SEC. 1205. DESIGNATION OF ADDITIONAL "HIGH INCOME" COUNTRIES PROHIBITED FROM RECEIVING INTERNATIONAL MILITARY EDUCATION AND TRAINING GRANT ASSISTANCE UNDER CHAPTER 5 OF THE FOREIGN ASSISTANCE ACT.

Section 546(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2347e(b)) is amended by striking "and Spain" and inserting "Spain, Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Brunei, Ireland, Sweden, Switzerland, and Taiwan".

Section-by-Section Analysis

This proposal would designate nine additional countries as "high-income," thereby permitted to pay for military training at an incremental rate though prohibited from receiving assistance, on a grant basis, as part of the Foreign Military Sales (FMS) program.

The FMS program is a form of security assistance authorized by the Arms Export Control Act (AECA) (22 U.S.C. 2751 et seq.) whereby the United States Government (USG) may sell defense articles and services to foreign countries and international organizations when the President formally finds that to do so will strengthen the security of the U.S. and promote world peace.

The AECA requires foreign governments pay the full cost of defense services purchased from the USG under FMS. However, the AECA, in section 21(a)(1)(C) (22 U.S.C. 2761(a)(1)(C)), provides an exception for certain countries for FMS training. Foreign countries receiving International Military Education and Training (IMET) grant assistance, or designated "high-income" countries, are charged only the additional costs incurred by the USG to provide the training, if these countries purchase training with their own national funds. This cost basis required to be charged by the AECA is generally referred to as the "FMS incremental rate." Section 546 of the Foreign Assistance Act of 1961 (FAA) currently designates Austria, Finland, the Republic of Korea, Singapore, and Spain as high-income countries, ineligible to receive IMET grant assistance under Chapter 5 of the Act.

Previously, the Department of State has annually requested a small amount of IMET funds for Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar to allow them to be charged the FMS incremental rate for training purchased under FMS with their own national funds. This proposal is important to encourage these countries to continue to participate in training programs sponsored and provided by the USG. These countries partner with the USG in the global campaign against Al Qaeda in Iraq and Afghanistan. These countries are among the largest FMS customers and are key leaders in the Arab and Muslim worlds. This legislative proposal will help the governments of these countries to continue participating in training opportunities which provide interoperability and strengthen our mutual strategic security

partnership. The other five countries also have significant FMS programs and they are the only other countries currently paying full cost for the training they purchase under FMS with their own national funds.

Budget Implications: This proposal has no budget implications as these countries all pay the costs of their U.S.-provided training. Under this proposal these countries would pay only the additional incremental costs of their training in the same manner as other high-income-designated countries.

Changes to Existing Law: This proposal would amend **s**ection 546 of the Foreign Assistance Act of 1961 as follows:

Sec. 546. Prohibition on grant assistance for certain high income foreign countries

(a) In general.—None of the funds made available for a fiscal year for assistance under this part may be made available for assistance on a grant basis for any of the high-income foreign countries described in subsection (b) of this section for military education and training of military and related civilian personnel of such country.

(b) High-income foreign countries described.—The high-income foreign countries described in this subsection are Austria, Finland, the Republic of Korea, Singapore, ~~and~~ Spain, Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Brunei, Ireland, Sweden, Switzerland, and Taiwan.