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# **Remarks at the Roll-Out of D-Trade: The New Bureau of Political-Military Affairs, Directorate of Defense Trade Control Electronic Licensing System**

**By  
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[The following are excerpts of remarks presented to the Bureau of Political-Military Affairs, Directorate of Defense Trade Control (PM/DDTC) Conference Room-H-1204 SA-1 (Columbia Plaza), Washington, D.C., February 18, 2004.]

From the outset of this Administration, we have talked about making licensing faster, simpler and more “user-friendly,” a familiar phrase. This is going to get us there. If we could say yes to every application, you would not need an Office of Defense Trade Licensing. So what this will really do is let us say yes or no in a more timely and effective manner.

Now to get to this day and to get this capability, it was no small accomplishment. I just want to take a moment and thank a few people. There is a lot of credit to go around. There are a number of companies, I believe eighteen companies, large and small, participated in our pilot project last year for six months. The Defense Trade Advisory Group, which is our federal advisory panel, to program management, has been quite helpful. The Society for International Affairs (SIA) is helping us to get the word out so that people can be trained on how to use the system. Our contractor, Northrup Grumman has been quite helpful.

D-Trade is the first entirely paperless, most user-friendly and security-sensitive defense technology export licensing system ever created. Twenty years ago, in the Pentagon, we remember how things used to be and how long it took to get something through the process. And we are pleased no longer to be at that end of the system, but to be at this end of the system, not that we have any regrets about our service in the Pentagon many years ago, but to be at this end of the system and to help pull things through more quickly, more efficiently, is, frankly, a great pleasure to participate in such an activity.

D-Trade is important because it is one of many moving parts within the US national security system. And all the parts matter because every part relates, obviously, to the whole. D-Trade is also part of the President’s management agenda, which aims to advance effective government through e-government. This initiative is dear to my heart. One of my priorities here at the Department of State, as Assistant Secretary Lincoln Bloomfield has noted earlier, was to make sure that we are in 21st century time and movement. We last week got rid of or at least I got a certificate certifying that we got rid of it I was not there when they burned it. But we got rid of the last Wang computer in the Department of State, believe it or not. When they told me that, I said, “When did we get rid of the last Wang computer in the Department of State?” And it was only last November. But it shows you how far we have come over the last three years, to the point where we have broadband capability throughout the Department of State, and with that broadband capability we have been able to put 44,250-odd computers at stations all around the world, to speed things up to but not just to speed things up, but to use this new technology to change the way we do business. If it is a matter of speeding up old processes, or if it is a matter of doing old business in a faster way, that is not enough. We have to change the way in which we do business, and that is certainly what we are planning to do with D-Trade.

To protect the American people, our allies and our friends, our armed forces need and they have the best technologies available. A crucial part of national security, however, is insuring that those who wish us ill do not possess those same technologies. Overseeing the defense trade is a

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big part of how we gain that insurance, but it is a task that is becoming harder and more complex by the day. It is harder than ever to distinguish between technologies that have military applications and those that do not. It is harder than ever to know which subcomponents within complicated machines can be reverse-engineered for nefarious purposes. In 2003, the Directorate of Defense Trade Controls adjudicated almost 57,000 cases for more than 4,300 registrants concerning trade that was worth more than \$95 billion. That is big business.

These days, when the crossing of trend lines between military technologies and terrorism poses such a major threat to our security, we can not afford a high error rate. We can not afford an error rate at all, if it can be avoided, in controlling defense trade. D-Trade harnesses information technology to freeze our error rate down as close to absolute zero as is possible, to keep US weapons and military technology away from our enemies. At the same time, D-Trade will help us get selected technologies into the hands of allies and friends. And it will help make our defense industry more efficient in providing our armed forces with the weapons and with the tools they need to be successful on the battlefield. A smarter and faster licensing process is important to our allies and to US business, its workers, communities and shareholders alike. Indeed, we would not be here today without industry's help in making D-Trade user-friendly. And only continued industry support can make D-Trade fully effective because the process has to start with the applicant. But we are confident of that support because D-Trade works and it is in the interest of industry to work with us.

Although it has been up and running since January 15, 2004, the Department of State's e-government advisory group recently rated D-Trade already as on-time and on-target, for both delivery and for performance. We do not have much data yet on processing times, but we expect those times to drop significantly. We also expect more error-resistant processing and easier tracking, and we expect the cost savings associated with both of these to be rather significant in terms of both time saved and money saved. But most important, D-Trade will improve national security and it will do so in three ways.

- First, by making the processing of routine cases more efficient. Those responsible, as a result, for scrutinizing applications will have more time to focus on the tough cases.
- Second, D-Trade will support criminal prosecutions and civil proceedings against violations of export law. That will reinforce the directorate credo that strong compliance is good business.
- Third, D-Trade will make this directorate's cooperation with colleagues in the Defense and Commerce Departments that much more effective.

This directorate is a strong team, forged from members of the foreign service, the civil service, the uniformed military, the Department of Homeland Security, as well as contractors with a rich diversity of professional backgrounds. All 120 of you who work in this shop bear a heavy responsibility for national security. And you guys really do know national security. Among you are thirty-two veterans, reservists and active duty personnel. Colonel Larry Naylor received a Bronze Star in Afghanistan. Yolanda Gantlin's husband recently served in the Persian Gulf. Two of your colleagues are reservists currently on active duty. As far as I am concerned, you are all on active duty. And every day, when you show up here for work, I hope you think of yourselves as mission critical personnel of the US government and of the Department of State. So today is not graduation day for D-Trade, it is just commencement, the beginning. We are here not only to launch D-Trade, but to rededicate ourselves to using defense trade controls as a potent tool to advance national security and our strategic objectives as well.

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We are committed to your welfare. We are committed to giving you the tools that you need to do your job. D-Trade is an example of that. So thank you very much, and congratulations to D-Trade and to your leader, Assistant Secretary Lincoln Bloomfield.

**Demonstration Comments:** Secretary Powell, this is the old paper license application with six collated copies. Today, we want to show you the new D-Trade Electronic License System. I am very proud to represent all the experts that built this system, who leveraged all of our existing resources and pushed technology to the limit in order to develop a system that could acquire, validate and process digitally signed forms and attachments for license applications. It was a very demanding challenge, but we did it, and we did it on time and at cost. And now Ruth Jackson will walk you through the internal processing of a license application and offer you an opportunity to approve an electronic license.

Secretary Powell, Deputy Secretary Armitage, Assistant Secretary Bloomfield and honored guests, what you see before you here is an export license application submitted through the D-Trade Electronic Licensing System from ABCD Vision, Inc., for the export of one pair of Generation Three Night-Vision Goggles to the United Kingdom Ministry of Defense. What you do not see is the support documentation submitted electronically with this license, consisting of purchase order, technical descriptive literature, end user end use information. It replaces this paper license here and the need to have seven collated copies of the support documentation. Another unique feature of the D-Trade system is that every export license application that is submitted through the system is filtered through a watch list. The watch list is a compilation of names of persons who are ineligible to contract with, who have been convicted of violating the *Arms Export Control Act*, and the names of the persons are also foreign persons and domestic.

There is a hold feature, and it is the feature that the licensing officer will look at to see if this export license application successfully navigated the watch list. In this case, our export license application successfully navigated the watch list because no names were found from it. If it had yes on the feature here, then the license would be placed on hold, and then the licensing officer would be instructed to go to our compliance and enforcement branch for further adjudication or further instructions on how to adjudicate the license. The licensing officer also would be unable to issue this license to the applicant.

The export of Generation Three Night-Vision Goggles requires that we send a copy of the export license application to our colleagues at the Department of Defense. In this case, the licensing officer would see this portion of the screen. As you can see, there is the Department of Defense and there are other agencies outside of the Department of State, and geographical regional desks, that the license application can be sent to electronically. And now the license is sent over to the Department of Defense.

For purposes of this demonstration, we will say that our colleagues at the Department of Defense have no objection to the export of the night-vision goggles to the United Kingdom Ministry of Defense. The licensing officer will review the comeback from the Department of Defense, which will be sent to him or her electronically, and now they are in the position to decide whether or not this license application should be issued to the applicant.

Secretary Powell, would you like the honor of approving this export license application for the export of Generation Three Night-Vision Goggles?

**Answer:** Secretary Colin Powell: Yes, ma'am.

**Demonstration Comments:** You have successfully approved this export license application. This license will be sent to the applicant electronically.

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Secretary Colin Powell: Great. Does it go up on a CD-ROM or can it come down the ALLDIS?

**Demonstration Comments:** It comes over the internet. It is secured with PKI encryption.

Secretary Colin Powell: Excellent.

**Demonstration Comments:** We will be accepting files up to 100 megabytes in size so far.

Secretary Colin Powell: That is incredible.

**Demonstration Comments:** And we have a CD-ROM with instructions that will be issued soon all over the country, so people can learn how to use it correctly. Teams will be going around the country.

Secretary Colin Powell: Would you continue to do paper?

**Demonstration Comments:** Yes. I think we have to be able to process paper for every mom and pop. They do not have to use this, so we will be able to use paper.

**Demonstration Comments:** A very small number. There are a number of exceptions that the licensing team have told me about, individuals wanting to go on hunting trips, for instance, they may or may not invest in the capability to do D-Trade. However, the certificate that they use for security can be used with other federal agencies. We leveraged off of the Federal Bridge architecture so that the same certificate that they use for D-Trade will be used for Social Security, Health and Human Services, Internal Revenue Service and other places. So, eventually, everyone will have this type of security system that we will use for signing our name, then they could easily, there is no cost, there is no additional cost to use D-Trade.