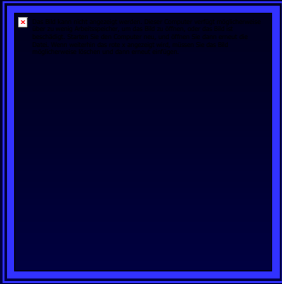




Defense Trade Controls: Overview

Charles B. Shotwell
Director, Defense Trade Controls Policy
Bureau of Political Military Affairs



Directorate of Defense Trade Controls

Mission: Advance US national security and foreign policy through licensing of direct commercial sales in defense articles and the development and the enforcement of defense trade export control laws, regulations and policies.

PM Organization

**International Security
Operations**

**Weapons Removal
& Abatement**

**Directorate of
Defense Trade Controls**

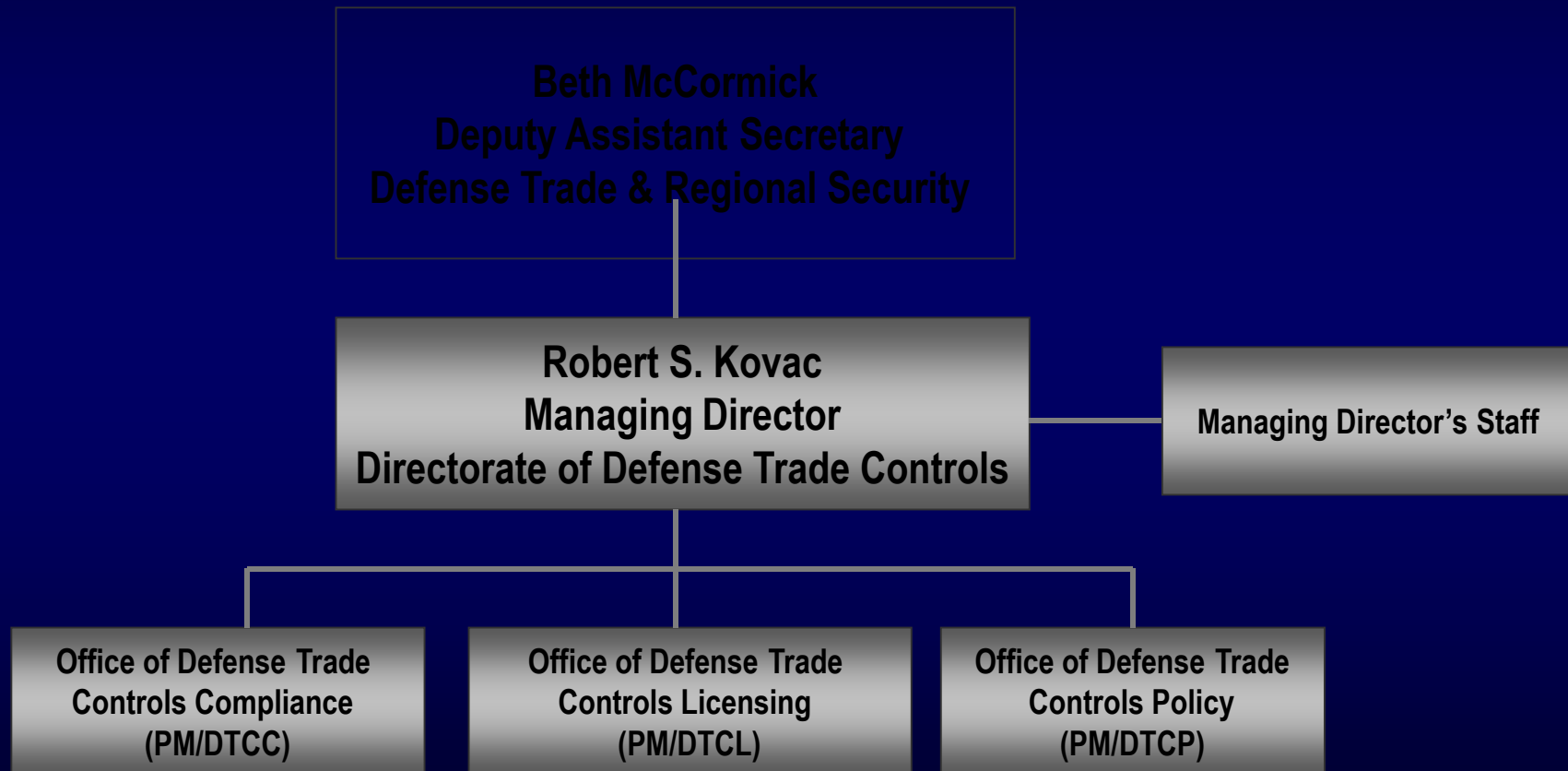
**Andrew Shapiro
Assistant Secretary
Bureau of Political-Military Affairs**

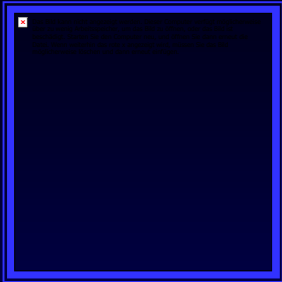
**Security Negotiations
& Agreements**

**Plans, Policy,
& Analysis**

**Regional Security
& Arms Transfers**

DDTC Organization





Legal Framework

Arms Export Control Act (AECA): Establishes the legal requirements for the control of arms exports

Executive Order 11958: Assigns responsibility for designation of defense articles and control of Direct Commercial Sales (DCS) to the Secretary of State

International Traffic in Arms Regulations (ITAR):
Implements the AECA

United States Munitions List (USML): Part 121 of the ITAR, identifies items subject to State Jurisdiction



Arms Export Control Act (AECA)

- Governs Arms Sales – Foreign Military Sales and Direct Commercial Sales
- Mandates Registration and Licensing of Any Person Who Engages in Manufacturing, Exporting and Brokering of Defense Articles and Services
- Requires Monitoring/Reporting Fees, Contributions and Commissions



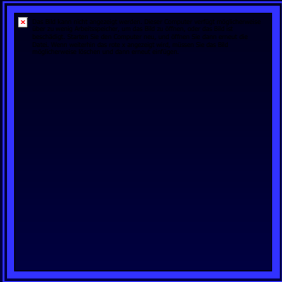
Arms Export Control Act (AECA)

- Broad Authority of the Directorate to Approve, Deny, Suspend, Revoke and Halt Shipments at U.S. Ports
- Congressional Oversight – 36(c), 36(d) and 36(f)
- End Use and Retransfer Assurances
- Establishes Fines and Penalties



Arms Export Control Act (AECA)

- Provide Annual and Quarterly Reports of Authorizations to Congress
- Notify Congress of Certain Proposed Export Approvals
- Notify Congress of Unauthorized Transfers



International Traffic in Arms Regulations (ITAR)

- Implementing Regulations of AECA
- U.S. Munitions List (USML)
 - Designates Defense Articles/Services Subject to State Export Jurisdiction
- Licensing Policy and Procedures
- Compliance and Enforcement
 - Fines and Penalties



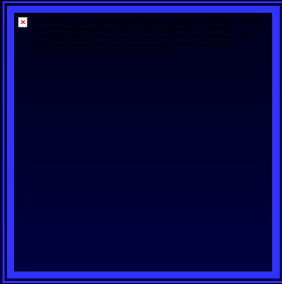
Purpose of Controls

- Foreign Policy
- National Security
- Human Rights
- Regional Stability
- Proliferation



Delegation of Authority

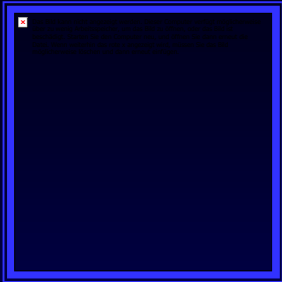
- President of the United States
- Secretary of State
- Undersecretary for Arms Control and International Security
- Assistant Secretary for Political Military Affairs
- Deputy Assistant Secretary for Defense Trade and Regional Security
- Managing Director of Defense Trade Controls



What is an Export?

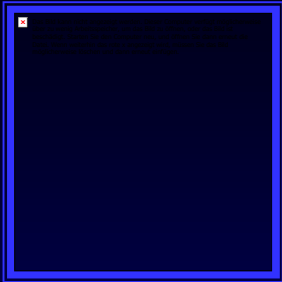
ITAR 120.17

- Sending or Taking a Defense Article out of the United States
- Disclosing, by any means, or transferring a Defense Article to a Foreign Person in the United States or Abroad.
- Performing a Defense Service on behalf of, or for the benefit of, a Foreign Person in the United States or Abroad.



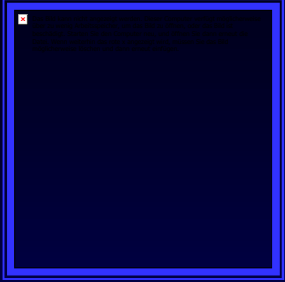
What do we review?

1. Eligibility of Applicant
2. End Use and End User
3. National Security
4. Foreign Policy
 - Regional Stability
 - Human Rights
 - Multilateral Control Regimes
 - Sanctions & Embargoes



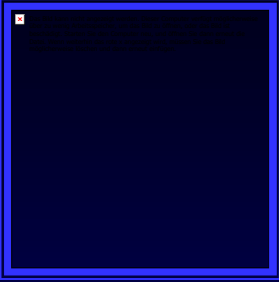
Common Applications

- DSP-5 Unclassified Permanent Export
 - Hardware or tech data
- DSP-73 Temporary Export
- DSP-61 Temporary Import
- TAA Technical Assistance Agreement
 - Disclose tech data, defense services (work together)
 - Does not include mfg. Know-how
- MLA Manufacturing License Agreement



Application Outcomes

- Approved
- Approved with Provisos
- Denied
- Returned Without Action



Licensing

- Responsible for receipt, staffing, adjudication and final USG decision on export applications
- Manages DDTC outreach program to train applicants in AECA and ITAR requirements
- Works with USG entities and exporters to ensure unlicensed exports “for the USG” are consistent with law and policy
- Ensures license applications meeting thresholds established in the AECA are notified to Congress



Licensing at a Glance - 2009

Personnel:

- GS FTE: 49
- Military detailees: 8
- Contractors: 18

Cases Completed: 81,900 (Approved: 89%, Denied: 0.4%)

Value of cases approved: \$100+ billion dollars

Average Age of Case at close: 15.5 calendar days

Congressional Notifications accepted by Congress: 136

License Processing Times

Month and Year	Feb '09	Mar '09	Apr '09	May '09	Jun '09	Jul '09	Aug '09	Sep '09	Oct '09	Nov '09	Dec '09	Jan '10	Feb '10
Cases Received	6,612	7,241	6,990	6,330	7,434	7,249	6,832	6,678	6,888	6,249	6,296	6,155	6,495
Cases Closed	6,302	7,369	7,144	6,763	7,195	7,182	6,729	6,630	6,739	6,394	6,770	6,234	5,927
Cases Open at End of Month	3,554	3,436	3,268	2,848	3,078	3,136	3,248	3,307	3,457	3,327	2,874	2,806	3,369
Average Processing Time (in Calendar Days)	15	15	15	15	13	15	14	16	16	16	16	18	15



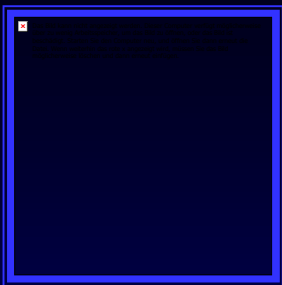
Common Problems

- Contract requires export license be issued within a certain time period.
- Export license processing times are posted on our web site. February times:

- 15 days on average

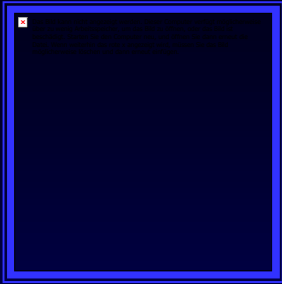
Space and other high technology cases often take longer – sensitive technology requires review & additional staffing.

Cases requiring Congressional notification take longer – we don't notify when Congress is not in session.



Compliance

- Manages civil enforcement of the AECA and ITAR
- Supports law enforcement agencies with criminal violations of the AECA and ITAR
- Manages registration of exporters, manufacturers, brokers
- Conducts end use monitoring – Blue Lantern Program
- Reviews CFIUS filings
- Supports Section 3 reporting to Congress



Compliance at a Glance - 2009

Personnel:

- GS FTE: 18
- Contractors: 16
- Liaisons: 2 (FBI and CBP)

“Blue Lanterns”: 771

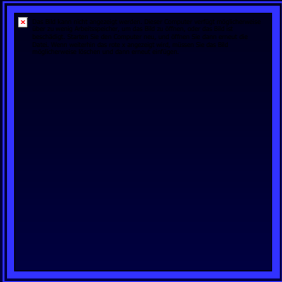
Disclosures: 1146

Section 3 reports: 10

Settlement Agreements: 2

Criminal Trial Certifications: 128

Registrations: 9000+



Policy

- Ensures the ITAR implements the AECA
- Maintains the USML
- Manages Commodity Jurisdiction (CJ) process
- Develops defense trade policy initiatives
- DDTC Response Team



Policy at a Glance - 2009

Personnel:

- GS FTE: 6.5
- FSO: 1
- WAE: 3
- Contractors: 5

CJs Completed: 817 (Commerce Jurisdiction: 55%, USML: 21%)

Average Age of CJ at close: 88 calendar days

38(f) Notifications accepted by Congress: 5

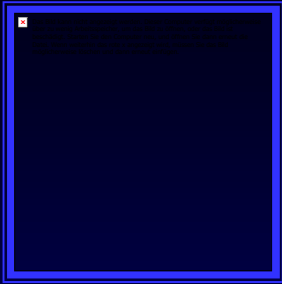
ITAR Related FRNs: 7

Response Team Contacts: 40,000+



NSPD-56 Defense Trade Reform

- Signed by the President on Jan 22, 2008
- Directed the most far reaching reforms to the defense trade process in 16 years
- Mandated specific process and resource requirements to support an export control system that is efficient, predictable, and transparent

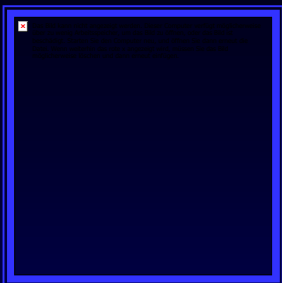


U.S.-German Defense Trade

FY 08: Items Approved: 307 Million

Value of Licenses Approved: \$1.9 Billion

Shipments under License: \$2 Billion



U.S. Defense Trade Status

New Defense Trade Team

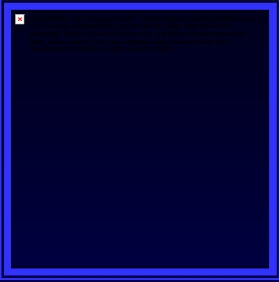
**UK and Australia Defense Trade Cooperation
Treaties**

President's Export Control Reform Initiative

Helpful Defense Trade Legislation

Continued Process Improvements at DDTC

ITAR "improvements"



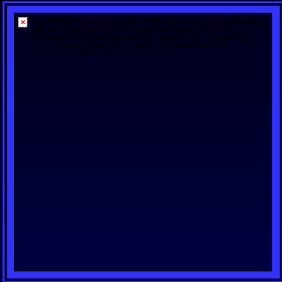
NSPD-56 Status

Open Tasks:

- CJ 60 day process
- DAS Adjudication mechanism
- Fully electronic licensing

Closed but not resolved:

- 3rd/Dual Nationals
- Congressional Notification Reform
- Full resourcing of DDTC



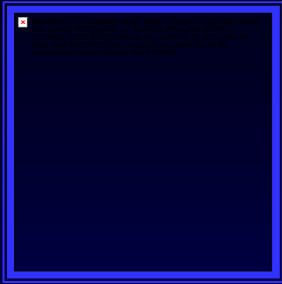
President's Export Reform Initiative

Announced in August 2009, jointly Chaired by the NSC and NEC.

Announcement recognized the significant changes in procurement, business practices and technology since the 70's. No preconceived outcomes.

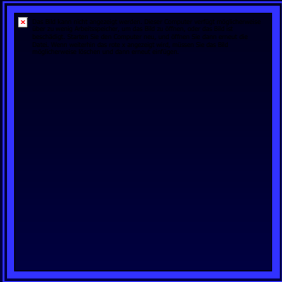
Actions to date:

- Oct-Dec 09: Development of Short, Mid and Long Term objectives
- Dec 09: PC rejects SML recommendations as too timid, directs formation of Export Control Reform Task Force, PSD-8 published
- Feb 10: TF forwards report to DC for Discussion



Areas of Interest

- Export Control Reform
- Brokering
- Satellite Jurisdiction
- Registration Fees
- Non-governmental ownership
- Jurisdictional “overlap”
- Program licenses



Closing Comments

US - EU Trade Relationship is robust

The US export control system will change in the coming year. But whatever changes take place in the coming year must meet the requirements of the AECA; The ITAR implements the AECA – it cannot change it.

Whatever changes are forthcoming will use US National Security as the litmus test

Any changes will undoubtedly affect our relationship and it will be up to all of us to ensure that the changes are improvements



References

- DDTC Response Team 202-663-1282
- DDTC Website: <http://pmddtc.state.gov/>
- ITAR: http://pmddtc.state.gov/regulations_laws/itar_official.html