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# SECURITY ASSISTANCE LEGISLATION AND POLICY

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## Defense Trade Center Protects America's Interests

[The following is a reprint of an article which originally was published in the Department of State's *DISPATCH*, July 27, 1992.]

With the collapse of the Warsaw Pact and the disintegration of the Soviet Union, traditional threats to international security have changed dramatically. New dangers have emerged, including nuclear proliferation, chemical and biological warfare, and technology transfer.

At the same time, the importance of defense trade has grown significantly. During the 1980s, U.S. commercial defense trade grew significantly in both volume and complexity, a trend that is continuing in the 1990s. Global defense trade is a highly competitive enterprise and will remain that way through the turn of the century.

Recognizing a need to adjust to the new global environment, the Department of State established the Center for Defense Trade (CDT) in January 1990. The center provides improved export-licensing services and policy guidance on defense trade policy to U.S. industry and the federal government.

"The United States has taken the lead in international efforts to limit the proliferation of weapons and sensitive technologies," says Charles A. Duelfer, director of the center. "It has urged other supplier nations to adopt and apply export controls comparable to those of the United States."

The United States works regularly with other countries through mechanisms such as the United Nations, NATO, and the Australia Group, says Mr. Duelfer, who adds that such consultation "ensures that these efforts are multilateral in scope."

The center, which is part of the Bureau of Politico-Military Affairs, has two principal units, the Office of Defense Trade Controls and the Office of Defense Trade Policy (DTP). The former tracks all U.S. manufacturers and exporters of defense goods or services and regulates the export of U.S. defense goods and services under rules established by the International Traffic in Arms Regulations and the U.S. Munitions List. Each year, it reviews more than 50,000 license applications for the export of defense articles, services, and technology. More than 7,000 manufacturers and exporters are registered in its system.

DTP provides policy guidance on commercial defense trade and advises the U.S. defense industry on markets overseas. The office also analyzes trends in U.S. defense trade and studies foreign markets to assess opportunities for U.S. defense companies.

Defense trade control policies are based on foreign policy and national security considerations rather than economic ones, the director points out. The history of controls dates back to the 1930s, when the American public grew concerned over profiteering from armaments and was wary of becoming entangled in European conflicts. The 1935 Neutrality Act directed the Secretary of State to establish an office of arms and munitions controls, with authority to register and issue export licenses to all U.S. entities engaged in defense-related trade. The 1954 Mutual Security Act, the

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1976 Arms Control Export Act, and several executive orders have modified the original law. Congress continued to strengthen munitions export controls during the Carter, Reagan, and Bush Administrations.

CDT works closely with Congress to review defense trade policy. Under the Arms Export Control Act, CDT is required to notify Congress 30 days before issuing any license or approval on certain defense trade applications. Unless Congress passes a joint resolution prohibiting the export in that time period, CDT can issue a license.

Responding to the growth in volume and complexity of defense export applications, the center has taken steps to accelerate the review process so that exporters receive decisions in a timely fashion. "From an industry perspective, the best measure of CDT's performance is undoubtedly the responsiveness of the licensing process," says Mr. Duelfer. "The center's objective is to create and make permanent a fast, predictable export-licensing process that ensures adherence to U.S. law and State Department policies but that does not impede trade through unnecessary delays."

The center has increased the number of licensing officers in the Office of Defense Trade Controls. In August 1991, the center introduced a computer system that enables personnel to see license case information far more quickly, allows them through an optical scanner to store images of applications, and permits the center to monitor individual cases more easily. Industry users can determine the status of a specific case through the Automated License Status System, which is accessible with a touch-tone phone or the remote on-line bulletin board.

The new computer system and the increased number of officers help the center achieve its goal of faster service, says Mr. Duelfer. For example, average licensing times have decreased for 50%-70% of requests since CDT's creation.

Foreign defense firms are concerned about pursuing joint ventures and subcontracting agreements with American companies, fearing that U.S. rules will limit their capability to export products that incorporate U.S. components. Because of the need to maintain America's defense industrial base, the Department of State addresses these concerns by asking foreign companies that seek joint ventures with American firms, or vice versa, to submit a list of prospective export destinations with their license application. In conjunction with the Department of Defense and other concerned agencies, the Department of State reviews the list and can grant preliminary approval. Once exporters have initial approval they can be reasonably certain they can avoid subsequent problems related to third country transfer requests. However, foreign firms that seek to export a defense item that incorporates American technology still must obtain final approval for third-country transfer.

"The war in the Persian Gulf demonstrated the importance of assisting U.S. friends and allies and preserving a strong industrial base" Mr. Duelfer declares. "The Department seeks to maintain a vigorous security assistance program and to facilitate defense exports in accordance with U.S. national security and foreign policy objectives."