
LEGISLATION AND POLICY

Lincoln Bloomfield's Remarks Concerning International Affairs

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The Changed Threat

Today marks a period in our history when our nations have been very busy, for going on three years now, adapting to global challenges we have never before faced. Policies and security structures that had kept us free and at peace for decades have, in an instant flash of catastrophic terrorism, been recognized to be insufficient, even obsolete. We have retooled our national security approaches on the fly, as it were, urgently seeking relief from our newfound vulnerabilities and leverage to exert in the post September 11, 2001 international security environment.

Observers may differ about what the future will bring, and how best we should address its challenges. But no one can deny that violent forces fueled by hatred have been unleashed against ordinary people freely going about their daily lives in open, democratic societies, on several continents.

The terrorists' violence defies our deterrence, mocks our strength, and revels in doing harm to peoples and institutions we have long regarded as non-combatant and apolitical even neutral in wartime. It is the innocence of these victims that defines this asymmetric terrorist threat; and if there was ever a notion that some societies or countries, by remaining silent and standing aside from the Global War On Terrorism, could be exempted from the extremists' program of violent provocation, it must now be acknowledged and recognized that such a notion is demonstrably wrong.

I came into this position in the U.S. administration three years ago, believing that the strong and credible U.S. military establishment and alliance structure that had so successfully contested and outlived Soviet communism for five decades was still needed in the 21st century. In early 2001, major war did not seem to be an imminent prospect, and so it was possible to think about saving a little defense budget money on immediate needs and instead gearing modernization efforts to longer-term transformation.

Our crystal ball in those early months of the administration simply did not show what was about to happen, and the immediate burdens it would place on our own and our allies' forces. But notwithstanding the operations to remove dangerous regimes in Afghanistan and Iraq, it still seems, in 2004, that conventional war waged between national military forces over empire, resources or territory is not nearly as likely as it was during the Cold War although we must continually pay attention to the Korean Peninsula and the Indian-Pakistani relationship, among other potential hot spots.

Hearts and Minds

The central fact behind the collapse of the Soviet Union and Warsaw Pact was not a battlefield defeat, but rather the catastrophic loss of credibility of the communist state among its own people. These people compared the unmet Soviet promise of a good life to the thriving model of democracy, individual rights and economic freedom increasingly found elsewhere. In other words, the Cold War was ultimately won, or lost if you prefer, based on hearts and minds.

What September 11, 2001 brought to the fore was the realization that, having survived one existential threat over the last half century, we now find ourselves in the midst of a new struggle, whose full dimensions are yet to be measured, with an entirely different ideological underpinning. Unlike the Cold War, this time no one threatens to subjugate us. Our enemies have no serious political demands. They define themselves by opposition to everything we represent. This is not a winner-take-all adversary, as in the tradition of imperial powers. This time, we are faced with a grim new form of zero sum game between ourselves and terrorists, measured in blood.

And so we adapt law enforcement, intelligence and military tools to secure our homelands and find the terrorists where they live. But no matter how effectively we use force against them, there is only one way truly to make this terrorism danger recede and that is to turn our adversaries away from a destructive ideology and try to calm their hatred. Once again, it seems, we are caught in a generation-long struggle for the hearts and minds of a large segment of the world's population, centered this time among the Arab and Islamic young generation. I believe it is important to talk about hearts, minds, credibility, commitment, and conscience when we are talking about achieving the piece in the modern age. All that separates 5,000 al Qaeda terrorists from 500,000 al Qaeda terrorists is the level of anger and hopelessness among their potential recruits. And at the same time, all that separates a mighty multinational coalition from a go-it-alone U.S. military adventure is the allied level of confidence in America's wisdom and reliability as a security partner.

These are political and psychological factors. They are profoundly important to our security. Perhaps our best weapons in this terrorism struggle notably include our words, foreign aid, and promotion of reform. Yet, let us be clear that military capabilities are still very relevant, even if our enemies attack with different weapons, different tactics and an entirely different ethical and moral ethos than our own.

New Logic of Arms Transfers

Surely all of you have taken note of a shifting focus of defense planning that points to an evolution in the international armaments marketplace. No longer do we pursue foreign policy influence by providing our more advanced defense systems and services to less-developed countries on the basis of their relevance to a geopolitical competition between ourselves and other great powers. Instead, the new security focus indeed, the new security imperative must be to ensure that our principal allies and coalition partners, those who share the burden of fighting these dangerous extremists, have the advanced capabilities they need to prevail at the lowest possible cost in blood and treasure. I submit that the logic of defense trade is shifting along with the tide of history. There are fewer cross-border hostilities, and still fewer conventional military wars. Standing armies have generally been downsizing around the world over the last decade, and we see reduced overall acquisition of conventional weapons systems worldwide a drop in arms procurement of more than 37 percent since the mid-1990s in the developing world alone.

And yet, particularly since September 11, 2001, we find that we absolutely need highly capable military forces allied and coalition forces as well as American, and the more the better to deter and defeat threats all over the world. Strategic planners in the defense industry should consider these new realities in their business decisions.

What are the salient features of this 21st century strategic landscape? Well, we start with the reassuring fact that many countries see their interests if not always their day-to-day policies as closely aligned with the United States, and are inclined to work together effectively on behalf of shared purposes. Foremost among these, of course, are our European allies beginning with the United Kingdom, as well as our Pacific allies led by Japan and Australia.

There are, at the same time, other countries whose strategic orientation is either uncertain or, in some respects, at odds with ours, as a function of political values, security perspectives, and domestic public opinion. One cannot point to an overt anti-western bloc; indeed, even governments in the Arab and Islamic World generally maintain positive relations with the West. But think about the problems from which this region suffers: poor governance; absence of the rule of law; underdeveloped civil society, political participation and economic opportunities; social pressures from demographic growth; a growing income gap; high unemployment; corruption; crime; and weak education systems. The list goes on.

It is sad and ironic that while public opinion in the Middle East tends to blame the United States for their own troubles, the best hope for change in many of these countries is the agenda of reform and democratization being promoted by the United States along with the United Kingdom and many others. But my point is that supplying sophisticated arms on a large scale in the volatile and troubled Middle East is not terribly relevant to their situation.

Focusing on Our Warfighters

We are the ones who need the warfighting edge. Where three years ago we might have thought we had a decade to retool our forces and alliances, today we find ourselves in a race against time to suppress the terrorist forces, and to cool the level of popular rage and frustration before we suffer much more from the Islamic extremist contagion. I believe defense industry has already pointed the way forward to the area with the greatest relevance to our strategic situation, and hence the greatest business potential namely, high-technology systems collaboration to achieve allied interoperability in the field.

We have seen a push toward interdependence in arms production, as half of recent U.S. arms imports have come from five of the ten other largest defense exporters, whose defense imports, in turn, are mainly from the United States. Today's twenty-six North Atlantic Treaty Organization members plus Australia and Japan spent a combined \$563 billion on their militaries in 2002, or 72 percent of total world military expenditures. Since 1999, developed countries' arms imports have averaged 13 percent annual growth, while developing countries' imports declined 6 percent.

The conclusion is pretty obvious: our strategic needs are converging with business trends. The future lies not in maximizing sales of defense systems to all willing buyers, but rather in focusing on our warfighters and collaborating to build the systems that will assure their effectiveness in all circumstances against the deadly extremist threat.

Export Licensing Developments

If you have been in the defense industry either in Europe or the U.S. for a few years, you will know that the American defense export licensing system has come in for its share of complaints over the years. Many of you in Society for International Affairs will also be aware of several steps taken by the Department of State, and the administration at large, to overcome legitimate concerns about how U.S. regulations were being carried out.

We have taken a rigorous look at the Department of State licensing process from one end to the other. We have put a new, bigger and more senior leadership and management team in charge and some of these Defense Trade Controls (DDTC) executives are here today to participate in

discussions. Earlier this year, we inaugurated D-Trade, our fully electronic licensing capability, which will bring great new efficiencies to the process. It is a big step forward.

Our licensing staff is double what it was just five years ago. The new DDTC leadership team is building an outreach office that is already providing timely, courteous service to hundreds of callers per week. Our team is pulling out all the cases that have been unresolved for more than 100 days, and trying to resolve them. The large backlog they inherited is shrinking steadily.

And alongside these process improvements, we have broken new ground in licensing policy:

- We created the first-ever Global Project Authorization for the Joint Strike Fighter.
- We picked up the ITAR exemption negotiation with the United Kingdom, which had bogged down after talks were launched under the previous administration.
- By making the decision at senior political levels that we would depart from the formula mandated by U.S. legislation, so as to reflect the legal and regulatory authorities available to our British counterparts, this Administration carried the talks through to create a very promising new channel for accelerated defense industry collaboration.

This arrangement benefits from an active compliance partnership with London that we think will set a new standard for how to manage defense trade controls in cooperation with other governments. Of course, as many here know, we are still in serious discussion with our Congress and hope to persuade them of the merits of this important arrangement so as to bring it into force.

But the overall point here is that the Administration has paid a lot of attention to defense trade and export licensing, recognizing that if properly managed we can curb irresponsible and dangerous exports of weapons and technology, and at the same time advance very important objectives for our common defense.

Defense Trade Policy – A Priority

Indeed, the White House has been continually engaged in this area of national security. It has led the review of the *U.S. Munitions List* a process that has been progressing steadily over the past three years. Most importantly, it has been conducting a Presidential review of defense trade policy generally. I and my colleagues from the Pentagon and Commerce Department have become accustomed to telling audiences over the past year or two that the review has not yet reached the President's desk and that remains the case today. But let me say that this review is important to the Administration, and is receiving priority attention. So please bear with us as the final contours take shape.

What I can say is that there is more to our thinking than the proposition that we need to make our export control process run well. On that score, however, we have taken the time to consider a vast amount of analysis and a long menu of proposals reflecting past experience. We are very serious about making the defense trade controls process, led by the Department of State but involving other departments and agencies as well as foreign governments, operate in a modern, efficient manner.

We think high-level policy should be reflected in working-level regulatory decisions. And we believe allies looking to improve their own defense capabilities in cooperation with the United States should receive priority attention. That is one reason I created a policy office within our Directorate of Defense Trade Controls, led by Ann Ganzer, who is with us today. The United States already does place a very high priority on promoting alliance modernization goals, and interoperability.

We are very much aware that the road map set out by North Atlantic Treaty Organization for European and U.S. defense industries points to transatlantic transformation, which requires

improving our common capabilities in force application, battlefield awareness, command and control, protection, and focused logistics. This is how we keep the new 21st century threats away from our homelands. The upcoming North Atlantic Treaty Organization Summit in Istanbul will signal the renewed relevance of an expanding NATO to our common security strategy.

Challenges for Industry

But as I think you all know, we face real challenges in bringing this vision fully into being in the area of defense trade and industrial collaboration. Some of the initiatives under consideration by President Bush will hopefully advance the process. But the first challenge our transatlantic industries face, in my view, is adjusting their business plans and strategies to reflect the national security vision I have outlined this morning. By that I mean building more sophisticated, proprietary capabilities for the home team of allied warfighters, and placing less reliance in your business plans on longer-term production and export for a wide international market.

The second challenge is perhaps an inevitable by-product of a world pressed into crisis-response by September 11, 2001 and the Global War on Terrorism. In historical terms we are just at the beginning of our international security response to this problem. We find our forces stretched very hard, working with allies and partners to deter aggression on the Korean Peninsula, maintain stability in the Pacific Rim including the Taiwan Straits, finish the job of stabilizing the Balkans, responding to the recent crises in Liberia and Haiti, and of course helping fifty million Afghans and Iraqis find their way to legitimate self-government and reconstruction in a secure environment.

It should not surprise anyone that there are hard questions being asked in Washington, including in the U.S. Congress, about whether the transfer abroad of our premier defense systems, and more so, advanced technologies, will truly advance our national security. One of my responsibilities is to answer those concerns, and we have been doing a lot of that on Capitol Hill in recent weeks. There is no getting around the importance of effective controls on defense goods services and technologies after they have been exported. And those countries and companies overseas that work best with us in assuring that our legal obligations are met, will clearly find the most receptive response to their requests for American defense exports. But there is, frankly, a deeper challenge even than the goal of enhancing our transatlantic technology management cooperation and practices. We are far from a consensus view within our own political systems on what the defense industrial role should be in supporting our international security strategies.

Within the European Union, there is talk of changing policy on the sale of lethal weapons to China. As my American colleagues here will attest, such a move would have real consequences for the way defense exports to Europe are viewed in Washington.

And within our own political system, we hear hard questions about whether globalization within the defense industry is a benefit or a liability to U.S. security. The extent of foreign defense industry's role as a key supplier to the Pentagon is coming under intense scrutiny in our Congress.

Obviously there is a reverse flow of exports from American companies to allied defense establishments. But you can see how some in Washington can view both imports and exports as a liability, the one as a threat to our own industrial base, and the other as a risk of losing our prime technologies.

How Do I Answer These Challenges? More Importantly, How Do You Answer Them?

If I can leave you with one message this morning, it is that defense industry needs to put some facts on the table. You need to show governments how your business plans support the transformation vision while protecting crown-jewel war-winning capabilities. And, you need to

demonstrate that the globalized pattern of trade supports a healthy U.S. industrial base, and provides a better return on the defense dollar than a more restrictive trade pattern.

I have been hearing people say for more than three years that industry is a key foundation of defense and I believe this. At a time when the threat to our security is changing so much, and our security institutions are evolving so fast, our defense industry needs to sharpen its vision, and its path forward, to claim its rightful place in our long-term strategy to secure the peace and defend our freedom.