
Second Annual Security Cooperation Conference

By

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[Remarks delivered by Deputy Secretary of Defense Rudy de Leon, to the Second Annual Security Cooperation Conference, July 11, 2000.]

Thank you very much for the chance to be here. I want to thank you, General Michael Davison, for the chance to be here today and to speak before this group. You do challenging work. The general and I were just talking as we walked in the door that we've never quite seen a transaction with the complexity and the fidelity that we had to have regarding the F-16s to the United Arab Emirates, which is now coming to conclusion.

But I also think when you look at security assistance and the sale of U.S. military equipment, there is one thing that each of you from the general to those of you who work in this area every day, brings to this job and that is integrity. In other parts of the world defense munitions sales is an area not known for its integrity. But you have really given our government a very capable, hard working and honest system, and you give our contractors who are competing with their systems every day a level playing field. That is a major accomplishment.



Deputy Secretary of Defense Rudy de Leon addressed the plenary session and noted the success that FMS reinvention had already achieved under the leadership of General Michael Davison.

So I want to thank General Davison for his introduction, for the kind words, and I want to thank you, General, for your leadership in confronting the challenges that bring us here today. As you know, the General will soon be taking leave of his position and will be leaving his beloved Army after more than three decades of service.

Some of you know that the general hails from a long line of distinguished Davisons in the Army, a legacy recognized in Davison Airfield at Fort Belvoir. General, like your father and grandfather before you, you too have served this nation with great honor, whether as a young platoon leader in Vietnam, as a Cold War commander in Europe, or as a builder of bridges with other nations in your current capacity. So on behalf of the Department of Defense, in fact in behalf of our entire nation and all of those who have benefited from your leadership, I want to thank you for your lifetime of service to our country.

General Tome Walters is the incoming director of Defense Security Cooperation Agency to whom we look to carry on the great work that General Davison is engaged in, we look forward to working with you; Deputy Director Robert Keltz, without whom so much of the progress of recent years would have been impossible, we thank you for your effort; industry partners that are here; representatives from our allies and friends; ladies and gentlemen.

I thought I might begin this morning by recalling some lessons of history. As you know, two weeks ago the U.S. and our allies marked the 50th anniversary of the start of the Korean War. There was a ceremony out on the National Mall, and immediately before that I hosted a luncheon with General Brad Smith, who on June 25, 1950 was a lieutenant colonel doing occupation duty in Japan when the call came from Douglas MacArthur himself informing him that he would have to deploy his unit to Korea.

Then—Lieutenant Colonel Smith’s group is now known as *Task Force Smith*, and while their heroism and commitment is unchallenged and a legacy for us today, the one point that was clear as we hosted this luncheon and went around the table were the challenges of moving equipment and not having the right equipment in the field. It was, if you will, the modern day version of interoperability.

So that was a lesson for us today: that now, just as then, seemingly distant dangers can suddenly come upon us; that now, just as then, failure to invest in our warriors and their weapons and those of our allies is to invite great risk to the safety of our forces and the security of our nation; that now, just as then, we need strong partnerships with other nations backed by strong forces to preserve peace and deter, and if necessary, defeat aggression.

In recent years, those enduring lessons have on many occasions been drowned out by those who may question America’s engagement, alliances and partnerships abroad and by those who question the continued need for the myriad of programs that undergrid our engagement. That includes programs such as foreign military sales.

Questions about foreign military sales FMS, as everyone here knows, reached a critical mass a few years ago. I know that in his remarks yesterday General Davison cited some of the reasons. Indeed, we need only recall some of the headlines from that time to remember how severe the critiques had become.

Said one defense publication, “FMS is too cumbersome, inefficient, and driven by outdated security regulations.” Wrote another, “A group of countries want to abandon FMS.”

Then there was this stark prediction: the “program could die.” Then finally a critique, “FMS remains very much a Cold War restrictive mindset. It is cumbersome, time consuming, and heavily rule bound.”

I would point out that the last quote came from my predecessor, Dr. John Hamre, who was one of the key people who helped spur the effort to give General Davison and his leadership team the authority they needed to address these very concerns.

I think everyone in the room would agree that we have since witnessed the beginning of a new era for foreign military sales; in General Davison’s effort to reach out to customers, both in foreign governments and across the U.S. government, in the reduction of the surcharge on sales which underscores the commitment to make to the entire FMS process more efficient, in moving toward giving foreign purchasers more visibility into the contract and production processes, and in conferences such as this which send a powerful message that we need government and industry to work as partners in this process.

Today a picture of recent headlines reveals a markedly improved picture. I know the general mentioned these figures yesterday, but they are worth repeating. Some \$12 billion in foreign military sales last year. Some \$13 billion or more expected this year. All of which reflects renewed confidence by other nations that these sales are still preferred for the total package of support, assistance, maintenance and training that only U.S. FMS can offer.

In short, the state of our foreign military sales program is strong. It is working well for America. It is working well for our interests. And it is working well for allies and working well for their interests.

Still, gatherings such as this wouldn't be necessary if there was no room for further improvement. Now I know that I come to you halfway through your discussions, so I thought I would use the remainder of my time to suggest some principles that can guide us as we explore what else we need to do to sustain and strengthen this important program.

First and foremost, there should be no doubt about the importance of security cooperation programs like FMS. Consider Europe. Security cooperation from the U.S. is helping bring our new allies, Poland, Hungary and the Czech Republic, to upgrade and integrate their militaries into NATO. For example, there is the recent transfer of the former frigate USS Clark to Poland in a remarkable eight months from the initial offer to the commissioning in Poland just a few weeks ago. And just last month Portugal joined the so-called F-16 group to allow for even more trans-Atlantic cooperation in upgrading those fighters under a program administered by FMS.

Consider Asia, Security cooperation with the Republic of Korea has helped keep the peace on the peninsula for the half century since *Task Force Smith*. There is Singapore where the recent sale of Apache Longbow helicopters is an example of deepening U.S.-Singapore security cooperation.

Or consider the Middle East, where so much of the peace between Israel and its Arab neighbors, especially Jordan and Egypt, is grounded in the capabilities and confidence that our security cooperation has provided. Likewise, the recent and long-awaited sale of F-16s to the United Arab Emirates, a commercial sale supported by the Air Force through FMS, will further strengthen that coalition partner and strengthen us in the region.

We encourage such sales and cooperation because they directly support our ability to protect our forces, ensure readiness, shape the world, and secure our interests. So I think any effort to reinvent FMS ought to also recognize that it will be just as important to our national security in the future as it has been in the past.

Closely related to this is a second guiding principle, a commitment to change. I know there have been some who have questioned whether this department is truly committed over the long run to reforming FMS. Secretary Cohen and Dr. Hamre rightly recognize the need for real and lasting change. General Davison does this, as does General Walters. This effort cannot and will not be a one-time flash of activity like some comment in the sky, fantastic but fleeting. Although it will indeed require leaders of vision, it is greater than any one person. So I wanted to come here today to convey my personal commitment to this cause.

I would like to add something else. We have to do more than change mission statements and methods of business. We have to change mindsets as well. Mark Twain once remarked that "nothing needs reforming more than other people's habits." If this reform is indeed going to result in real and lasting change, we need individuals from senior leaders all the way down to the working level ready and willing to reform their own procedures and their own habits. That's why when Dr. Hamre announced the reinvention of FMS two years ago he purposely did so as part of the larger Defense Reform Initiative and our ongoing Revolution in Business Affairs.

So again, I wanted to come here today to underscore that commitment to working with and supporting you in this effort, and to stress the need for a personal commitment to change by everyone involved.

This brings me to the third guiding principle I want to suggest this morning the need to remember the customer. I know that one of the great accomplishments of the reinvention effort has been to rediscover the customer. We only need look at the example of Finland's F-18 purchase. The 1992 FMS purchase of 64 aircraft was that nation's largest peacetime procurement in history. It was the largest international Hornet collaboration in history. And thanks to the cooperation and creative partnerships between both governments and the industry partners involved, the final aircraft will be rolled out in Finland next month ahead of schedule, within budget, and with the chief of the Finnish defense forces declaring that FMS "fulfilled all of our expectations."

I cannot overstate the value of these kinds of partnerships and this kind of cooperation, especially in the case of the NATO alliance. Coalitions are only as strong as their weakest link, and it is no exaggeration to say that the NATO alliance cannot fight together if first we do not build together. Coalition operations will require coalition business.

An America more open to European business and a Europe more open to American business means both more competition and more cooperation, which means more innovation, which means more capable and interoperable systems for our men and women in uniform. Interoperability of systems is one of the key lessons coming out of the Kosovo campaign. The fact is that while we were very comfortable that we could train together, work together and fight together as a coalition when the critical moment came, our ability to be interoperable was significantly less than what we felt it would be.

As I said last month to our European partners an audience of military, civilian, and business leaders from across the alliance, the United States recognizes and realizes that some of our own policies have been among the greatest barriers to greater industrial cooperation. For several years now many in the United States have been concerned about the emergence of a "Fortress Europe" not open to U.S. companies, only to realize that American export controls in some cases support a "Fortress America" mentality.

The United States has long pressed our NATO allies to improve their defense capabilities, most recently through the DCI, the Defense Capabilities Initiative, only to find that our own export control system has in some cases contributed to discouraging and making that difficult. For example, during the air war over Kosovo it took more than two months to approve the sale of flares to the Italian Coast Guard for use in the potential rescue of downed allied pilots, including Americans.

That's why two months ago we unveiled the first major reform to our export control system since the end of the Cold War. I know that our Defense Trade Security Initiative was a topic of one of the working groups yesterday morning, but allow me to touch on some of the major themes and objectives.

Of our seventeen specific reforms, our most significant proposal is to no longer require licenses for trade of unclassified defense items with certain allies. As we have for Canada, we are proposing to negotiate *International Traffic in Arms Regulation (ITAR)*, exemptions from selected export rules. As with Canada, we will have to negotiate with each country to ensure that their export controls and technology security practices, and those of companies in those countries, are as effective as those of our own in the United States. By removing a number of licensing requirements we hope to share more technology with and from our allies while at the same time strengthening our collective protection of such technology through more effective export control systems.

This year the United States and the United Kingdom Declaration of Principles is a road map for this kind of industrial cooperation. There is hope that Secretary Cohen will sign a similar document with Australia during his upcoming visit to Sidney. Then we look forward to beginning negotiations with both nations on a formal agreement allowing an exemption from ITAR. In doing so we hope to create strong incentives for other countries to strengthen their export control system so we can enter into similar arrangements and share similar benefits.

Our initiative will also remove a host of barriers and irritants currently impeding trans-Atlantic industrial cooperation. This includes removing barriers between governments, thereby encouraging research and development. We are also creating several types of umbrella licenses that will enable entire projects; projects that in the past have required dozens of separate licenses, to be covered under a single license that would be valid for extended periods.

Our initiative also includes specific reforms to expedite procurement related to NATO's Defense Capabilities Initiative. For example, DoD review processes will be shortened from twenty-five days down to ten days for items specifically identified as supporting the DCI. And here I would like to note the obvious impact for foreign military sales.

A final area of our initiative falls under what we would call good government, reforms designed to improve how this new system will work day to day. Atop the streamlining at DoD that has already reduced the amount of time it takes to complete reviews, we will increase our licensing staff by 50 percent. We will also devote more resources, and we will computerize our processes. This includes some \$30 million over the next few years for a new common computer system to expedite the review process.

As I have said on other occasions, these changes to our export control regime are designed to, and I believe will, achieve three fundamental goals. They are going to improve the ability of industry on both sides of the Atlantic to share technology and to learn from each other. At the same time, they're going to improve the security of these technologies. And perhaps most importantly, they're going to improve the ability of NATO forces to operate together in the battles of the future battles that will be won by militaries that harness the technologies and the tools only industry can provide.

Which brings me to the fourth and final guiding principle I want to leave you with this morning, remember the warfighters. It can sometimes be too easy in discussions and debates about sales and purchases and budgets and balance sheets to lose sight of the people behind the programs. But everything we do in the area of security cooperation, whether providing humanitarian training to other nations or enabling nations to modernize and upgrade their forces, ultimately comes back to American men and women in uniform. Cooperation that builds bridges with other militaries allows us to shape world events so that it is less likely that our forces will have to fight. Ensuring modern interoperable forces among our allies and friends makes it more likely that our forces will succeed in the coalition operations of the future if they do have to fight. You've started down a path, a path of change that I think reflects the ten years of global change after the fall of the Berlin Wall. A decade ago the leaders in the former Soviet Union were named as the *Time Magazine* men of the year. For the last two years, we have seen people at the heart of the information revolution named as the men and women of the year.

In fact, the environment of the twenty-first century is going to be significantly different than the last fifty years. There are going to be new challenges of a Europe that is drawing stronger and more united in its commitment to become a European Union. There are going to be new challenges in the technology that will be desired by others who do not share our commitment to democracy, freedom, and the expression of liberty and rights that we as democracies share. Then finally, we'll continue to be pushing the envelope ourselves, and wanting to make sure that as a

country we are capable of doing interoperable military operations with our allies around the world. These are significant challenges that are not going to be resolved overnight. But the single step each day moves us closer to those objectives.

So, General Davison, I want to thank you for your accomplishment these last several years, for moving us in the right direction and for setting the foundation that General Walters will inherit and will continue to move forward. Because at the end of the day, just as our military men and women with all of their capabilities are truly dependent upon each other, the lesson of the twenty-first century is that we're going to have to be interoperable with our allies. We're going to have to work together and to train together so that we can fight together, and at the heart of that will be the acquisition of equipment. That is your mission and your responsibility.

So, I know looking at the record that you have established these last three years, looking at the sum total of your careers, I can state with confidence that indeed I see the department in this area moving in the right direction.

So, General Davison, as you prepare to leave us, I want to thank you for that record. I want to thank each of you for the work you do every day. I want to thank each of you for the chance to be with you this morning and to participate in this session. Thank you very much.