
Globalization of Export Controls and Sanctions

By

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For quite some time, I have been looking forward to engaging in discussion with all of you on the globalization phenomenon, and how it relates to export controls, before the momentous events of September 11, 2001. Now, I submit to you, our deliberations are far more timely and the environment for considering the future of export control policies is more dynamic. I will begin my remarks with a few numbers, and see what significance we might draw from them.

The First Number Is 80

Eighty is the number of countries whose citizens perished in the attacks of September 11, 2001 in New York, Washington, and Pennsylvania. The World Trade Center was designed and built to be a symbol of transnational economic linkages. As the world now knows all too well, it lived up to its promise in full.

The Second Number Is 122

That is the latest count by the U.S. government of countries that, in one way or another, have provided help or offered to provide help to the military dimension of what we call Operation Enduring Freedom. Let me repeat myself: 122 countries are today pledging support of one kind or another to this military operation.

That statistic tells me that, for all the talk in recent years about globalization in the economic realm, globalization in the political realm is today the driving force of international security. The U.S. military has recognized this growing trend for some time. In recent years, the Pentagon has been pursuing a series of transitions in the way it thinks and operates. Beginning in the 1990s the push for U.S. joint command structures and operations between the Army, Air Force, Navy and Marine Corps; then moving to create more effective relationships at the so-called “inter-agency” level in Washington; and finally culminating in a concerted emphasis on truly effective international military cooperation what our military commonly refers to as “coalition” operations. All of these summarized in military parlance as jointness, inter-agency, and coalition modes of operation represent America’s vision of the future of defense in the 21st century. And now look at what has developed just since September 11, 2001. North Atlantic Treaty Organization (NATO) has invoked Article V, the mutual defense clause, as has the *Rio Treaty* each for the first time ever. Indeed, over forty multilateral declarations of commitment and support have been issued. We do live in extraordinary times.

One would imagine that this dramatic turn of events sends all of us a message about how we should think about meeting common defense needs. The message seems obvious that our shared security interests demand export control regimes that will facilitate collaborative defense modernization and transnational defense industrial cooperation, so as to maximize military interoperability among allies in the future.

The Third Number Is 68

There is one other post-September 11 number that tells an equally significant story, in my view: namely 68. That is the number of countries in which the secretive 'al-Qaida' terror organization operates, as best we have been able to determine.

Of all the cooperative efforts undertaken by governments in the weeks since the September 11 terror attacks, the international counterterrorist mission has perhaps been the most intensive and comprehensive. The objective is very difficult to achieve: finding, verifying and detaining very secretive individuals, denying them access to their money, and shutting off possible opportunities for them to strike again. The United States does not have the luxury in counterterrorism of being politically correct, or steering clear of inconvenient or difficult aspects of the case. Either we all succeed in stopping the terrorists before they strike, or terrible harm may occur, potentially affecting the world in one way or another.

So here is another aspect of globalization, a negative aspect, and I believe it carries a cautionary message for all of us when we contemplate the future of defense trade regulation between and among nations. Export controls are in one sense a lot like counterterrorism: unless a system can reliably prevent the unauthorized transfer of potentially dangerous military capabilities to hostile parties, all of us may pay the price. Either all of our export controls live up to this basic standard, or bad things can happen when friends and allies decide to share sensitive military technology and know-how with the best of intentions and motives.

A national export control regime is, in this sense, like a boat: either it is water-tight and floats, or there are leaks, and it will sink. The distinction for our purposes is, however, that when our governments accelerate transnational flows of defense technologies, including many that our adversaries could potentially use successfully to challenge our interests, then every one of our boats, our national export control systems must be water-tight. As with counterterrorism, this is very hard to do in our free and open societies.

What then, can we say about future directions in export controls, particularly transatlantic, in the post-September 11 environment?

My own view is that two clear messages emerge. First, we are politically drawn closer together than we have been for many years, reminded by our enemies why all of us are natural friends and allies. This, of course, bodes well for political level support to defense initiatives that bolster our alliances.

Second, however, we have been dramatically reminded that our open societies can be penetrated, with relative ease, by persons dedicated to carrying out terror attacks against us and our way of life. If al-Qaida has so little difficulty planning deadly attacks by moving in and out of 68 countries, what confidence can we have that individuals, companies, and governments who oppose our interests will be any less successful at exploiting our open societies, and using fraudulent documentation, for the purpose of obtaining sensitive military technologies from us? I think we have to admit that the September 11 events give us less, rather than more, confidence in the reliability of our systems to control illicit exports.

The Bush administration recognizes that we need to balance the non-proliferation goal of export controls with the need for defense trade to bolster alliance interoperability and maintain the quality of the defense industry. In fact, we need to do both functions denying risky exports and approving legitimate ones.

It is clear that advancing interoperability directly enables countries to conduct military operations in a coalition environment such as we have done in the Balkans and are starting to do in Afghanistan. Interoperability is achieved not only through the export of our own weapon systems, but through international coproduction. I think the U.S. will have a lot to talk about with our Atlantic allies in the coming months and years regarding transatlantic defense modernization. On the other hand, we need to be just as clear that legitimate export controls support national security, in all our countries.

Let us remember that although the Cold War is fast becoming a memory erased by recent events, we still have potential strategic competitors, and live in a world where others have intercontinental nuclear missile forces. While there is much to be said for exploring better political and economic relations with these important countries, we do not need to arm them.

The new strategic environment is also characterized by an emerging missile threat from new sources. Some countries, whose politics and international behavior the U.S. regards with concern, are developing nuclear weapons secretly, as well as the missile systems to deliver them. To expedite the development of these programs, these so-called countries of concern look to the advanced Western countries for technology.

The United States cannot and will not sit idly by while this new missile threat develops. The Bush administration has made missile defense for the United States, its allies and its deployed military forces a priority. The cost of missile defense will be substantial, but I think we can all see today that our societies will pay a high price when their security is truly threatened and we can equally see that the loss of security such as we have experienced these last two months, exacts a far higher cost than a sufficient defense. So we are actively working to curb nuclear and missile proliferation.

The threat of terrorism comes not only from embargoed states, but also from transnational criminal organizations that have found shelter in countries that support them and disavow knowledge of their terrorist acts. The participants in the *Wassenaar Agreement* have targeted export controls against these states, and the Bush administration wants this multilateral effort to remain resolute, placing security priorities above the commercial aspect.

The United States can recall the acute sense of embarrassment when we discovered after the Gulf War that our own industries had provided the underpinnings for Iraq's weapons of mass destruction programs. The United States and our allies should take this lesson to heart. None of us wants to have to explain after the fact why our exported weapons technology was able to be used by a terrorist state to strike out at our own interests.

And now we face the challenge of shutting off support of any kind to terrorist groups. These actors will not be so easily targeted using export controls. Not only do they engage in an unconventional, asymmetric form of warfare, they use our open commercial environment and systems in ways that can be disadvantageous or even lethal to us.

However difficult the challenge, the burden upon us remains the same. The application of export controls to trade between allies may be an inconvenience, but we believe it is necessary to prevent diversion of arms and defense technology to terrorist networks and states. The only issue is how to do it well, without getting in the way of our alliance modernization objectives.

The Bush administration is taking a number of actions to deal with these requirements in an efficient way.

- While maintaining an effective export control system, the United States Office of Defense Trade Controls (ODTC) has made investments to smooth the review and adjudication of 45,000 license applications per year, for the commercial export of defense goods, services, and technology. ODTC now has 35 licensing officers (up from 21 in 2000) at work reviewing applications for the export of items on the *United States Munitions List* (USML), as well as reviewing proposed technical assistance agreements and manufacturing license agreements.

- These recent investments in staff and technology have resulted in approximately 2,600 license applications per month being processed in an average of nine days. The ODTC is also able to process an additional 1,000 license applications per month for those applications that need to be referred to other U.S. government agencies for concurrent review. On the average, applications and agreements in this interagency arena are processed within sixty days.

- An electronic licensing system has been developed by ODTC, and now more than sixty percent of all new license applications are submitted electronically by industry via ODTC's internet web site. The ODTC is also consulting with the Department of Defense as well as industry to develop a fully automated system for the submission of the license application and all supporting documentation, for encrypted interagency distribution and review. Indeed, we have taken significant planning steps within this past week toward this end.

- ODTC has instituted an expedited export process to provide needed defense articles to military coalition partners engaged in Operation Enduring Freedom. This expedited process results in an arms export license being processed in 24 to 48 hours on average. This is for Operation Enduring Freedom cases that are certified as necessary by one of the coalition governments and by the United States Department of Defense (DoD). We are utilizing a dedicated staff of licensing officers and pre-arranged coordination procedures with DoD.

- A number of programs under the Defense Trade Security Initiative (DTSI) are aimed at simplifying and expediting defense trade with allied governments.

- The State Department is working with the United Kingdom and Australia, as it did already with Canada, to establish a licensing exemption regime after arrangements have been worked out for common export control treatment of controlled munitions and defense technology. In my talks yesterday with British counterparts, we charted a course to resolve the issues still under discussion.

- Other DTSI programs to expedite license processing with allies are the Special Embassy Program in Washington, providing certain Embassies rapid turnaround from ODTC in a fully electronic mode, and NATO's Defense Capabilities Initiative which is a high policy priority for this administration.

We are also engaged in a review of the USML to determine if some items ought to be added or dropped, or perhaps treated as dual-use commodities on the commerce control list, rather than as munitions items designed, developed, or modified for military use. The first tranche of USML categories currently under review are:

- Category 1, firearms;
- Category 5, explosives and propellants;
- Category 8, aircraft and aircraft parts;
- Category 14, chemical and biological agents and;
- Category 16, nuclear weapons development and testing equipment.

This portion of the munitions list review, representing one-quarter of the list, will be complete soon and our hope is that the results will be published by the end of this year.

So there we have an overview of export control policy from the Washington perspective. I came into my present government position about six months ago with a mandate from Secretary Powell to make the U.S. export licensing process faster, easier and more user-friendly. We are moving in the right direction.

An efficient, technologically modern, and transparent export control system should be able to give industry clearer signals, sooner. If the eventual answer to a license request is going to be no, it is better for the exporting company to have the answer sooner than later. My goal is to be able to say yes and no with equal speed and efficiency.

Now that the Joint Strike Fighter program has been awarded, the tempo of transatlantic defense industrial cooperation will increase. There is much discussion of Eurohawk and other such collaborative initiatives. The success of all of these programs is tied to government export control policy and process.

We have much to discuss in this conference. I will leave you with the simple thought that the process of export controls should be nothing more or less than an extension of foreign policy. Today we all know we need to secure our free societies against the asymmetric threats of terrorism and the proliferation of missiles that may carry weapons of mass destruction. At the same time, we are equally seized with the imperative to ensure that our alliance member forces will have superior capability across the spectrum of potential conflict, now and into the future.

All that remains is for us to work together to fulfill these fundamental policy goals. For my part, I look forward to collaborating with many of you to achieve these ends.