The Technology Transfer Dimensions of U.S. Military Assistance

By

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I appreciate the chance to speak with you as the representative of Deputy Under Secretary of Defense Bill Rudman. Bill cannot be here today because DOD—particularly the Defense Technology Security Administration—is hard at work at the vital and difficult job of revising the COCOM (Coordinating Committee for Multilateral Export Controls) control list. But he has asked me to tell you how much we value working with the security assistance community, particularly General Brown, Glenn Rudd, and our other colleagues in DSAA.

I am personally glad to be here. Many of you know the members of the arms cooperation division within my office in DTSA—Val Truumees, Betty Marini, Lt Col Sam Dark and Commander Chuck Finney. Those of us in the military assistance community face many common problems and we try to find practical solutions to them by working together.

Let me first mention where DTSA fits in the military assistance process and discuss some of our ideas on how to strengthen our cooperation even further. Then I will sketch out several major developments in the broader field of technology transfer. These developments will affect military assistance strongly and we all need to be aware of them to do our jobs effectively.

DTSA AND SECURITY ASSISTANCE

The Defense Technology Security Administration was established in 1984 to pull together the work on technology security being done within the offices of the Under Secretaries for Policy and for Acquisition, Within DOD, the technology transfer decision-making process is controlled by DOD Directive 2040.2, *International Transfer of Technology, Goods, Services, and Munitions.* This directive states that the management of international technology transfer shall be consistent with U.S. foreign policy and national security objectives. It also states that military technology shall be shared only with allies and other nations that "cooperate effectively in safeguarding" technology and goods from other nations whose interest are "inimical" to those of the United States.

In this year's annual report to the President and Congress, Secretary Cheney listed "technology security" as a "critical defense policy priority."

Specifically, DTSA works with DSAA by emphasizing the need for technology security risk assessments and control plans in MOUs [Memoranda of Understanding]. Here we are carrying out the requirements of DOD Directive 5530.3 on International Agreements (Section I.3.d). Also, we send munitions license applications for direct commercial sales, which DTSA, as the lead DOD office receives from State, to DSAA for review. We recognize that DSAA should know about commercial sales because these often could affect DSAA country programs. Also, of course, DSAA often provides important inputs to the overall DOD review of munitions licenses.

There is one further way in which DTSA can contribute even more to the security assistance process. DTSA now reviews MOUs on coproduction. However, a problem arises with respect to FMS Letters of Request and Letters of Offer and Acceptance. These are the legal means by which defense articles and services are transferred on a government-to-government basis. They may prevail over the MOU itself. The problem we face from the standpoint of technology security is that by following the current LOR/LOA staffing procedures for FMS, it is possible that levels of technology that are not authorized by the MOU for sale or coproduction could be released via the ensuing program LOAs without review by DTSA and the technology release community. That is, we start the technology security process, but do not finish it. We are now working with DSAA to find the best way to resolve this issue.

NEW TRENDS IN TECHNOLOGY SECURITY

Now let me mention three broad trends in technology transfer policy that will affect the way we all do business. These reflect a reduced immediate challenge from the Warsaw Pact (though a continuing long-term Soviet challenge), a greater concern with military risks from certain Third World countries, and a growing consensus that the export of defense goods and technologies is critical to U.S. commercial competitiveness.

WHAT HAS CHANGED AND WHAT IS THE SAME IN THE WARSAW PACT

As you know, the United States and our allies are reducing significantly the list of technologies whose transfers we control to the Soviet Union and Eastern Europe. In June 1990, Bill Rudman and his counterparts in State and Commerce attended the COCOM High Level Meeting in Paris. That meeting accepted a U.S. proposal to reduce immediately the controls placed on certain goods and to develop a new "core list" of goods that would replace the present long and complicated COCOM control list.

These changes reflect the lessening of tensions between the Soviet Union and NATO over the past few years and the revolutionary changes in government in Eastern Europe in late 1989 and early 1990. However, everything has not changed. The United States draws a clear distinction among Warsaw Pact countries based on whether the country still poses a potential military threat.

EASTERN EUROPE

When the White House announced that President Bush favored a "complete overhaul" of the control list, it emphasized the "welcome and dramatic changes in Eastern Europe" and the U.S. desire to aid Eastern Europe's "significant effort to modernize its industrial base." Subsequently, DTSA and other U.S. government offices have been visited by technology transfer delegations from the new democracies of Eastern Europe. These delegations have stated that they will protect Western technology from being transferred to the USSR. I should note, though, that the United States is concerned about continued intelligence ties between elements in these Eastern European countries and the Soviet intelligence agencies.

The changes in Eastern Europe will offer opportunities for military assistance and arms sales. Delegations visiting DTSA have stated that they would like to buy U.S. military equipment to increase their independence of the Soviet Union. These countries probably will leave the Warsaw Pact and probably will consider themselves western-oriented neutrals, like Austria or Switzerland. Several of them will be more pro-U.S. and anti-communist than some neutral countries for which the United States has supplied armaments. So, the U.S. military assistance community will have to begin thinking about what we might supply and how we should control this supply. This is an area where DTSA will have to work closely with DSAA.

PERESTROIKA AND THE SOVIET MILITARY

By contrast, the United States still sees the Soviet Union as a nuclear superpower whose long-term intentions toward the United States and our allies are not yet clear. Many of the technologies that [President] Gorbachev and his civilian advisors seek in order to modernize the Soviet economy are also sought by Soviet military leaders to modernize the Soviet military establishment. This includes advanced machine tools, computers, microelectronics, and telecommunications.

Moreover, the Soviets are increasingly focusing on technological rather than numerical competition as the key element in military power. DOD estimates that the Soviets now equal the United States in the level of deployed technology in ICBMs, tanks, armored personnel carriers, and artillery; they are also reducing the U.S. technological lead in combat aircraft and helicopters.

There is now some evidence that the announced conversion of the Soviet defense industry to civilian use may turn out quite differently than expected. In fact, some facilities are being transferred to the control of the defense-industrial ministries because these are the only real success stories of the Soviet economy. This means that the defense industry may end up being strengthened by *perestroika*. That is part of the reason why the United States insisted at COCOM that we must maintain tighter controls on the transfer of technology to the Soviet Union than to the Eastern European countries.

TECHNOLOGY PROLIFERATION TO THE THIRD WORLD

All of us are familiar with the trade-offs between the security benefits of arms transfers to developing nations and the problems that such transfers can pose for regional stability. This issue will become increasingly pressing in the 1990s because of the higher level of military technology involved.

Secretary Cheney stated in his January, 1990, *Annual Report to the President and the Congress* that, "high technology weapons of all types" are available in "increasingly alarming quantities" in the international marketplace. He added that technology security was a policy priority not only because of Soviet efforts to gain Western technology, but also because Third World nations were seeking "nuclear, chemical, or biological weapons technology or missile technology." As you know, President Bush is personally very concerned about stopping the spread of chemical weapons.

Also, the Missile Technology Control Regime (MTCR), which supplements U.S. efforts at nuclear non-proliferation by trying to stop the spread of ballistic missile technology, focuses on several countries that are traditional markets for U.S. arms sales. For example, the public list of countries that have or are developing ballistic missiles includes not only unfriendly or terrorist supporting countries like Iran, Iraq, Libya, and Syria, but also friendly countries like Argentina, Brazil, Egypt, Israel, and Saudi Arabia. Both sides in the Iran-Iraq war used ballistic missiles, and Iraq has threatened to use them against Israel.

This proliferation of advanced technology is affecting defense and foreign policy. DOD officials are now presenting the SDI [Strategic Defense Initiative] partly as an effort to defend the United States against nuclear-armed ballistic missiles launched by radical Third World states. Moreover, the United States is cooperating with Israel to develop theater ballistic missile defenses.

DTSA is working with other offices in OSD (including DSAA), and with State to review export cases and to try to establish an overall technology transfer policy that will meet these U.S.

concerns, while still permitting the transfers that back up our traditional policies of military assistance to friendly foreign countries.

DEFENSE SALES AND COMMERCIAL COMPETITIVENESS

The third key area of technology transfer for the 1990s is a greatly heightened interest in the commercial and economic implications of arms transfers.

This issue is not new to any of us, but I want to stress that we are now operating in a new political and economic environment from the one that existed even a few years ago. Much of this stems from the public and Congressional debate in 1989 over the FSX. As you know, critics of the FSX arrangements charged that the Defense and State departments had emphasized security issues to the exclusion of trade issues. DTSA does not accept this criticism. In our view, DTSA and DSAA worked closely together on the negotiations to protect the technologies that are critical to the United States. Secretary Cheney specifically cited the contribution of DTSA in his defense of the FSX arrangement to Congress.

Since the FSX debate, the Departments of Defense and Commerce have developed a much closer working relationship in MOU development and negotiation, in order to protect the industrial base as required by the Congress.

Finally, let me note DOD's view of some changes that have been suggested by industry. The Defense Policy Advisory Committee on Trade (DPACT) has submitted four reports on export control and technology transfer in the past two years. Some of the DPACT recommendations have real merit and have been implemented or are being carefully examined by DOD. Others tend to blame the government for problems that must be shouldered jointly. Let me give you examples of both.

We agree with several recommendations to speed the export control process and make it less complicated. Two government responses are noteworthy. First, DTSA and State's Center for Defense Trade (CDT) are about to begin an experimental "fast track" licensing methodology for MOU-related licenses. More important in terms of number of cases, DTSA and State's CDT will soon implement the Licensing Workload Reduction Program. This should eliminate 25-30 percent of the current requirements for munitions licensing. That will help to substantially reduce the review time for the remaining requirements. Let me note that industry can help to further reduce the time required for licensing review by providing the required technical data at the time the license request is submitted.

The DPACT also recommends streamlining the process for exemptions from the National Disclosure Policy requirements. Within DOD, both the Deputy Under Secretary for Trade Security Policy (Bill Rudman) and the Deputy Under Secretary for Security Policy (Craig Alderman) are now working together to find ways to assist industry. Preliminary findings indicate the need for more extensive industry cooperation in providing supporting documentation and some augmentation of personnel in the NDP Committee Secretariat.

This is a complicated issue because of the number of offices involved and the high political visibility of some NDP cases. However, Bill Rudman and Craig Alderman are committed to helping U.S. industry compete even more effectively in defense sales abroad and we will make good progress in this area.

I believe that these examples show how DOD and industry can work together to speed the approval of security assistance cases while maintaining the controls and reviews that are necessary for our national security.

CONCLUSION

There are major trends in technology transfer that affect U.S. relations with the USSR and Eastern Europe and with Third World nations and that inject economic considerations more heavily into arms transfers. We in the military assistance community need to bear these trends in mind in order to understand the policy pressures that will affect our decisions.