, that they want to do everything they can to stay away from ITAR, and that's impacts negatively on our innovation base and negatively on those companies doing business with the Government.

So I think there's a need to be clear. There's a need to provide better guidance. I think, frankly, if we start with some of our closest allies, like we have under AUKUS to try to create a freer trade, freer zone between the U.S., Australia, and the UK. But even though, that exemption is very, very limited, and so a broader exemption and just clear guidance to industry on what can and cannot be exported would be very helpful.

Senator FISCHER. Do you have other suggestions on what we could do to make it more accessible, these exemptions more accessible to the smaller businesses?

Dr. GREENWALT. I think the key thing would just be to have greater transparency into the system and a greater ability for these companies to get their questions answered a lot faster. Right now, it takes potentially a year or more to go through such a process, and by that time, it's just not worth it for them.

Senator FISCHER. Mr. Webster, in a couple seconds, do you have anything to add on either of those questions?

Mr. WEBSTER. No, I agree with everything that's been said. Legally, the costs are huge. Small companies that I advise, I advise that they have on staff or on call an attorney that can advise them on ITAR.

Senator FISCHER. Thank you. Thank you, Mr. Chairman.

Chairman WICKER. Before I recognize Senator Reed, let me clear something up. Dr. Saum-Manning, I put words in your mouth. In looking at your testimony, I see that footnote one says, "Opinions and conclusions expressed in this testimony are the authors alone." You made that clear, and I'm now making it clear. I notice also Dr. Greenwalt, "Views expressed in this testimony are those of the author." Mr. Webster, whom do you speak for?

Mr. WEBSTER. I speak for the Chamber of Commerce and for myself.

Chairman WICKER. Great. Thank you. I'm glad to clear that up and make that certain. Senator Reed.

Senator REED. Thank you very much, Mr. Chairman, and thank you for your testimony. Mr. Webster, you made it clear in your opening remarks that already the workforce of the FMS project in both State, I believe, and DOD is not adequate. Now we're seeing firing of probationary employees, incentives for early retirement, across the board reductions just to meet a number, not a mission.

Can you comment on what's happening to the workforce and is it going to be extremely detrimental going forward?

Mr. WEBSTER. It is going to be extremely detrimental. I'm advising all my clients, if you have a contract close to award, get it awarded because I think that 30 percent gap in contracting personnel is going to get worse. I'm advising eight senior executives in the Department of Homeland Security (DHS), DOD, State Department, National Aeronautics and Space Administration (NASA), and Commerce Department, who are 50 years old and taking the

early outs. You're going to have a huge brain drain. Anyone who's a senior executive career official for the most part, is looking most likely to get out.

So you're going to have a knowledge gap, you're going to have a mentoring gap, you're going to have a recruitment challenge, a retention challenge, and the situation's only going to be compounded over the coming months. That is why we need to exploit automation and think differently about these processes because the people are just not going to be there.

Senator REED. No, I appreciate that. That's a very thoughtful and succinct response, and I agree. We do have to think about automation, but we also have to understand that'll take us several years, even at a fast pace to get into the degree that can replace some of these persons.

Dr. Saum-Manning, do have any views on this whole workforce problem?

Dr. SAUM-MANNING. Well, I know RAND does study security cooperation, in particular, the workforce. We've been working on this for years. I myself was not involved in those studies, but I can say in the interviews that we've done that the security cooperation workforce, the security cooperation offices, and the members thereof, can struggle to get the right training. Those positions within sort of their chains of command aren't particularly valued in terms of on their promotions, like this kind of a skill set isn't necessarily valued as much as others. So they struggle to get people in there that really like the sort of high end kind of personnel that they would need to do some such a complex job. So making sure that this kind of role is valued and the importance of it, I think would go a long way in recruiting the top-tier talent that's needed.

Senator REED. Thank you very much. Dr. Greenwalt, any comments, thoughts?

Dr. GREENWALT. Yes. I think the Department had a tool called the Defense Acquisition Workforce Development Fund back about 10 years ago. Unfortunately, Congress changed that authority and made it more difficult to use, and I think that would've been a helpful tool to resurrect or would be a helpful tool to resurrect the way it was funded prior to. But yes, as the workforce declines, you have a couple options.

One, you can do less. The other is you can stretch things out, or two, you can remove the requirements for the processes that you have. I think more than likely FMS will probably be put to the end of the line, and those cases will stretch out if that's the effect.

Senator REED. I think you're very perceptive about that. Dr. Greenwalt, I believe you are aware of this, that the FMS Tiger team made a recommendation to develop methodologies to facilitate non-program of record. For the information of the committee, could you explain non-program of record, and then also whether or not we should go ahead and urge the establishment of some type of joint program for non-program?

Dr. GREENWALT. So, a program of record is something that you all fund every year, whether that's a ship or a tank or an aircraft or something like that. These are things that you're buying, you know, traditionally every year. A non-program of record is something, say a new small business or a Silicon Valley firm creates a

capability that the Department hasn't yet bought or maybe bought and experimented with.

But you could essentially take that and sell it to one of our allies who really wants to use it, and that would actually help the Department of Defense test it and see if it's good and also help our industrial base. But non-program of records don't necessarily get the same type of attention because those contracting officers are extremely busy doing other things, and they're put to even further down the line.

Senator REED. Thank you very much. Thank you for your excellent testimony.

Chairman WICKER. Dr. Greenwalt, I've got a bill called the FORGED Act, which is based on a white paper, Restoring Freedoms. FORGED, have you looked at that and doesn't that attempt to answer some of the very questions you've just raised in response to Senator Reed?

Dr. GREENWALT. I have sir, and yes, there are some provisions in the bill that would try to address some of these ways of getting those type of new technologies out into the field faster with not only the United States—not only with the U.S. Government, but with our allies.

Chairman WICKER. Thank you, sir. Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman. This very interesting discussion today with regard to FMS, and I'm thinking out loud to begin with about what my thought process had been before listening to all three of you about what I thought were challenges for Foreign Military Sales. My first assumption had been that on a policy basis, we had been using FMS more as an opportunity to incentivize some of our near allies or individual countries that were out there that wanted our weapon systems to perhaps change policies that we did not like, that were separate from what our policies were.

But after listening to you, I'm finding that it's not even so much that as being the primary reason why we're not having more military sales, but rather internally, our system is not set up and focused on the value of FMS to our own well-being. Mr. Webster, I just want to begin by asking you a question. Do you have any data with regard to us companies that are in the military industrial base portion of our economy, and how much they may have lost in terms of opportunities for sales outside? What's been our loss, do you think, in terms of opportunities that we haven't been able to take advantage of?

Mr. WEBSTER. Well, I do not have data specific to opportunities lost. I can share that for our prime contractors, on average 70 percent of their funding comes from this body here, and 30 percent on average, it's a very crude average, but 30 percent comes from international sales. The European Union and NATO in Europe on average annually, 60 percent of their military acquisitions are with our companies.

We expect if onshoring in Europe is where they decide to go, and they actually find the money to onshore some production, that 60 percent annual number will diminish a bit. That's assuming that they actually secure the money and pour concrete and start onshoring production. But right now, just as a data point, 60 per-

cent of European acquisitions of defense material from our contractors.

Senator ROUNDS. I had also assumed that perhaps the major issue that many of our contractors had, I mean, looking back at the delays it takes right now to get our own munitions that it was a supply chain issue as much as anything else. I'm just simply going to ask all of you, if you were to prioritize supply chain versus supply other one or two items in a quick nutshell, where does supply chain issues stand in terms of the delays that we've got? I'd begin with Dr. Greenwalt.

Dr. GREENWALT. I think the most important issue is decision time and certainty of decision, that's up there. Supply chain will be—companies will make decisions about supply chain if there are certainties for decisions and countries know what they're going to be able to buy.

Senator ROUNDS. Mr. Webster?

Mr. WEBSTER. Yes. So the supply chain criticality is huge. We have been operating for decades in a peacetime mode. Now we're trying to ramp up to a wartime mode, and it's going to take a lot of deliberate analysis and funding and attention to the second and third tier suppliers, some as small as 18 people that have been in business for 30 years doing one thing exquisitely. They're not prepared to pour concrete to double production of that critical component for precision fires, unless we take attention to the matter and help them get there.

Senator ROUNDS. I'm going to come back to you on another question in a minute, but Dr. Saum-Manning, would you care to respond to that as well?

Dr. SAUM-MANNING. So I'm going to have my answer as little bit of a punt here, because we did try to study that, and we relied heavily on DSCA and their data to be able to kind of inform our analysis. They struggled to get this data beyond what's in their own remit, it's very difficult to get information on the supply chain, for example. So one of our recommendations, again, and I go back to this, is the idea of having a data czar that's able to go in and access this kind of information so they can understand where these choke points truly lie.

Senator ROUNDS. Thank you. Mr. Webster, looking at FMS, would mandating that FMS demand be factored into the total munitions requirement? Would that improve the management of weapons production at DOD?

Mr. WEBSTER. The challenge with international sales, whether accomplished via Foreign Military Sales, government-to-government, or direct commercial sales industry to a foreign government, the challenge is trying to understand and predict when a nation will actually sign a contract or sign an agreement.

So there's a lot of uncertainty there, unlike appropriations or program authorization appropriations here in the United States.

Senator ROUNDS. Thank you.

Mr. WEBSTER. So fundamentally, it's helpful, but it is unpredictable.

Senator ROUNDS. Thank you. Thank you, Mr. Chairman.

Chairman WICKER. Thank you, Senator Rounds. Senator King.

Senator KING. Thank you, Mr. Chairman. I really appreciate the testimony. This has been a very productive hearing. Dr. Greenwalt, I was struck by what you said in your opening statement. One of our asymmetric, or I think our principal asymmetric advantage in terms of national security is our allies, and yet we put them through this long, arduous process, and there should be I think you suggested a—I don't know whether you call it an exemption or a bobtail process or something so that we're not so that we can have greater cooperation with our allies. Is that, a fair interpretation of what you said?

Dr. GREENWALT. Yes. I want to even call it an easy pass lane.

Senator KING. Well, I think that's—and the other piece of this—and as I travel and meet with security people in other countries, we're missing an innovation multiplier by not working with our allies. Countries like Japan and Australia, Europe, Germany, the UK, all have brilliant scientists who are working on a lot of innovative areas. Instead of having innovation be siloed by country, it's always occurred to me that it would be much more, as I say, a multiplier, if we could work more closely and have better cooperation with the countries that are aligned with us. Is that a fair observation?

Dr. GREENWALT. I think that's a fair observation. We're a country of 340 million. Our allies together, the European Union (EU), NATO, Japan, Korea kick us up over to over a trillion. You know, we're close to the Chinese population. I—

Senator KING. We're squandering that asset by siloing innovation.

Dr. GREENWALT. The number of scientists, engineers working together would be critical in the future. Unfortunately, right now, we're all stovepiped working on these things separately.

Senator KING. Well, I do want to—I have a visual aid in terms of the process. I'm not going to burden the committee, Mr. Chairman, by submitting it for the record, but this is the Foreign Military Sales manual, 642 pages.

Chairman WICKER. Bless you for that.

Senator KING. I mean, this to me, this summarizes in many ways the problem of the process itself, which has impeded our ability to work, again, with our allies. Now it's been mentioned several times about a data czar or something like that. One of my principles of management is that you need one throat to choke, and there's nobody in the process that is responsible for the process.

You've got the State Department, the Defense Department, and then all the other agencies that are involved. It seems to me that we should be talking about putting somebody in charge who could be held accountable. Ms. Manning, you suggested that in your testimony. Is that something we should be thinking about?

Dr. SAUM-MANNING. Yes, and that's really what our report focuses on. In particular, DSCA does have the responsibility to sort of wrangle all of the cats and dogs in this process, but they lack the authorities and the enforcement ability. They lack the transparency to kind of get to the, really, the crucial sort of choke points in the system. So, providing at least some sort of enforcement accountability authorities, I think would help them be able to do this job better.

Senator KING. Winston Churchill said after Gallipoli, "You should never have responsibility without authority." That's exactly what you're talking about. The other thing I understand, I had to slip out for a minute, that's been mentioned, but I think needs some more attention, is ITAR. As I've talked to people in other countries scientists and people working on technology matters, ITAR is a real barrier. Again, we have some exemptions with Australia and Canada, but Mr. Webster, is ITAR something that we should be attending to as we are talking about rationalizing this process?

Mr. WEBSTER. Yes, Senator. I think it comes back to all three of us recommending a list of countries with pre-approved capability to include cooperative Research and Development (R&D) that's pre-approved. I mean, we really need to focus on—

Senator KING. Their scientists need to be able to share back and forth information.

Mr. WEBSTER. They do. Now, we have laws that govern the control of data, technology, and capability. So those laws require a license of some sort. But to your point, we are actually moving forward. The AUKUS exemption, AUKUS paradigm is something that hopefully will prove a new way, and can be expanded.

Senator KING. Will become an example of how to move forward.

Mr. WEBSTER. That's right, and that could be expanded to include allies, other allies.

Senator KING. Mr. Greenwalt, I can't leave you without—you mentioned one thing in your testimony that a continuing resolution with more money and more flexibility might be okay. I would point out that would be the end of Congressional authority. That would be ultimate abdication of Congress's authority to appropriate, a huge pot of money to the Pentagon and say, spend it as you will. So, I just had to make that point.

Dr. GREENWALT. Although there is a RAND report that supported the PPBE commission that showed the different types of authorities that are out there for different agencies. Frankly, the Department of Defense doesn't have many of the same authorities and flexibilities that other agencies have. So yes, the Congress could still essentially have its power of the purse and look over these things. But there are other authorities that could be given at DOD that perhaps are not—that other agencies have been—

Senator KING. As long as it doesn't usurp, depending on your point of view, abdicate or usurp Congressional authority over the power of the purse. Thank you, Mr. Chairman.

Chairman WICKER. Thank you, Senator King. Senator Budd.

Senator BUDD. Thank you, Chairman. Thank you all for being here, and thank you for your testimony as well. Mr. Webster, we've talked a lot about staffing, but given these issues, are there ways that we can utilize artificial intelligence and including automation to improve these processes and speed up implementation for Foreign Military Sales?

Mr. WEBSTER. Sir, absolutely. We have to explore automation to include AI. In industry, if you can't hire people or afford them, you automate. That's where we really need to seriously look. What comes with that is a level of risk, an assumption of a level of risk that historically the system's been unwilling to assume. So when

you automate and develop those processes and proof those processes, that's a level of risk that the system is historically not used to.

Senator BUDD. Can you be specific about the risk you're referring to?

Mr. WEBSTER. Well, I mean, when you're automating a system, you're losing the human judgment and human touch from developing an FMS case, let's say we automate that. So you have to ensure that the standard notes and other legal requirements are intact in that automation process, because a human will not be touching it theoretically. Does that make sense?

Senator BUDD. Completely. Thank you, Dr. Saum-Manning, you know, last year I visited Israel, the United Arab Emirates (UAE), and just last month I traveled with some of my colleagues to Taiwan, to the Philippines. When we visit with them and with other allies and partners, they implore us to really speed up FMS. They give us case examples of years, some cases more than a decade for programs, for delivery when China is at the ready, months.

Now, there may be, they admit there's quality problems, it's not what they want, but they'll forgo some of that if they can get it now, rather than sometime date unknown out in the future. So what can this committee particularly do? I know there's other committees that are involved here, but what can this committee do, whether it's through legislation, increased oversight, to get our international friends what they need more quickly?

Dr. SAUM-MANNING. I so wish I had the answer to that. I really, really do. What Congress can do is really look at what's out there already with recommendations of so many that have come before me and ask why those haven't been implemented yet. What are the barriers, whether they're cultural or otherwise, why these recommendations haven't taken hold already.

Senator BUDD. So throw out the recommendations again, just the top ones. Sounds like you've given plenty of recommendations—

Dr. SAUM-MANNING. Lots.

Senator BUDD.—whether it's RAND or American Enterprise Institute (AEI) or Chamber. What are the top ones that you think that we should focus on?

Dr. SAUM-MANNING. So the top one in my mind is to give DSCA more sort of teeth so that they can direct the system, that they've got access to the data so they can understand where the choke points are so that they can help facilitate those problems. That would be top of my list.

Senator BUDD. I'm seeing a theme here.

Dr. SAUM-MANNING. Yes.

Senator BUDD. Thank you. Mr. Webster you know, we use the phrase industrial base a lot and how we can modernize the base, but could you go a little deeper and what aspects of the base do you think we need to fix or improve to most speed up FMS delivery? You talked a little bit earlier about increasing production lines and them being willing to pour additional concrete. I mean, that's a major investment for these folks, and they got a business to run. I get that. But keeping that in mind and their economics and the incentives that we deliver, what would you suggest?

Mr. WEBSTER. All right, first of all, I want to come back to a question that you just asked. Part of the problem that we have today in equipping allies quickly is we don't stockpile anymore. When I started in 1985, we had stockpiles over the world of capability. It may not have been exactly what a customer or nation needed, but it was good enough and we could transfer it at speed. We've gone to a just in time scenario in the industry, just like the commercial sector, where we don't have parts stocked, we don't have kit stocked. We need to spend money and create stockpiles like we used to have during the cold war. That's issue number one if I may.

The issue of the industrial base, we can't do everything at this given moment. We have to prioritize what capability is most important to our forces and allied forces, and focus on those capability stresses to include their supply chains. You know, we can't do it all, but we can focus on precision fires, air defense, whatever it is that we decide is for our national security and for the security of our allies, assess that industrial base primes second, third tiers, and find out what needs to change, what money needs to be invested, who's going to invest it to increase that capability.

Senator BUDD. Thank you all. Chairman.

Chairman WICKER. Dr. Greenwalt, Mr. Webster says we need to resume stockpiling. Do you agree?

Dr. GREENWALT. I do, and I think you have various authorities to do that. I think the S staff fund is one way to do that. But this committee has considered others in the past. About 10 years ago, there was a desire to create a position guided munitions fund to do exactly that. We have a just in time problem which is essentially, we have put off the ability to have a stockpile and we desperately need a stockpile.

Chairman WICKER. Thank you much. Senator Hirono.

Senator HIRONO. Thank you, Mr. Chairman, and thank all of the witnesses. So, as we sit here, once again, we're told that there have been many recommendations made over the years, how to change the FMS process, make it better, faster, etc. But these things don't get implemented. Dr. Saum-Manning just said that one of the ways that we can do this is to just give DSCA the authority to do their jobs.

Do the other two witnesses, Mr. Webster, Dr. Greenwalt, do you agree that that would be one of the ways that we can get going and the kind of changes we need to make to the FMS process?

Mr. WEBSTER. So, when I started at the agency in 1992, we had all the authority that we needed, and it took leadership. So yes, revisit authorities because it's been a long time since 1992. Make sure they have the authorities. Make sure they have political top cover and interest. That's why we've supported this proposal to create an Assistant Secretary of Defense to collapse international programs into, it needs to be a political appointee who can sit at the table among other assistant secretaries and argue the case and lead the community with authority and power that a political appointee, Senate confirmed will have.

Senator HIRONO. Do you agree, Dr. Greenwalt?

Dr. GREENWALT. I agree that for the need for leadership and I think the leadership has to be even elevated above the under secretaries.

Senator HIRONO. So again, that seems to be something that we can actually maybe focus our minds on and create that situation. Because when we start talking about DOD contracting reform writ large, good luck to us on that, because as Senator King just brought out, look at the hundreds and hundreds of pages of requirements that we impose on just every single contracting process that we have.

So maybe this is one where we actually do when we have these sales, we actually make money and maybe we can bring more attention at a time also though with Elon Musk taking a hatchet to so many departments where we're losing, as Mr. Webster said, the bodies. Others of you have said, we're losing knowledge, we're losing experience. In fact the kind of cuts that are being made across the board to so many departments. For example, the Weather Department, I was told that there are more people retiring being let go from that department in only of 100 days than in the last 15 years.

The loss of some 20 plus years of experiences going on throughout all of our agencies. So it doesn't help that the FMS process is also undermanned. As noted we're losing—there's a knowledge gap, and we're going to have a hard time recruiting and retaining the people that we need. But I would say that if this committee really wanted to focus on the kind of changes that might enable this process to be much more focused, then the suggestions that you all made to enable the DSCA to go about their business is I think, really a good one. I would suggest that this committee focus on enabling such a process to occur.

Now Ms. Saum-Manning, you said that RAND could do a bit of a study on what the tariff situation could do. But without us even doing a study, don't you think that the ripple effect would be that it's going to cause even further delays and the FMS process and cost more money? I mean, couldn't you pretty much conclude that that's what's going to happen with all of this uncertainty around tariffs?

Dr. SAUM-MANNING. Well, I would say I would have to be heavily footnoted for me to say that, but in my own opinion, not speaking, RAND yes. Logically that sounds like that would be the course.

Senator HIRONO. Yes. So, I would agree. I don't know that we need another study to tell us that these tariffs are not a particularly good idea. So, one more very brief question for Dr. Greenwalt and Mr. Webster. Has the production capacity of the defense industrial base kept pace with the increased demand in Foreign Military Sales over the last years? So, what can we do, very briefly? Assuming this is a problem, what can we do?

Mr. WEBSTER. So fundamentally, very briefly, I would say in select areas, the production capacity has not kept pace. This has been compounded by the situation in Ukraine and the United States providing capability to Ukraine as well as our allies. So that stresses our industrial base to resupply us, resupply allies, keep supplying Ukraine, help Israel, it's very difficult. No, not at pace.

Chairman WICKER. Thank you.

Dr. GREENWALT. But also, it's difficult for the industry to know whether an FMM case is real, if they're actually going to actually implement some of these FMS cases. Because of that, it's hard to make those investments until there's a real demand signal and under a contract in place.

Senator HIRONO. Thank you.

Chairman WICKER. Thank you very much. Senator Sheehy.

Senator SHEEHY. Thank you, Mr. Chairman. Does ITAR work as it's currently structured?

Dr. GREENWALT. I think, yes. ITAR works for I would say the vast majority of countries that we need to do business with and work with. It works terribly with those countries that are close allies that we need to cooperate with. So, it's one of those things where we have to differentiate between the UKs, the Australias, and perhaps over here on some of the countries that we don't have alliances with.

Senator SHEEHY. But the paradigm of ITAR is in the timeline of American 21st century technology, is ancient. I mean, ITAR is a relic of an era when we, the U.S. Government actually had the best technology in the world, and we wanted to make sure other countries wouldn't buy that, acquire it, steal it, and get access to that same capability.

Dr. GREENWALT. It still focuses on 1970's technology when the Arms Export Control Act of 1976 was passed, yes.

Senator SHEEHY. If a country like India, right now, we have an India Pakistan challenge going on, which has been going on for decades, but we're in a flare up. If India wants to buy a system that is as capable as the U.S. system, and we cannot sell it to them in a timely manner, will they get an equally capable system from somebody else?

Dr. GREENWALT. I think they're going to try to do that, and I think if you've seen what Poland recently has done with South Korea, then yes, there are alternatives out there for many of these systems. It's also a kind of ironic that some of the most cutting-edge technologies, whether it's AI, robotics, data analytics or so on, are not covered by ITAR. They're covered by the Export Administration Regulations (EAR) for example.

Senator SHEEHY. Oftentimes, the EAR ITAR specifications will restrict us from selling—I used to sell cameras similar to Hensoldt, and I could buy a commercial camera at the Apple store that had more capability than an ITAR restricted camera I was going to make in a factory because it was on an ITAR list 30 years ago and the DSCA and the State Department didn't want to take the political risk of delisting that.

We'd have a years-long delay, and a company like Hensoldt, who has operations in Africa and Europe, could sell a similarly capable system far faster than we could. So I think we need a fundamental reimagination of ITAR for where we're at today. I think we need to make sure that our allies can get equipment from us because they need it from somebody. In recently speaking to some ministry defense leads in the Middle East, they need the equipment, and if they can't get it from us, they'll buy it from China or Russia, or Europe, hopefully, but probably not.

So what can DSCA do specifically, DSCA doesn't have the authority, as you mentioned, but let's say we did give them the authority. How do we turn a round hole for a square peg? How do we make that fit with DSCA in the State Department? Because they're serving two bosses there that rarely agree. How do we square that and make sure that DSCA can make the decision and State Department doesn't veto something or simply just kill it bureaucratically that DSCA thinks should happen?

Dr. SAUM-MANNING. Well, that's a really good question. I think there's a role for U.S. Undersecretary of Defense Policy. So, I think policy has a role to play, sort of as the arbitrator to kind of understand what the priorities are for State, and to better sort of translate them, negotiate between the two. But I think they all three, I mean, they've got different priorities for good reasons, but I think there's a way to negotiate to yes, for all three of them. I think policy has an important role to play in that.

Senator SHEEHY. Should more authority be given to the in-country military liaison that is liaising with the customer government?

Dr. SAUM-MANNING. No, I think they've got the authorities that they need. I think sometimes there's confusion between title 22 and title 10 authorities. So I think a little bit more maybe input or maybe even into the training from State Departments so that they can better articulate some of the authorities. So I think some of it comes down to training, but not that they don't have it, the authority.

Senator SHEEHY. Well, we're emerging into a great era of great power competition again, and we're going to depend on our allies to be able to hold the line in places where we can't or won't, and they need to have the tools to do this job. So, this is a problem we have to solve, and it's going to start with this committee. Thanks for your testimony today.

Chairman WICKER. I think you are on to something, Senator Sheehy. Senator Kaine.

Senator KAINE. Thank you. Thank you, Mr. Chairman. Thanks to the witnesses. This has been a very, very good hearing. I agree with my colleagues on that. I want to ask you about a topic that's just slightly adjacent to Foreign Military Sales. So, I'm a little bit worried if we make all the reforms we need to in the Foreign Military Sales process, we will still have workforce and supply chain challenges here that will not enable us to maintain the production pace that we want to. So, I'm grappling with this question of Foreign Military Sales as one way to help allied nations or partner nations defend themselves and defend values that we share.

But there's other ways to do that, and one is inspiring more domestic production in those nations of their own military capacities. Just using Ukraine as an example that, you know, they've been using heavily 155 rounds. They didn't have much of a capacity to produce 155 rounds in Ukraine at the beginning of the war. They've grown that capacity. I heard a stat that the Ukraine defense industry was producing about \$5 billion worth of, you know, material and armaments, and now they're about \$30 billion. So they've gone up sixfold, they could do more.

Related to sort of the FMS questions would be, if U.S. defense firms want to invest in Germany or Poland or Ukraine, or they

want to invest in Australia to expand the production capacities of weapon systems in those nations, or if U.S. financial firms that aren't necessarily in the defense space, but increasingly have shown a willingness to invest in port infrastructure or ship building or other defense industries, if U.S. firms want to invest to accomplish increases in production in other countries, do we have the right legal framework to allow them to do that easily? Or are there similar obstacles in the way that we ought to be considering diluting or bringing down? So that's the issue that I want to ask you about.

Dr. GREENWALT. So many of those obstacles exist. I think you should talk to the Australians on how they're trying to do co-production and I've been trying to do this for about 5 years now and have fit met all sorts of ITAR restrictions and other things in negotiating. So yes, it's very difficult to move, move overseas.

I think there's this tsunami of potential allied defense expenditures coming if they actually do increase their defense expenditures, you know, two more percentage points of Gross Domestic Product (GDP), that's about \$600 billion a year, which is twice what we spend on production and R&D. I don't know where they're going to do with that or how they're going to spend it and they may not spend it wisely, but that's a potential huge market, and it would be much better for us to make those sales than have them create their own capabilities that'll compete with us in the future.

Senator KAINE. Others who want to offer thoughts on my question? Mr. Webster?

Mr. WEBSTER. So, I mean, I think it's important to recognize that our industries are global industries and global supply chain, so they know how to figure that out. Lockheed Martin F-35 is an excellent example where you have partner contributions that was part of the deal of being a partner, was to have industrial participation. So our industries where it is in their interest to seek technology, they can't get here for a good price, where they can reduce production costs, and where the government will allow it, will go offshore.

So the tools are there to accomplish what you envision. It just is a question of how is that incentivized?

Senator KAINE. Dr. Saum-Manning.

Dr. SAUM-MANNING. I'll just say I was not part of a study, but we just did a study on third party suppliers. One of my colleagues, Adriane Wynn and her team looked at this and tried to think about how to do this responsibly. Tried to find suppliers that are, you know, aligned with our strategic interests. Thinking about some of the criteria that would you think about when you'd want to kind of invest in and kind of shape what our allies when we can't supply it, how they make their decisions elsewhere.

Senator KAINE. I'll take a look at that. I want to say a last in 45 seconds, something about tariffs. I was just in Germany, Poland, and Ukraine, and I heard over and over again, "We are cooperating with you. We want to cooperate more. There's so much more we can do together. Tariffs are getting in the way."

The German example was the most striking. A new government in Germany with a mandate to improve the economy, which has been in the doldrum since 2019. That is the mandate. The govern-

ment is very pro-U.S., pro Trans-Atlantic, they're pro-U.S. military, more U.S. troops in Germany than any nation other than Japan outside the United States. But they said tariffs are getting in the way of the primary goal of this new government, which is to improve the German economy.

If that's the case, I know you expect us to be great defense partners, but there's no such thing as a silo where half the relationship is really bad. But on the other half, we're going to be completely cooperative. We need to sort out this tariff madness and using tariffs against adversaries great, or in particular instances on particular trade barriers, of course.

Using tariffs willy nilly against allies is very destructive, both in the national security space and in the American economy. That was the message I heard loud and clear from our allies. I yield back.

Chairman WICKER. Thank you for that. Senator Scott.

Senator SCOTT. Thank you all for being here. I just about 3 weeks ago during a recess, I went to Denmark, Finland, and Estonia, and similar to Senator Kaine, I get asked questions about Trump's position, you know, on tariffs and NATO and things like that. Here's the way I explained it to them. I think Trump is going to try to make two things happen.

Number one, if you're going to be an ally of the United States, you're going to build your own military first. We're not going to be your first line of defense. If you're not willing to defend your own country, if your men and women don't want to serve, and you don't want to go buy the equipment to be able to do it, America's not going to be your first line.

Number two is, if you want to sell in our country the best market in the world, then whether it's tariffs, whether it's other barriers, those barriers are going down. We've watched for decades where this country is allowed other countries to be able to sell into our country, and they put up barriers. Some of it is tariffs, some of it is regulations, some of it is permitting, all sorts of stuff you can't even sell, which makes zero sense.

I'm fine with everybody else's economy doing well, but I'm primarily responsible for American workers. But one thing we talked about when I talked to the military leaders in Europe and the political leaders, is that they're frustrated they can't get an answer on Foreign Military Sales. They have really two complaints.

Number one is, why does it take so long? Why can't you get an answer? What's the process? Why is it a black hole? Number two is why can't your defense contractors make things on time? So, what they said is, you know, we're spending, and for whatever reason, whether it's Putin, in Beijing, in Ukraine, they're spending their money now. But they can't get approvals and that our suppliers are not on time.

The other thing they brought up is the fact that we have suppliers that my understanding is we paid for them to develop technology, and then the manufacturer owns the technology, and so nobody else can do it which makes no sense in the world. So can you just talk about, I mean, why can't we have like a checklist like you do in any business of here's what has to get done, here's a time-

frame. Because some of the stuff should be simple, you should be able to do in days rather than years.

Dr. GREENWALT. The last time I was in the Pentagon, which was 20 years ago, I think, Keith, we worked together and the administration was trying to do that, to try to figure out, let's create a list of what we can sell out to our allies and kind of pre-approve it, so to speak. This was a process I think we've all talked about called the Arms Transfer and Technology Release Senior Steering Group (ATTR SSG). Unfortunately, that that process never went forward. Even though it was a great idea 20 years ago, the idea of getting away from this transactional, you know, everything is new once again to basically to say, this is the UK we know what we would need to sell with them, and here's the list and let's just be done with it.

Unfortunately, that type of thinking never really you know, took hold and we're back to just transactional. Every time we get a request, we go through it. It takes just as long to go through the process.

Mr. WEBSTER. Okay, sir. The system was developed long ago for a case by case review. So every individual request by every individual country is reviewed on a case by case basis, whether it's a direct commercial sale license activity, or a Foreign Military Sales bilateral agreement. That's where we're saying transformation needs to occur. There needs to be a positive list of countries allies that are pre-approved for specific capability to remove ambiguity and remove this case by case process of review. That's really what we need.

What was mentioned was Secretary Gates established the ATTR SSG to develop anticipatory policy. The first and only policy developed was for unmanned aerial systems (UAS) systems and State Department would not partner on anticipatory policy because under title 22, they have the authority to review each transfer on a case by case business and they did not want to tie their hands on their authorities and their business. So it failed. But we need to fix that. Thanks.

Senator SCOTT. So, does anybody put anything out that they're going to—is there any outside group that's put something out that said this would be the exact way you should do it, that we should rally behind?

Mr. WEBSTER. I'm not aware of anything that's published, but I know we've all talked about it with previous administrations. We've talked about it with the new administration. We can help the administration develop that process. It'll take approval by State and its committees as well as this committee to agree to such a list to act upon.

Senator SCOTT. All right, thank you.

Chairman WICKER. Thank you, Senator Scott. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman. So being lethal on the battlefield means being scrappy. When Russia first invaded Ukraine, we sat in the briefings when we were told by experts that Ukraine would only be able to hold out for a few weeks maximum. But over the past 3 years, Ukrainians have been incredibly innovative, especially in the deployment of drones to keep Russian forces at bay.

The U.S. military may not be nearly as agile. One problem, soldiers are not allowed to repair many of their own weapons. DOD spends billions of dollars buying all sorts of equipment, but then contractors impose restrictions on who can maintain systems and who can produce spare parts. Contractors rake in billions, but servicemembers are not allowed to fix their own weapons when they break even in the middle of life and death missions, that is the opposite of scrappy.

So, Dr. Saum-Manning, you are an expert on building military capacity. How important is it for readiness for servicemembers just to be able to repair their own weapons?

Dr. SAUM-MANNING. I mean, they are on the front lines and critical when it comes to life and death decisions, I think you sort of overlook policy. That's what I would do if I were on the battlefield. Again, this is my personal opinion, not an opinion of RAND.

Senator WARREN. But I take it you think the right to repair is important to being able to do your job.

Dr. SAUM-MANNING. I do think it's important. That said, you have to know how to do it, and so, I would—

Senator WARREN. Fair enough.

Dr. SAUM-MANNING.—want to make sure that they actually knew what they were doing.

Senator WARREN. The problem we've got is that too often when the U.S. military goes to contractors, they are told when something is broken, they're going to have to wait months for critical parts. In just one case that we have, the Army discovered that instead of waiting months, they can actually just use a 3D printer to print the safety clip they needed in less than an hour, and for 1/100th of the cost that was being charged by the contractor.

So, this month, the Trump administration took an important step toward making sure that U.S. soldiers can be just as scrappy as the Ukrainians. The Army's new transformation initiative requires new contracts to include a right to repair their own equipment, and they're also going back to review old contracts to add similar protections.

I want to give a shout out to the new Secretary of the Army, Dan Driscoll, for pushing this initiative. So Dr. Saum-Manning would adopting this policy across the military services enhance innovation and help reduce costs?

Dr. SAUM-MANNING. Well, as all RAND good researchers say we have to study that. This is very new. It's very exciting to see. When we were doing our study, army was in the midst of their sort of transformation and there was consensus opinion that it needed to change. So it's exciting that they're innovating, we're watching it, and it's definitely a great experiment to see if it happens and to see if we can apply these lessons elsewhere.

Senator WARREN. Well, you know, I would argue here on right to repair, that it can also be used to help strengthen American Allied forces as well. When our closest allies buy U.S. weapons, it can help enhance their capabilities, help them work better with our troops. We really like all of that. They can take missions off our plate and they can support U.S. jobs, but our allies and partners have a lot of other companies that they can choose from, and they're willing to drive a harder bargain than we are.

For example, a Canadian task force found that failing to acquire data rights hurt their ability to independently support their own equipment right to repair, and they recommended prioritizing sustainability and competition. The bottom line, Lockheed Martin's higher repair costs meant that Lockheed Martin just wasn't competitive for the contract.

So, Dr. Saum-Manning isn't the best outcome for us, is not only if we can repair our own equipment, but also if our allies who are buying from U.S. contractors can repair their weapons in the field and have those weapons made in America?

Dr. SAUM-MANNING. Well, we have not studied that, but I would say that if we are sort of part of that process and we can help train, help equip, be there, help sustain, our partners need to be actually be able to sustain the equipment that we give them. Those are priority decisions that need to be made prior to them actually getting on the battlefield.

Senator WARREN. Well, Army Secretary Driscoll has taken a necessary and overdue step, but we need all of the services and DOD to prioritize lethality. That means commanders in the field should never have to beg a contractor to come repair a plane that the Air Force owns and that soldiers could fix themselves. Our Navy should never have to wonder if an ally won't show up because they're waiting months for a contractor to fix a fuel gauge.

I look forward to working with my colleagues on this committee to make sure that we aren't letting bad contracting practices limit our soldier's ability to win on the battlefield. Thank you, Mr. Chairman.

Chairman WICKER. Thank you, Senator Warren. Before we close and really for the benefit of our stenographer who does a wonderful job, Dr. Greenwalt and Mr. Webster, you referred to ATTR SSG and I'm told that stands for Arms Transfer Technology Review Senior Steering Group. Is that correct?

Dr. GREENWALT. That is correct. It is.

Chairman WICKER. All right. That's going to save her a little time there, and as far as we know, that group does not exist anymore. It was an effort that was abandoned. Is that right, Dr. Greenwalt?

Dr. GREENWALT. I believe it's still on the Defense Technology Security Agency's website. Whether it's still active, I do not know.

Chairman WICKER. Well, we'll look into that. Thank you very much, and unless there are further questions, this hearing is closed. Thank you very, very much.

[Whereupon, at 11:06 a.m., the Committee adjourned.]

[Questions for the record with answers supplied follow:]

#### QUESTIONS SUBMITTED BY SENATOR TOM COTTON

##### EXTENDING APPROVED FOREIGN MILITARY SALES AGREEMENTS

1. Senator COTTON. Dr. Greenwalt, countries like Estonia have established Foreign Military Sales (FMS) agreements and are unable to purchase more equipment, due to a variety of factors. For countries with existing approved FMS agreements, what specific changes, from industry or from the Government, would get additional procurements options into allied hands faster?

Dr. GREENWALT. I am a firm believer in providing the right incentives to industry. If we make it more profitable and easier for industry to fulfill these orders, they will make the right investments to do so. Right now, the industry is so heavily regulated by the U.S. Government that it is trained not to make an investment move without going to the government to determine whether it will be reimbursed in its overhead rates for any such investment. The government's usual answer for such investment is to not do so until there is a contract in hand. As investment lead times to increase production are 18 to 24 months that answer is far too late. We need to free up the traditional defense contractors to make investment decisions and incentivize them to invest in plant and equipment ahead of sales. This cannot be done under the current contractor oversight regimes based on unique government cost accounting system standards, the mandates of the Truth in Negotiations Act, the business system rule, and government bureaucrats questioning every investment decision contractors make as to what constitutes their overhead expenses.

2. Senator COTTON. Dr. Greenwalt, would mandating that FMS demand be factored into the Total Munitions Requirement improve the management of weapons production at the Department of Defense (DOD)?

Dr. GREENWALT. This would only be helpful if the Total Munitions Requirements processes actually leads to increased budgets for munitions. As was outlined in a 2023 Army Science Board study our requirements process is jumble of different responsible persons and agencies who use different models of needs that are untethered to funding or industrial capacity realities. Factoring FMS into TMR may help in demand signaling but the current reality is we need everything we can produce right now and our problem is we are not producing enough. What is needed is real money to buy ahead of need and to stockpile more of those munitions. What we have found out in the new world order is we do not have enough munitions for us or our allies so this is an investment that is worth making. If adding FMS to TMR helps in signaling more demand that leads to higher munitions budges then it is a sound policy proposal.

##### APPROVING NEW FOREIGN MILITARY SALES AGREEMENTS

3. Senator COTTON. Dr. Greenwalt, for countries with existing U.S. fighter aircraft procured through the FMS process, what can we do to accelerate new sales of American military equipment to prevent allies from turning to our adversaries or competitors for critical defense capabilities?

Dr. GREENWALT. Allied orders of jets extend years into the future but we face issues producing enough jets to meet that demand. We can see this with delays in F-16 sales to Taiwan and sales of radar delay risks on F-35s sales to NATO partners, who sometimes have to use the jets as trainers until upgrades can be done. These issues sap demand for the jets. The root cause of these delays in shipments or upgrades are the same that affect our own fighter fleet. Our programs are expensive and exquisite and contractors struggle to produce in mass in the face of funding uncertainty, supply chain snafus, and over-wrought designs. We need to fix our way of acquisition which will fix our industrial base and move away from the U.S. industrial base being the "artisans of democracy" that produce exquisite hand-crafted weapon systems to being a true "arsenal of democracy" where production at speed and scale is valued. We haven't done that since WWII with the exception of the MRAP program.

##### UNITED STATES INDO-PACIFIC COMMAND TARGETED FOREIGN MILITARY SALES

4. Senator COTTON. Dr. Greenwalt, what technologies or capabilities do you believe would be particularly suitable for export to United States Indo-Pacific Command (INDOPACOM)?

Dr. GREENWALT. In the Indo-Pacific, many of our allies including South Korea and Japan have rather extensive industrial bases that produce traditional platforms and

systems like tanks, artillery pieces, munitions, and more. Where Japan seems to be behind the curve is in unmanned systems which are currently a crucial aspect of denying offensive enemy forces from making successful inroads. And that should be our main goal with our partners in the Indo-Pacific, to enable them to deny offensive operations. Capabilities that we have already exported to Japan and could sell further include electronic warfare and early warning systems. Systems that can be easily linked into interoperable networks should take special precedence given the assumption that in many scenarios our allies would be reticent to respond to aggression without the U.S. Air and missile defense, command and control, counter-strike, anti-ship missiles, and counter-drone defenses will be key capabilities that our Pacific allies will need. The problem is as we are starting to realize with attack submarines and AUKUS we don't even have enough of these systems available to our own services and production rates are extremely difficult to increase.

#### DESIGNING EXPORTABILITY INTO SYSTEMS

5. Senator COTTON. Dr. Saum-Manning, the idea behind a “hedge force” involves pre-positioning low-cost, short range defensive systems with allied nations. Where possible, facilitating these sales through FMS, versus deploying U.S. Forces, can be preferable. Knowing this, how would you approach industry, the DOD, and the Defense Security Cooperation Agency (DSCA) to streamline and accelerate the sale of these capabilities?

Dr. SAUM-MANNING. Allies and partners can serve as vital force multipliers in contested regions, particularly in the Indo-Pacific, where forward-positioned, partner-enabled capabilities are key to a “fight tonight” posture. Building an effective “hedge force” capable of deterring aggression—or, if deterrence fails, stalling adversaries until U.S. Forces arrive—requires a deliberate and coordinated approach that factors allies and partners into relevant, policy, planning, and (potentially co-) capability development. The U.S. Department of Defense (DOD), its subordinate organizations, and industry have roles to play in better enabling this strategic approach.

For DOD, integrating Foreign Military Sales (FMS)—enabled partners into defense planning guidance and encouraging Combatant Commands to do the same in operational plans and exercises can help to prioritize FMS deliveries, as such actions would ensure that hedge force—capable partners are factored into the battle equation. The Office of the Under Secretary of Defense for Policy (OUSD[P]) should also clearly signal its partner-nation priorities, and DSCA and the military departments’ implementing agencies (IAs) should communicate the anticipated demand to industry so suppliers can plan for predictable requirements. Additionally, the Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD[A&S]) should clarify technology security approval processes, establish meaningful metrics and accountability mechanisms, and explicitly require industry to design defense systems with exportability in mind from the outset.

Industry might further consider co-production with allies or partners to ensure that critical subcomponents are available and accessible near the front lines of the fight. Establishing effective hedge forces requires synchronized effort across policy, acquisition, planning, and industry. Deliberate integration—not aspiration—must define the U.S. approach to empowering allies and partners in close proximity to enemy forces.<sup>1 2 3</sup>

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<sup>1</sup> [Note pertaining to Dr. Saum-Manning’s responses:] The opinions and conclusions expressed in this addendum are the author’s alone and should not be interpreted as representing those of RAND or any of the sponsors of its research.

<sup>2</sup> [Note pertaining to Dr. Saum-Manning’s responses:] RAND is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND’s mission is enabled through its core values of quality and objectivity and its commitment to integrity and ethical behavior. RAND subjects its research publications to a robust and exacting quality-assurance process; avoids financial and other conflicts of interest through staff training, project screening, and a policy of mandatory disclosure; and pursues transparency through the open publication of research findings and recommendations, disclosure of the source of funding of published research, and policies to ensure intellectual independence. This testimony is not a research publication, but witnesses affiliated with RAND routinely draw on relevant research conducted in the organization.

<sup>3</sup> [Note pertaining to Dr. Saum-Manning’s responses:] All questions are presented verbatim as they were submitted to RAND.

## QUESTIONS SUBMITTED BY SENATOR JACK REED

## FOREIGN MILITARY SALES

6. Senator *Reed*. Dr. Saum-Manning, the Foreign Military Sales ecosystem encompasses much more than the FMS workforce and policies and processes and involves several other fields and RAND has produced actionable policy options in many of these areas. Some of the themes explored at the hearing include issues related to the defense industrial base and its ability to surge, coproduction of defense materiel with allies, and the right to repair. Are there any additional insights that you can share regarding those topics and the FMS process?

Dr. SAUM-MANNING. The health of the defense industrial base—and its ability to surge when needed—relies heavily on steady, predictable demand that keeps production lines active.

FMS may also be a first step toward co-production programs with allies and partners. Co-production can keep a defense production line warm for years after U.S. military requirements have been met. Keeping a defense production line operational would allow for a faster surge. This benefit of FMS is in addition to other benefits, including interoperability with and reassurance of allies and partners.

Following on the line of questions in the hearing, the Army generally has the necessary rights with respect to noncommercial items to produce repair parts or have them produced by third parties. This, with the Secretary Driscoll's commitment to the right to repair for future contracts, gives the Army the ability to exercise its right to repair in ways that enhance speed and keep costs low.

## QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

## DEFENSE SECURITY COOPERATION AGENCY STRUCTURE AND ORGANIZATION

7. Senator *SHAHEEN*. Dr. Greenwalt, Mr. Webster, and Dr. Saum-Manning, DSCA is responsible for administering the FMS system, yet it has little means to do so in terms of actually managing the acquisition system that contracts for the production of the arms to be acquired. That is left to the individual military services, each with their own information systems, processes and priorities. This makes FMS sales second-best in terms of attention. Is there any real-world way to rationalize and streamline the disparate acquisition services that both respond to demands of the U.S. industrial base and FMS needs?

Dr. GREENWALT. One option is to take the contracting and execution for these contracts away from the services. DSCA with the help of say the Defense Logistics Agency or the Defense Contract Management Agency could establish direct contracts with the defense industry. A contract vehicle similar to that of a GSA schedule for defense goods could be established with up-front prices, terms and conditions already negotiated. This IDIQ for defense articles would allow the services to focus on their needs and not on those of our allies as an afterthought. This probably should be conducted as an OTA consortium contracting vehicle to enable more small business and emerging technology company participation.

DLA could also stockpile munitions and exportable goods with high demands to make them immediately available to our allies upon order. Such a stockpile would require the creation of either a new munitions or FMS Fund or an expansion of the current SDAF. As I testified the ATTR-SIG should be reconstituted and empowered to engage in a pre-approval process for certain allied countries to streamline decision time prior to contract awards. This would require though the State Department to be on board to provide export control clearance and pre-approvals for these approved items to be immediately transferred or sold to our allies.

Mr. WEBSTER. DOD Acquisition and associated contracting are both heavily regulated government activity, as governed by the Federal Acquisition Regulation (FAR) and associated DOD supplement, the DFAR. With each passing NDAA, we witness compounding complexity as Congress addresses a growing list of concerns.

Ideally, to address the question, foreign purchasers would be convinced to buy systems as developed and configured by the DOD (called standard programs) and stop insisting on program modifications (called nonstandard programs meaning different than that produced for U.S. Forces), which add significant risks and complexity to an FMS program.

Second, DOD needs to minimize FMS-only programs thus allowing our industries to take the acquisition lead—to include contracting—with USG oversight.

Finally, our contracting and broader acquisition community are woefully understaffed. In addition to traditional recruitment and retention efforts, the Administra-

tion must pursue automation—at a scope and scale heretofore not seen—to offload simple and redundant work.

Dr. SAUM-MANNING. Streamlining the disparate acquisition processes to accelerate FMS deliveries is a challenging prospect because the current DOD contracting landscape is highly decentralized, with hundreds or thousands of contracting nodes across military departments, each using its own data systems, procedures, and priorities. No contracting node works directly for the security assistance community, and contracting data are siloed and not shared, making it difficult for DSCA or policymakers to get a comprehensive, real-time picture of contract status for FMS cases.

My team’s research report *Optimizing Foreign Military Sales Roles, Responsibilities, and Authorities* found that amending key DOD directives to increase transparency and enforce consequences for bottlenecks and underperformance could improve the FMS process without centralizing the acquisitions system.<sup>4</sup> For example, DOD could amend applicable directives to require IAs to provide standardized, timely, and accurate contracting and production status updates to DSCA and senior DOD leadership, with clear procedures for—and consequences for the lack of timely—reporting on actual or anticipated problems. This recommendation aligns with the recent Executive Order, *Reforming Foreign Defense Sales to Improve Speed and Accountability*, which mandates the establishment of a single electronic system to track both the life cycle of all FMS cases and Direct Commercial Sales export license requests. The creation of a “data czar” role under DSCA, with authorized access across U.S. Government FMS systems, may further improve enterprise-wide visibility and allow for rapid identification of where delays and failures are occurring. Reporting failures should trigger corrective actions or accountability measures at both the IA and industry levels.

For accountability purposes, DSCA should be empowered to provide input into periodic performance evaluations of key FMS-related positions within the military departments, ensuring that leaders whose organizations consistently underperform or create bottlenecks are made aware and that these actions are made visible to OUSD(P) and OUSD(A&S) leaders. This would give DSCA influence to flag persistent choke points and recommend staff changes in FMS-centric positions or processes accordingly.

Parallel to this, and consistent with guidance released in the April 2025 executive order *Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industry Base*,<sup>5</sup> DOD should require IAs to implement contracts with penalties for slow or substandard performance from the defense industrial base, including such mechanisms as financial penalties or, where feasible, the authority to rescind contracts and move production to more-reliable suppliers if vendors fail to meet agreed-upon timelines or standards.

Such reforms—grounded in clearer authorities, data-driven performance evaluations, and real consequences for ineffective practices—not only should empower leaders to intervene earlier when challenges arise but would also create systemic incentives for both U.S. Government entities and industry partners to prioritize and deliver on FMS cases efficiently, without the need for a fully centralized acquisition system.

8. Senator SHAHEEN. Dr. Greenwalt, Mr. Webster, and Dr. Saum-Manning, in your view, does the DSCA need its own acquisition service?

Dr. GREENWALT. I believe it could rely on DLA and DCMA to a certain degree but yes, they need to have more acquisition expertise available. If DSCA were to stand up an FMS OTA consortium they could also rely on a non-profit, non-conflicted, consortia manager to provide some acquisition and contracting services that are not inherently governmental.

Mr. WEBSTER. No, they do not. The service acquisition community, including their program managers and contracting officers familiar with programs being sold via FMS, are vital to the success of any FMS program. They need to be resourced, encouraged to stay in the profession and to embrace automation to help them complete their mission.

Dr. SAUM-MANNING. The recent executive order *Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industry Base* aims to address some of the

<sup>4</sup> Lisa Saum-Manning, Jefferson P. Marquis, Irina A. Chindea, Daniel Elinoff, Theiline Pigott, and Elliott Brennan, *Optimizing Foreign Military Sales Roles, Responsibilities, and Authorities*, RAND Corporation, RR-A2631-1, 2024, <https://www.rand.org/pubs/research-reports/RR-A2631-1.html>.

<sup>5</sup> Executive Order 14265, *Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industry Base*, Executive Office of the President, April 9, 2025.

persistent challenges facing the DOD acquisition community.<sup>6</sup> It may take some time to discern whether supporting ally and partner-related acquisition will be a focal point of implementation. Should the question of an independent acquisition system for DSCA arise, it is important to consider that creating a separate DSCA-owned FMS acquisition system may address some current challenges. However, the intertwined nature of domestic and security assistance acquisition, shared resources, and overlapping workforce responsibilities could increase rather than reduce duplicative processes by generating greater bureaucratic complexity. A co-existing system may also lead to a potential resource strain, as many acquisition professionals and defense industry suppliers currently support both domestic and FMS purchases without a corresponding increase in workforce. Additionally, establishing a DSCA acquisition system could diminish DSCA's and foreign customers' access to expertise resident in the services. Implementing such a change would thus entail managing the risk of a narrower focus that might not address all partner needs as effectively as more-integrated approaches.

Rather than establish a parallel system, DOD might consider mechanisms to ensure that DSCA has better visibility into the current system. As mentioned earlier, the creation of a "data czar" role under DSCA, with authorized access across U.S. Government FMS systems, may address the lack of transparency into procurement timelines and potential choke points. An additional step that merits further exploration is whether DSCA might be granted some level of authority over the country portfolio director positions in the IAs to provide DSCA additional access and influence over the acquisitions system.

#### SECURITY COOPERATION WORKFORCE

9. Senator SHAHEEN. Dr. Greenwalt, Mr. Webster, and Dr. Saum-Manning, I understand that a significant delay in the FMS process comes in the "front-end", when countries, assisted by Security Cooperation Offices in our embassies, try to work out what they want, what they need, what they can afford, and what the U.S. is likely to approve for export. This can sometimes take months and even years. How would you suggest this process be improved?

Dr. GREENWALT. As I have written in my report "Competing in Time" about the problems writ large with U.S. acquisition, front-end decision time is a significant driver of delays in the acquisition process. This is equally true of the FMS process. We need to for each of our closest allies establish a pre-approved list of everything we are willing to sell, transfer, or lend these countries. Combining that with producing systems ahead of time that are then stockpiled is one way of reducing both decision and execution time.

Mr. WEBSTER. The key success factor in developing an executable FMS program requirement (known as an LOR—letter of offer and acceptance) is ensuring both the U.S. personnel at the Embassy and the purchasing country are advised by experts in system and program capabilities. It is virtually impossible to build an in-country team of individuals who are experts in every potential FMS capability to include services.

The most recent challenge includes cyber defense capabilities as well as AI solutions. Thus, the Embassy team (security cooperation offices) must feel confident in including industry representatives in the discussions that ultimately shape FMS requirements. If not industry, then experts within government. Regarding industry engagement, the longstanding concern is that of violating USG mandates to maintain a level playing field for all U.S. industries as well as not interfering with competition rules.

However, absent system experts involved in requirements development (DOD personnel, industry, others as appropriate), this matter of concern will not improve.

Dr. SAUM-MANNING. My team's research report Optimizing Foreign Military Sales Roles, Responsibilities, and Authorities found that frontline personnel working in security cooperation organizations (SCOs) sometimes struggle to adequately facilitate partners' letters of request (LORs) for equipment purchases for a variety of reasons, some of which pertain to inadequate training.<sup>7</sup> Recent reforms have begun to address some of the issues. In the fall of 2024, DSCA launched the Defense Security Cooperation Service (DSCS) and established the Defense SCO Institute (DSI), aimed at providing enhanced training for SCO personnel, although it is my understanding that DSCA does not have the authority to require uniformed personnel to attend, which may dilute the new service's effectiveness. As DSCS is less than a year old, it is too soon to assess this risk or otherwise track the initiative's impact on front-

<sup>6</sup>Executive Order 14265, 2025.

<sup>7</sup>Manning et al., 2024.

line performance. It may be informative to Congress to request a summary evaluation of the training program after its first full year of completion to assess progress toward developing personnel better capable of supporting FMS case management on the front lines of partner engagement.

Additionally, while our research did not address external factors, Congress may wish to consider the extent to which delays in developing actionable Letters of Request from partners may be related to partner internal bureaucracy, which often times is not subject to the level of U.S. influence that could speed FMS to the point the U.S. seeks.

10. Senator SHAHEEN. Dr. Greenwalt, Mr. Webster, and Dr. Saum-Manning, should there be more-extensive training of the uniformed personnel who serve in these offices, and should they serve for longer than just 2 years?

Dr. GREENWALT. There is an inherent mismatch between the time it takes to work FMS actions and the tenure of military personnel. There are two ways to try and solve this problem: increase the tenure of military personnel working the FMS system or reduce processing time. I am in favor of both of these approaches as they are not mutually exclusive.

Mr. WEBSTER. Yes, there should be more extensive training, and they should serve for longer than 2 years.

Dr. SAUM-MANNING. My team's research found that uniformed personnel assigned to SCOs were not consistently required to complete DSCA's training courses, in part because these roles are often viewed as collateral duty—a diversion from operational training that carries more weight for career advancement. Faced with a choice, personnel may prioritize operational training over the procurement-focused preparation needed for SCO assignments, leaving them underprepared for the job. To address this, the services could require all SCO personnel, including uniformed and civil servants, to attend DSCA-led training. Recently, DSCA launched Security Cooperation Workforce Certification 2.0, designed to ensure that members of the Workforce, including SCOs, have the training and education necessary to perform at the level their positions require. Paired with the above-mentioned tailored SCO training through the Defense SCO Institute (DSI), DSCA is posturing itself to provide appropriate training and education.

The Services might also consider assigning greater value to SCO billets in performance evaluations to justify investment in FMS training. Alternatively, in countries with significant FMS activity, Combatant Commands might transition these roles to civilians under DSCA operational control, whose responsibilities are focused on procurement rather than warfighting. A civilian-led model may have the added benefit of reducing the administrative burden on commands and allowing uniformed personnel to concentrate on increasing U.S. Force lethality.

11. Senator SHAHEEN. Dr. Greenwalt, Mr. Webster, and Dr. Saum-Manning, should they be supplemented or even replaced by civil service experts in the most important countries?

Dr. GREENWALT. Military personnel add significant knowledge and value to the process. I would not want to replace them, but perhaps supplement them with more knowledgeably longer tenured civil servants and trusted and conflict of interest free contractors to help them do their jobs better.

Mr. WEBSTER. Yes, where impactful. Civilian augmentation or replacement by trained and experienced individuals with a mandate to stay a minimum of 5 years could be helpful.

Dr. SAUM-MANNING. To improve SCO staffing and performance, DSCA was recently authorized to develop, deploy, and manage DOD civilians who can provide continuity and, in some cases, replace rotating military personnel with less security cooperation experience. My team's research report *Optimizing Foreign Military Sales Roles, Responsibilities, and Authorities* further recommends that DSCA have greater influence over key SCO staffing decisions, such as approving billet descriptions and, where appropriate, SCO chief selections in high-volume and high-visibility FMS offices.<sup>8</sup> DSCA should also be able to recommend FMS-related performance criteria for SCO chief evaluations to ensure that all personnel understand what effectively supporting the FMS mission entails.

#### FOREIGN MILITARY SALES INCREASES

12. Senator SHAHEEN. Dr. Greenwalt, in fiscal year 2024, FMS sales jumped 45.7 percent, the largest increase and largest amount of value authorized—\$117.9 billion.

<sup>8</sup>Manning et al., 2024.

Direct Commercial Sales were also up 27.5 percent, to \$200.8 billion. Despite delays in the industrial base, partners are still looking to the U.S. How does this compare with other major arms exporters, such as in Europe?

Dr. GREENWALT. The French are now the world's second largest exporters of arms and the Italians, Germans, British, and Spanish all in the top 10. Relative to the Europeans who export more ships, we export more aircraft and helicopters. Russia has gone from being the world's No. 2 exporter to sliding down the list, first slowly following the annexation of Crimea and then more rapidly after the full-scale invasion of Ukraine. Not only did Russian equipment appear less capable than assumed, but the demands of the conflict have forced Russia to turn to countries not considered as industrial juggernauts such as North Korea and Iran for drones, artillery shells, missiles, and more.

Partners for the moment are still looking to the U.S., but as NATO and our Asian allies increase their defense spending, they may look elsewhere. U.S. FMS orders are just promises. A better and more relevant data point is in actual transfers: when those systems were transferred and the time it took to actually deliver on those promises. That is a notoriously hard figure to determine, but is at the crux of the question of how effective the FMS process really is and will determine whether our allies can rely on us or need to find other suppliers.

13. Senator SHAHEEN. Dr. Greenwalt and Mr. Webster, in addition to fixing regulatory delays, how should industry be investing more to improve the FMS process?

Dr. GREENWALT. Industry should be looking to invest in more flexible manufacturing options. Peacetime lulls are notoriously bad for the defense business, but good for commercial manufacturing. We need to plan for mobilization and what is now considered "excess" production. New advances in commercial manufacturing technologies and the rise of commercial contract manufacturers are potential tools to increase defense production, but our acquisition system needs to be quicker to incentivize this commercial participation and qualify these manufacturers for surge production.

Mr. WEBSTER. Industry's role in the FMS process is to provide pricing data to the DOD contracting officer and to execute a DOD contract when that contract is awarded. Industry does not control the DOD contracting process and associated timeline, nor do they control what the USG determines to be an appropriate program configuration to be sold.

For FMS programs, the biggest industrial base concern is the lack of inventory that would speed up delivery. As with the DOD, our industries have moved to a just-in-time production process with a minimum of components stocked in reserve. For industry to improve their part of the process, they need to have adequate information that will allow them to better anticipate future sales, stockpile long lead components, add personnel to production lines, run extra production shifts, and ensure their supply chains can adapt to an accelerated production and delivery cycle.

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#### QUESTIONS SUBMITTED BY SENATOR MAZIE K. HIRONO

##### INCREASING INNOVATION IN FOREIGN MILITARY SALES

14. Senator *Hirono*. Dr. Greenwalt, Mr. Webster, and Dr. Saum-Manning, commercial technology has had dramatic impacts on battlefields globally—Ukrainian forces are using agile, commercial technology to damage the Russian Baltic Fleet, and Taiwan is partnering with U.S. firms to develop 3D-printed drone fleets. However, it is still the exception, not the norm, for these innovative technologies to make it through the FMS process. What can we do to make it easier for innovative technologies to move through the FMS process?

Dr. GREENWALT. This is the one area where the services should not be leading the FMS process. Non-program of record technologies and systems that are not in the current service arsenal are the technologies of the future. The services are often reluctant to bring these ideas to market even for their own use. The Defense Innovation Unit (DIU) may be more appropriate to lead this effort and be an advocate of these solutions with our allies. This is in our interest as many of these solutions can be tested with our allies and determined whether they should be brought into the U.S. arsenal faster.

Mr. WEBSTER. For the most part, the FMS process is a mirror image of the DOD acquisition process when foreign nations are buying equipment and services that the DOD also buys for our forces. If the DOD system struggles to adopt innovation at pace, then FMS will also reflect that challenge.

To improve, DOD must find the agility necessary to adapt more quickly and by doing so, the FMS process will follow.

Dr. SAUM-MANNING. The April 2025 executive order Ensuring Commercial, Cost-Effective Solutions in Federal Contracts represents a significant step toward modernizing the defense acquisition system by promoting greater partner nation access to commercial innovation.<sup>9</sup> Although the intent is promising, it is far too soon to assess whether the supporting policies will reduce barriers that currently exist in the complex Federal contracting environment, much less whether the transfer of innovative technologies to allies and partners will be a focus of reform. As DOD develops policies to implement the intent of the EO, now is an opportune time to ensure that FMS considerations are factored into this reform effort.

I also understand that DSCA has been investigating opportunities to leverage commercial technology in support of allies and partners through DSCA-sponsored research.

#### INDO-PACIFIC PRIORITIZATION

15. Senator *Hirono*. Dr. Saum-Manning, what specific criteria or mechanisms would help ensure FMS decisions reflect the urgency of deterrence in the Indo-Pacific?

Dr. SAUM-MANNING. The Secretary of State, in consultation with the Secretary of Defense, develops the list of priority partners for conventional arms transfers and issues updated guidance to the chiefs of the U.S. diplomatic missions regarding this list. To help ensure that this list reflects the urgency of deterrence in the Indo-Pacific, RAND analysis derived from the research report Aligning Strategic Priorities and Foreign Military Sales to Fill Critical Capability Gaps recommends that leadership consider developing a defense FMS prioritization framework guided by three key criteria.<sup>10</sup> First, prioritize countries expected to play critical roles in a regional contingency or in maintaining U.S. deterrence posture, as identified by the Department of State and OUSD(P). Second, determine and rank capability gaps based on each country's anticipated role, addressing the most-urgent gaps first—particularly for high-priority partners—given limited inventories and industrial base capacity. Third, consider such factors as procurement lead times (including Technology Security and Foreign Disclosure processing), a partner's ability to independently achieve full operational capability, and the partner's willingness, financial capacity, and bureaucratic agility to move quickly through the FMS process. Given the dynamic and multifaceted nature of these inputs, an AI/ML-enabled automated framework could be developed to continuously assess and rank partners and capability needs in real time, allowing the United States to adapt quickly to changing operational realities in the Indo-Pacific.

#### DEFENSE INDUSTRIAL BASE CHALLENGES

16. Senator *Hirono*. Dr. Greenwalt and Mr. Webster, U.S. foreign military sales have significantly increased in recent years. In fiscal year 2024, the State Department reported \$117 billion in FMS deals. This is a 45 percent increase from fiscal year 2023. Just last week, President Trump announced \$142 billion in arms sales to Saudi Arabia alone. To what extent do you think delays in the delivery of FMS-contracted defense articles are due to a lack of industrial base production capacity? If so, what needs to be done to address this?

Dr. GREENWALT. This is a chicken and egg problem of do you invest in plant and equipment ahead of time before getting a contract or do you wait for a contract before making investments. The latter has become the preferred course of action based on history and contracting incentives and oversight. There is a historical cyclical pattern that whenever the defense industry has been called on to ramp up it rarely makes a return on that investment as either an inevitable downturn happens or the government changes its mind. This has incentivized the industry to work through periods of high demand by not investing in new lines that will become obsolete over time and instead use existing capacity. This of course means delivery delays as existing capacity is focused on peacetime budgets that have actually been appropriated

<sup>9</sup> Executive Order 14271, Ensuring Commercial, Cost-Effective Solutions in Federal Contracts, Executive Office of the President, April 15, 2025.

<sup>10</sup> Irina A. Chindea, Jennifer D. P. Moroney, Stephen Webber, Igor M. Brin, David E. Thaler, Ashley L. Rhoades, Anthony Adler, Beth Grill, Paul Cormarie, Jack Lashendock, and Isabelle Winston, Aligning Strategic Priorities and Foreign Military Sales to Fill Critical Capability Gaps, RAND Corporation, RR-A2438-2, 2024, <https://www.rand.org/pubs/research-reports/RR-A24380-2.html>.

by Congress. We need a different approach as it relates to mobilization planning for the U.S. and how it provides systems to its allies.

Mr. WEBSTER. Our industrial base capacity reflects a peacetime cadence—not a war time sense of urgency. We have very limited surge capability, as evidenced over the past three years since the invasion of Ukraine. Like the commercial sector, the defense sector and DOD as an organization moved to a just-in-time model, with the elimination of large stockpiles and warehouses of components.

To address these challenges, we need defined and stable requirements including FMS (an aggregation of demand), timely passage of defense appropriations (no more Continuing Resolutions for defense), multi-year program authority beyond what Congress has agreed to over the past three years, and multiyear “life of funds” for DOD program appropriations to stabilize investment and spend plans at DOD. Industry needs stable demand signals from DOD, funding, certainty amidst tariffs, and the elimination of as much uncertainty as possible.

#### GENERAL SYSTEMIC ISSUES

17. Senator *Hirono*. Dr. Greenwalt and Mr. Webster, what lessons can be drawn from the Ukraine experience about the responsiveness and adaptability of the FMS system?

Dr. GREENWALT. The Ukrainians have, as the United States has done in times of urgent need, foregone often sapping procurement regulations and government interference to ramp up the production of needed items — in Ukraine’s case drones and electronic jammers. Just as with our MRAP and counter-IED programs in the mid 2000’s, the Ukrainians have shown again that necessity is the mother of invention. They have stressed commercial innovation and rapid iteration in an effort to field useful capabilities. Unlike us and especially their Russian aggressors, the Ukrainians have decentralized acquisition which has allowed units to acquire weapons that suit their combat realities.

Mr. WEBSTER. The FMS program is fundamentally a peace time program that is not well suited for the pace of war, as we consistently heard from U.S. Forces during the years of war in Iraq and Afghanistan. It is possible that Ukraine experienced success with FMS where the DOD took capability from our services’ inventory to rapidly equip Ukrainian forces in their fight, and frustration in instances where material had to be produced. The FMS process can accelerate with the right amount of oversight but must be measured by the time it takes to actually deliver the capability.

18. Senator *Hirono*. Dr. Greenwalt and Mr. Webster, in detail, do you think the current administration’s tariff policies, which will undoubtedly impact global supply chains, will contribute to FMS delays?

Dr. GREENWALT. The delay in obtaining Chinese rare earths when used as a retaliatory withhold by China would undoubtedly delay production. Tariffs add a level of complexity to our supply chains particularly with those countries who currently do not have an MOU defense article exemption. The threat of tariffs may have had a benefit of smoking out retaliatory measures such as with Chinese rare earths and now force the United States to address its own supply chain weaknesses. Still, we should have already been aware of where our supply chain vulnerabilities are with respect to China, but have so far been lacking the will to act on these vulnerabilities through investment and budget decisions.

Mr. WEBSTER. While it is currently unclear the impact to FMS delays, in the near future, we can anticipate price increases for FMS programs. As for the delays, if the price impacts are significant enough, we could see suppliers to our defense primes going bankrupt or terminating contracts for cause. If this happens absent second sources, we will see delays domestically as well as within the FMS program due to the scarcity of critical components.

19. Senator *Hirono*. Dr. Greenwalt and Mr. Webster, what are the most significant bottlenecks in the current FMS system, and what reforms would you recommend to address them?

Dr. GREENWALT. There are three main bottlenecks: decision time, contracting time, and production time. I would address reducing decision time by focusing upfront on an ally by-ally basis what systems we would sell to them and establish pre-approved lists for such systems. To reduce contracting time, I would recommend establishing a contracting schedule similar to what GSA has for non-defense goods with pre-negotiated prices for defense systems that we sell to our allies. Finally, I would fund the advance procurement of the most needed systems to stockpile ahead

of time in preparation for transferring to our allies when ordered or to serve as an additional backstop for U.S. needs in the future.

Mr. WEBSTER.

- a. Requirements determination with the foreign purchaser—a fix is to discourage unique customized acquisitions and instead encourage buying the U.S. program configuration.
- b. Congressional notification process, both formal and informal—embrace the recommendation that for allied nations Congress would have a rapid approval process in addition to creating a list of nations with preapproved capability, not requiring congressional notifications once agreed to.
- c. DOD Contracting—fixes to include awarding contracts with FMS options; DOD contracting community seeking ways to adopt automation; creating a rapid contracting option for the buyers using their national funds for the FMS program (vs U.S. grant aid).
- d. Contractor production lead times—seek ways to incentivize our industries to stockpile critical components that are recognized as the long lead items that delay production, continue to invest in contractor workforce development, and incentivize our primes to invest in and nurture those suppliers most at risk.

20. Senator *Hirono*. Dr. Greenwalt and Mr. Webster, how can international armaments cooperation agreements be used more effectively to bolster shared supply chain resilience with allies?

Dr. GREENWALT. Even with more investment it is doubtful that the U.S. defense industry can meet the needs that this current uptick in global defense spending portends. The U.S. should consider more immediate co-production and the development of overseas second sources for U.S. designed expendable munitions and drone manufacturing. As a part of the AUKUS relationship we should immediately establish co-production agreements with Australia as part of their Guided Weapons and Explosive Ordnance (GWEO) initiative.

Mr. WEBSTER. International cooperative agreements provide a government-to-government enforceable agreement that defines the possibilities and limits for their industries to operate within. These agreements reassure industries that their intellectual property rights and technical data will be protected and respected. The agreement reassures governments that their legally bound role in matters such as sharing classified data or approving third party sales are respected and protected as well. This is why historically international cooperative agreements are most associated with bilateral and multilateral research and development, and production of major end items like the F35.

For supply chain resilience, we must first incentivize our industries to find suitable allied industrial partners, develop a proposal to expand production, and to sit with the Government (DOD, Department of State, and Commerce Department) to describe what is envisioned and determine what role governments will have to play. From this point, once understood, there is enough knowledge to develop an associated cooperative agreement that is specific to the proposal, thus enabling success.

