
One on One

With

**William Reinsch,
U.S. Undersecretary for Export Administration**

[The following is a reprint of an interview with Mr. William Reinsch. The interview was published in the November 30-December 6, 1998 issue of *Defense News* (p. 38). This article is reprinted with the permission of *Defense News*, Copyright by Army Times Publishing Company Springfield, Virginia].

Q. How disappointed were you by 1999 legislation transferring primary authority for U.S. satellite exports from your bureau to the U.S. State Department, where Congress expects exports to be more tightly controlled?

A. It was a significant setback, and the President expressed his disappointment at the jurisdictional transfer. But the President is committed to taking steps to make sure industry is not disadvantaged by the switch back [to the U.S. State Department].

Q. How do you and your colleagues in the administration plan to shape the debate over export policy in the coming Congress?

A. We spent the whole last year defending ourselves on satellite exports. But we're not giving up. First of all, it's the President's policy, and my job is to implement the President's policy. He understands what happens in a global economy.

We haven't abandoned controls. In fact, our denial rate for China is higher than [former President George] Bush's denial rate for China. So I would like to have a debate. I just hope it will be a debate over policy.

Q. What do you mean exactly?

A. There are a whole lot of people who don't like the Chinese for a whole lot of reasons other than export controls. Conversely there are a whole lot of people who like the Chinese for reasons that have nothing to do with export control. We need to focus on what are the policy issues? What are we controlling? Why? To whom?

We'll all be better off if Congress is going to address these issues systematically. So I'm not in the position as I was this year in having to dodge isolated sniper's bullets.

Q. This year marks the fourth year without an official Export Administration Act, which forces the President to invoke emergency stop-gap procedures to keep export licensing procedures in place. How is this affecting the way you do business?

A. It's the fourth year without one. But the 10th year since it was last renewed. Congress tried and failed to pass a new [act] in 1990, 1992, 1994 and 1996. This past [year], Congress didn't even try.

People are interested in the issue, as you can tell from attention given to satellite and computer exports, but they're interested in a sort of negative way. So what we're left with is this

annual amendment to the defense bill that is piecemeal and sector-specific. This isn't the way to legislate.

There needs to be a comprehensive look at U.S. export policy that takes into account globalization, the availability of technology, and all the other things that have happened in the past 10 years.

Q. And how is it affecting the way you do business?

A. The biggest problem for us is penalties. With the act expired, the maximum administrative penalty for violators is \$10,000 per count. For a big company, it may actually be cheaper to pay the fine as a cost of doing business. We proposed that new legislation contain maximum penalties of up to \$200,000, depending on the violation.

Q. Why are the U.S. executive branch and industry not more proactive in forcing this issue onto the congressional agenda?

A. We worked very hard in 1994 and 1996, and we got it through the House of Representatives in 1996. The executive branch and industry will rise to the challenge next year partly because of investigations that took place this year. More importantly, however, there are people who don't agree with the President's approach: people who want to take us back 20 years to the Cold War days. And we think that's a mistake.

So we expect the issues to be out on the table, and we expect the business community to get into the fight.

Q. What do you say to those who criticize U.S. export policy for promoting business at the expense of national security?

A. We've done what we've done [easing export restrictions] for security reasons. The President believes that national security is directly related to economic security. The reason we have a strong military and strong national security is in large part because of high-technology exports.

What [former Defense Secretary] William Perry and [former CIA Director] John Deutch understood is that the defense and intelligence community rely, for example, on high-performance computers for command and control and other militarily critical missions. They understood that the Pentagon doesn't buy enough of those computers to keep many of our companies in business. Our companies are helping security because of exports, not because of Pentagon purchases, which amounts to not more than 10 percent of their business.

Q. Are you overstating the case?

A. Not at all. Direct military purchases are going down while commercial off-the-shelf acquisitions are going up. It used to be that a defense contractor was given hundreds of millions of dollars to develop defense technology and then there would be commercial spinoffs. But now we've got a reversal, with the Pentagon looking at what's available commercially.

The effect is that the Pentagon's health is directly related not to companies they support with contracts, but to civilian companies that are on the cutting edge. And that edge remains sharp through exports.

Q. Do you expect the White House to adopt further relaxations on U.S. supercomputer exports?

A. We need to make sure high-end machines don't end up in the wrong place, but in a way that doesn't tie our hands in the marketplace. I hope we'll shortly revisit this issue, and there will be plenty of time for Congress to review whatever policy change we make.

Q. Does that mean we should expect a wholesale lifting of restrictions, or an easing of restrictions only to certain countries?

A. It's reasonable to expect a Presidential policy raising the threshold for so-called Tier II countries (Southeast Asia, Latin America, South Korea). As for Tier III countries [such as China, Russia, India], the option is a complete revamping of the whole system or some fine-tuning of what we have with the understanding that these are interim measures until 2000 or so, when the technology is expected to break out and become overwhelmingly available.

Q. U.S. law requires Washington to treat Hong Kong as a separate entity, even though it now is officially part of China. Are you satisfied that U.S. exports to Hong Kong are not making their way into China?

A. There is no evidence to indicate a breakdown in the so-called firewall separating Hong Kong from China. We meet with Hong Kong authorities every six months and will continue to monitor the situation. To change anything would require a Presidential certification that their system has eroded, and that would be a pretty earthshaking step.

Q. But is it inevitable that sensitive U.S. technology will find its way into China?

A. People are less concerned about the short term, but in the long term it may be inevitable.

Over time, there's bound to be more pressure on [Hong Kong authorities] for obvious reasons. But in the meantime, they've done a good job at maintaining the firewall.