Center for Strategic and International Studies

“U.S. Arms Transfer Policy: Shaping the Way Ahead”

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ANDREW PHILIP HUNTER: Well, good morning, everyone, and thank you very much for joining us for today’s event on the U.S. arms transfer policy. We’re very excited to have Ambassador Tina Kaidanow with us to give us some remarks on that and a really stellar panel after that.

And I’m going to begin, as we always do, with our obligatory security announcement, because we have thought through what to do in the case of an emergency. I want to let you know that we have – we have plans, and if something were to happen I’ll be your security guide and let you know where to go, either out the way you came in or out the back, depending on what kind of an emergency might arise. But we don’t expect that today.

I also want to thank the sponsors who make these events at CSIS possible, including our general member support which has a big role to do with today’s event, and also a sponsor – Lockheed Martin – who helped us make it possible to do today’s event.

And I want to thank our friends at the State Department very much for supporting us in being able to talk about this topic.

And I think it’s very timely. Obviously, change is afoot in the world of U.S. arms transfers. You’re seeing dramatic growth in the level – the dollar value of U.S. arms exports, and also changes in the world market. So the focus of where exports are going is shifting as demand around the world changes.

We’re also seeing that our arms exports and security cooperation more generally are a major focus of the strategy, both in the National Security Strategy and in the National Defense Strategy. And no doubt related to that there’s a huge leadership focus on it. It’s something that we see the president of the United States personally engaging in and addressing on a regular basis. It’s something that has been a focus for the secretary of defense. And so it has a leadership focus that is pretty unparalleled in the last year and a half.

So there’s been a major new policy announced at the start of the year updating the previous Conventional Arms Transfer Policy. And then we are just now on the tail end of the implementation review for how to make that policy practical in the way that the arms transfer process actually operates. And I hope we’ll hear about that in the remarks coming up.

So, without any further ado, I’m going to turn it over to Ambassador Kaidanow. And after she’s done, we’ll bring the panel up and have the discussion. So the floor is yours.

AMBASSADOR TINA KAIDANOW: Great. Thanks. (Applause.)

Thank you very much, Andrew, for the very kind introduction. And thanks to all of you this morning. It’s a very good crowd for an August, my God. And I love being introduced by sort of an emergency announcement. I promise I won’t cause the emergency – (laughter) – at least I hope not – but, no, I’m just kidding.

And it’s – it really is a pleasure and it’s a privilege to be here today to talk about some of the issues that we are talking about because arguably, as Andrew pointed out, this is really front and center, both in terms of the president’s agenda but also, frankly, in terms of our work in the State Department
and more broadly throughout the U.S. government. So it is timely, and it is something that I think is worthy of longer discussion.

I will apologize to you because after these remarks I am called off to a meeting at the White House, but my colleague Laura Cressey, who is standing right here in front of me – or sitting – she will be part of the panel, so we – the State Department will be represented together with some other folks that you’ve got, very illustrious folks that you’ve got, both from the government as well as from industry.

So, with no further ado, let me just say I think, again, as Andrew mentioned and I know that most of you are aware, in April of this past year the president issued a national security policy memorandum announcing a revised conventional arms transfer – or, as we like to call it affectionately, a CAT – policy. The CAT Policy provides a framework under which the U.S. government and all of its agencies will review and evaluate proposed arms transfers. The new policy reflects the priorities of the president’s National Security Strategy, which are, namely, to preserve peace through strength by reforming regulations to facilitate the exports of U.S. military equipment; to strengthen partners and allies; to facilitate U.S. economic security and innovation – we’ll talk a little bit more about that; and to uphold respect for human rights and U.S. nonproliferation objectives. In short, the new CAT Policy was designed to expand opportunities for American industry, create American jobs, and maintain U.S. national security, ensuring that we continue to review each arms transfer thoroughly in order to ensure that it is in the national interest of the United States.

The release of the new policy was only the first step in a series of what we believe will be very practical results-focused initiatives to transform the way that the U.S. government works to support and grow our defense industrial base. Through that memorandum, the president also directed the secretary of state, in coordination with the secretaries of defense, commerce, and energy, to submit an implementation plan within 60 days. So, during the 60 days following the release of the policy, my colleagues from across the executive branch and I met with stakeholders from industry, from civil society, as well as congressional staffers to collect all of their input and hopefully closely align our implementation plan with real-world challenges. In fact, as part of this engagement, in April I met with a group of scholars from the NGO and think-tank community right here at CSIS to discuss the new CAT Policy. We’re very grateful for everybody who contributed feedback to that very important process.

And subsequently, as directed by the president’s national security policy memorandum, we did indeed submit a national implementation plan on July 13th. The plan represents an integrated strategy, one that aligns our conventional arms transfers with our national security and economic interests, and it’s built on three specific lines of effort.

First, the plan calls for prioritizing strategic and economic competition through a paradigm shift from the current reactive posture to a more proactive posture that actively develops partnerships and capabilities reflective of U.S. strategic and economic objectives. We will use this policy tool to ensure that U.S. products can win in the competitive global marketplace.

Second, the plan envisions organizing our efforts for success, ensuring that the executive branch is positioned, staffed, and resourced to best support efficient execution of the Conventional Arms Transfer Policy, and that its processes are also similarly constructed.
Third, the plan calls for creating conducive environments through engagement with Congress, industry, international partners, and other stakeholders to foster the efficient operation of U.S. defense trade.

What all this really ultimately means and what the initiative makes clear is that under this administration there will be no more active advocate for U.S. sales than the U.S. government itself. Thus, a top priority of my bureau – the Bureau of Political-Military Affairs at the State Department – is maintaining the United States as the security partner of choice for our many friends and allies overseas.

As just one example of this effort, not even a month ago really I attended the Farnborough Airshow in the U.K., where I met with defense industry representatives from U.S. companies of all sizes to discuss the CAT Policy implementation plan and to seek feedback in real time. And let me say, again, those companies were both small and medium, as well as large. So we tried to hit on the array of companies that were represented there, all of which were present. I also met with counterparts from strategic partners and allies – some from Europe, other parts of the world – to brief them on the president’s new policy, and to advocate strongly for ongoing and prospective defense sales.

For years, U.S. embassies and consulates have been committed to supporting U.S. companies’ efforts to grow their global exports. Our diplomats have long worked to ensure that U.S. products and services have the best possible chance to compete abroad. Through participation in key forms like Farnborough, the administration’s defense-trade-focused initiatives build upon this tradition of economic diplomacy and direct the U.S. government to support America’s defense industry by strengthening our advocacy for defense sales that are obviously so critical to our national interest.

The State Department, through my bureau, has played a central role in the development of the CAT Policy and its implementation plan because arms transfers are and must be tools of our overall foreign policy objectives. Through the responsible oversight of arms transfers, we’re supporting existing allies and partners, or in some cases establishing and expanding new security partnerships that we hope will last for generations.

The complexities of our operating environment are clearly manifest. The issues we tackle every day at State are at the confluence of policy, regulatory, economic, and congressional imperatives. As we endeavor to faithfully implement the Conventional Arms Transfer Policy, we are anchoring our arms transfers in, as I said, our larger foreign policy framework, and simultaneously protecting the security and the integrity of our technological advantage and our defense industrial base.

In terms of that larger policy framework, let me speak for a moment about two important global issues that we take into account on every arms sale: human rights and proliferation or nonproliferation.

In terms of human rights, the CAT Policy requires that every sale be assessed for the risk that it may contribute to a gross violation of human rights. This reflects an immutable American value, so let me repeat myself: We will not provide arms where we believe they will be used to conduct a gross violation of human rights. For sure, there can be complexities in any sale. For instance, not all of our partners are as discriminating as we ourselves are when it comes to the conduct of their military operations. For that reason, the new CAT Policy requires us to work proactively with partners to reduce civilian casualties in their military operations. We also regularly use sales as an opportunity to engage with partners to address the human rights conduct of their military. These are often imperfect situations, but we always work to reduce the chance of the misuse of U.S. arms. The same simply cannot be said for most other suppliers of military equipment around the world.
In terms of proliferation, we also work to strike a balance between providing our partners with the capabilities they need to defend themselves and ensure regional stability, while limiting the proliferation of new military technologies and creating regional imbalances that can lead to an arms race. In doing so, we work within the context of the multilateral regimes to which the U.S. is a party. That does not mean that some of these regimes do not need sometimes updating. For example, the Missile Technology Control Regime, so-called MTCR, designed to prevent the proliferation of missiles, never took into account the role that unmanned aerial systems now play in both the military and commercial realms. In reviewing each sale on a case-by-case basis, we must ensure that we are not accelerating the spread of advanced weaponry and creating opportunities for our competitors – economic and strategic – to expand the space for their own defense trade, to our ultimate military and economic detriment.

It’s also the case that we care deeply about creating U.S. prosperity. In fiscal year 2017, the State Department authorized, licensed, and provided oversight for $41.9 billion worth of government-to-government sales and 112 billion (dollars) in direct commercial sales. These sales help support over 2.4 million people across our nation who work in America’s defense industry. We’re expending every effort to maintain America’s status as the preeminent global exporter of defense goods. By specifically recognizing the link between economic security and national security, among other changes, the new CAT Policy provides us the tools to continue this important work.

That said, while some aspects of the arms transfer process will change under the new CAT Policy, the State Department will continue to carefully evaluate each potential sale or export. In addition to the nonproliferation considerations and the human rights concerns that I discussed earlier, we will continue to weigh a number of other important factors, including the appropriateness of each transfer in responding to legitimate U.S. and recipient country security needs; the effect on U.S. capabilities and its technological advantage; and the degree to which the transfer supports U.S. strategic, foreign policy, and defense interests through increased access and influence, allied burden-sharing, and – importantly – interoperability.

We will also continue to lead another key part of the arms transfer process: the administration’s engagement with members of Congress, which is coordinated by the State Department. We’re communicating with our colleagues from the House Foreign Affairs and the Senate Foreign Relations Committees on an almost-daily basis as part of the congressional notification process, which is required by law for arms transfers that meet certain thresholds.

I want to emphasize the fact that we take our role in the regulation of arms transfers exceptionally seriously. This is why we have worked closely with the White House to help drive the new CAT Policy forward, understanding that we must always evolve our policies and our processes to meet the challenges of today but also to prepare ourselves for what is over the horizon.

As I mentioned earlier, these steps are among the first in what we hope will be a series of efforts to streamline the arms transfer process. I can assure you that my colleagues and I at the State Department, but also again more broadly in the USG, will continue exploring ways to cut red tape and give U.S. industry every advantage in an increasingly competitive global marketplace, while continuing to ensure the responsible export of arms.

In conclusion, I do want to underline the fact that each delivery of U.S. defense articles and services sends a message to our friends and to our foes. It’s an act of support for and trust in our
partners and our allies. It provides them the necessary capabilities to defend themselves, to support the security and stability of their region, and when necessary to participate in U.S.-led joint operations.

I think we all can attest here that American companies produce the most technologically sophisticated and effective defense systems anywhere in the world. The CAT Policy and its national implementation plan are vital first steps in a series of governmentwide initiatives to strengthen our allies, to support our national defense industrial base, and to drive American job creation and innovation. The State Department will continue to be a leader in these efforts into the future. Of that I can assure you.

So, with that, I know that today’s panel discussion will constitute a very fruitful dialogue, and as I said I think a timely one. I really want to thank you for your attention and again for the great attendance here today. That’s, I think, very encouraging. And we will do everything, as I said, from the State Department to drive this agenda forward, which is obviously an important one from the administration’s perspective. So thank you very much. (Applause.)

MR. HUNTER: Well, thank you so much, Ambassador Kaidanow. And I have to apologize because it completely slipped my mind to introduce you before your remarks. (Laughs.) So my apologies, but thank you so much for those comments. And that will, I think, set a great foundation for our panel discussion.

Having neglected to do it earlier, I don’t know that it makes that much sense to introduce her now that she’s departed. But for those who have tuned in and aren’t completely familiar with Ambassador Kaidanow’s position, she is the acting assistant secretary for political-military affairs at the U.S. Department of State and therefore has had the leadership role on this Conventional Arms Transfer Policy that was rolled out in the spring. And fortunately, she has left with us her able colleague, Laura Cressey, who can speak to this and I understand played a prime role in that process as well.

So I am, in fact, going to introduce the panelists for our discussion, and then we’re going to kind of take our discussion in two parts. We have the luxury of about a 90-minute timeframe to do our panel discussion. So we’re going to kind of divvy it up into two main sections, the first focused primarily on the policy changes that are underway and how they are going to be implemented and their likely impacts, and the second then maybe broadening out and looking at the strategic context for the policy changes and how it’s going to play in that strategic context. So let me begin by introducing the panel.

To my left is Laura Cressey, who is the deputy director in the Office of Regional Security and Arms Transfers in the Bureau of Political-Military Affairs. She works for Ambassador Kaidanow. She is responsible for overseeing worldwide foreign military sales, transfers of excess defense articles, and third-party transfers. And she’s had a distinguished career in the State Department, as well as a career in the private sector. So she’s one of those – I shouldn’t say rare, but one of those wonderful people who has brought private-sector experience and government experience together.

To her left is Alex Gray, who is special assistant to the president for the defense industrial base and deputy director of the White House Office of Trade and Manufacturing Policy. He previously served on the presidential transition team for the U.S. Department of State and as a senior advisor to U.S. Representative Randy Forbes of Virginia, who was a senior member of the Armed Services Committee and someone that I worked with and for when I was on the House Armed Services
Committee staff. So, Alex, great to see you again. Great to have you with us. And we appreciate also that the White House saw fit to bring its – a voice – its voice to this session today.

To Alex’s left is Keith Webster, who is president of the U.S. Chamber of Commerce’s Defense and Aerospace Export Council. He’s responsible for guiding the development of the Defense and Aerospace Export Council’s efforts to strengthen U.S. defense and aerospace exports, including advocacy and analytical work in behalf of Council members and their work – putting their positions in front of government, Congress, the broader business community. Before joining the Chamber, Keith was the director of international cooperation at the U.S. Department of Defense, where we were actually colleagues in the once-upon-a-time Office of Acquisition, Technology, and Logistics. And his office has survived. Good news, his old office has survived the transition as part of the Undersecretary for Acquisition and Sustainment, as I understand the new organization. Prior to that, he was the deputy assistant secretary of the Army for these kinds of export issues. So deeply knowledgeable about this in his government service and also now in his private-sector capacity.

To his left is Melissa Dalton, who is senior fellow and deputy director of CSIS’s International Security Program and director of CSIS’s Cooperative Defense Project. Her research focuses on reinforcing the principled foundations of United States defense policy and military operations. She conducts research and writes on security cooperation with allies and partners and U.S. defense policy in the Middle East. And prior to joining CSIS in 2014, she served in the Department of Defense in the Office of the Undersecretary of Defense for Policy and was a senior advisor for force planning for the 2014 Quadrennial Defense Review.

To her left is Jeff Abramson, who about a year ago rejoined the Arms Control Association as a nonresident senior fellow for arms control and conventional arms transfers. He also manages the Landmine and Cluster Munition Monitor and organizes the Forum on the Arms Trade. Prior to doing these duties, he served as a policy advisor and director to the Secretariat of Control Arms, and is also the former deputy director of the Arms Control Association and former managing editor of the publication Arms Control Today.

And to his left is Dak Hardwick, who is assistant vice president, international affairs, at the Aerospace Industries Association. His primary responsibilities include international defense, space trade, and export control issues. He oversees AIA’s role in bilateral and multilateral trade relationships in key regions, trade advocacy initiatives, and international cooperative programs. Before joining AIA, Dak was at the Harris Corporation, where he was responsible working with the U.S. government and international officials to ensure timely export of Harris’ products for U.S., allied, and partner nations. And he began his career at the Headquarters, Marine Corps as an appropriations budget analyst.

So, everyone, thank you for joining us. As I mentioned, we’re going to kind of divide the discussion a little bit so we have some opening comments, then some interactive discussion, then another set of opening comments, some interaction/discussion, and then we’ll have interactive discussion with you the audience with your questions. So we want to make this as interactive as we can.

And so I would like to kind of start with a focus on the policy itself, the implementation review, how we think it’s going to operate, what we think the impacts will be. And I’m going to kick it off, Laura, with you.
LAURA CRESSEY: Great. Thank you. Thank you, Andrew, for your kind introduction, to you and Melissa for hosting us. It’s wonderful to see all of you here today, look out and see some familiar faces. I’m looking forward to a lively discussion, and I’m also very excited to be on a panel which – with such distinguished colleagues. So looking forward to our talks today.

Today’s actually the latest in our continuing efforts to engage stakeholders in arms transfer policy discussions. We value these discussions, as Ambassador Kaidanow mentioned in her comments, and we value the input that we have received from industry, from associations, think tanks. And we’ll continue to solicit feedback as we move forward in our implementation plan and trying to look at the processes and policies that we have in place in the arms transfer realm.

Ambassador Kaidanow outlined how our new CAT Policy and the national implementation plan for that policy both reflect the president’s National Security Strategies and the National Defense Strategy. She also discussed how the CAT Policy is designed to expand opportunities for American industry, create American jobs, and maintain U.S. national security.

So what I want to do in these couple minutes is to delve a little bit deeper into the implementation plan and what that plan contains and try to explain those a little bit more in depth, those three lines of effort that she mentioned. And to remind you, those three lines of effort are: prioritizing strategic competition, organizing for success, and creating conducive environments.

So the implementation plan that we were tasked with putting together in the CAT Policy is an effort by us to really carry out the president’s vision. It is an effort to better align our conventional arms transfers with our national security and our national economic interests.

So, under this first line of effort – the prioritizing strategic competition – we’re taking – we’re trying to take a more proactive approach to arms transfers. Specifically, we’re trying to improve our ability to compete with our adversaries by providing our partners with viable alternatives to foreign products in order to maintain influence in key regions throughout the world. We’re going to be working with our partners and allies to identify critical capability requirements that they have and then trying to expedite transfers to support these essential foreign policy and national security objectives.

The second line of effort – the organizing for success line of effort – is actually really taking a close look at how we are organized within the executive branch and how we are doing our day-to-day work, and what we need to do – to focus on to make sure that we are best positioned to facilitate transfers that meet our national security objectives. For example, we’re going to continue to update the policies and regulations that provide us the framework for our arms transfer decisions. Specifically, we’ll look at streamlining the International Traffic in Arms Regulations, or ITAR, and also continuing to revise the U.S. Munitions List and the Commerce Control List.

We will also be looking at the day-to-day processes to ensure that we are as efficient, as streamlined, and as effective as possible. So some of the things that we’re looking at, and that folks in industry and associations have asked us to look at, is: establishing milestones and timelines for the foreign military sales process; improving and speeding up our contracting process – processes within the Defense Department; trying to increase the competitiveness of U.S. defense items and systems by building in exportability to the design and development; and also by expanding support for what we call non-program-of-record systems. We’re looking into potential financing options that could make our systems more attainable for our foreign partners. And we’re also examining existing polices to ensure that they don’t unnecessarily detract from our ability to compete in international – in the
international marketplace. Finally, one of the other things that we’re looking very closely at is our advocacy process to make sure that we are the most effective advocates for U.S. industry.

The third line of effort – creating conducive environments – is aimed at addressing things that are – that are outside the executive branch, outside of our purview and control. And so what that means, for example, is working with the State Department’s committees of jurisdiction to address any legislative fixes that could increase efficiencies in the system; also, working with the other – the other committees, too, with the DOD committees, to see if there are any fixes that might help as well; working with our partners – our international partners to try to help better define their requirements and their needs to that that can help speed up the processes; addressing overly burdensome policies that create barriers for U.S. entry, such as overly restrictive offset polices of our foreign partners; and also, working with industry to try to increase production capacity in order to decrease the lead times for U.S. defense items.

In sum, what we’re trying to do in this – in this whole-of-government effort looking at the arms transfer process really from soup to nuts is trying to ensure that once we have decided that a transfer of a defense capability to a partner is in the national security interest of the United States, that we are able to effectively compete and efficiently deliver the equipment to our partner as quickly as possible.

I’ll close by underlining the fact that while some of the aspects of arms transfer processes will change under the new CAT Policy, as Ambassador Kaidanow said, the State Department will continue to evaluate each arms transfer or potential sale on a case-by-case basis. We will also continue to work very closely with our committees of jurisdiction on the Hill to make sure – to help them carry out their oversight responsibilities.

The CAT Policy provides a framework under which U.S. arms transfers, whether they are commercially licensed sales or government-to-government transfers, will be reviewed. It does not change existing laws and regulations regarding the export of U.S. defense items.

The other thing I wanted to add is while the CAT Policy really is quite important for us, this is – this is the fifth iteration of the CAT Policy. The first CAT Policy was signed by President Jimmy Carter. For us, I think the really exciting thing is this implementation plan, which really musters all of the efforts of the U.S. government to try to harness the forward movement and forward momentum that we do have to try to make the processes as efficient and as effective as possible.

So, with that, I’ll turn it over to Alex.

MR. HUNTER: Thank you.

Alex.

ALEX GRAY: Thanks so much to Andrew and his team and CSIS for having me here. It’s been a pleasure to be here with my interagency colleagues Laura, Ambassador Kaidanow, and the State Department. We’ve got a great collaboration on CAT throughout the interagency – DOD, the White House, State Department. I particularly want to acknowledge our colleagues at the National Security Council who led this effort, who have just been tireless and incredibly skilled at pushing this – pushing this through.
You know, I’m here on behalf of the White House Trade and Manufacturing Policy Office, and our mission is to work with our interagency colleagues and with the National Security Council to promote policies that expand balanced trading opportunities abroad, encourage policies that buy American and hire American, and protect and strengthen the U.S. defense industrial base. The Conventional Arms Transfer Policy encapsulates all of those objectives.

Rather than – you know, Laura and State have done such a great job articulating the implementation side of this. I’m going to talk a little bit more about how CAT fits into the administration and the president’s broader agenda, and some of the – some of the connections and connectivity between different aspects of that agenda.

CAT was designed in response to a shifting strategic landscape that’s increasingly characterized by great-power competition across the political, economic, and military spheres. CAT prioritizes staying ahead of this competition by responding proactively instead of reactively to the defense needs of allies and partners. It also recognizes one of this president’s signature themes: economic security is national security. By removing some of the previous administration’s artificial barriers to the transfer of arms to critical partners, the UAS export policy being one example, this administration is both strengthening our hand in the ongoing strategic competition while also stimulating economic growth at home, as well as job creation.

It should be noted that the U.S. aerospace and defense industries contribute almost $1 trillion annually to the U.S. economy and they support about 2 ½ million American jobs. Just as one point, the international – UAS export market alone is estimated to be worth more than $50 billion a year within the next decade. Those are the stakes we’re competing for.

Key objectives of CAT going forward – and Laura outlined most of these – working closely with allies and partners to identify the capability requirements they have and undertaking a whole-of-government response to meet those needs. Particularly, one of the things that our office has been very much involved in with NSC and State is the advocacy piece of this, and ensuring that the competitiveness of our defense exports abroad for both economic and security purposes is maintained. I would note, as Ambassador Kaidanow did, that the administration dispatched one of the highest-level delegations to date to the Farnborough Airshow several months ago, which I think demonstrates just how committed the whole-of-government approach is to that particular aspect.

Working with partners to ensure that U.S. barriers to entry are reduced and that policies like offset requirements do not threaten American jobs or reduce our technological edge.

And, like Laura said, continuing to update the policy and regulatory frameworks that underlie the arms transfer policy, including revising outdated policies and updating regulatory frameworks like ITAR.

The CAT Policy is part of a larger administration effort to stress the connectivity of economic and national security, another being the assessment of the defense and manufacturing industrial base that was mandated by Executive Order 13806, which we’re hoping will be released in the near future. Defense exports are an important tool for maintaining a healthy and resilient defense industrial base, including one capable of surging in a crisis. A diversified defense export sector also supports a wide variety of critical labor skills that are required by the U.S. defense industrial base, as well as our allies and partners.
I look forward to continuing to participate in this interagency process as implementation of CAT progresses. And we look forward to continuing this dialogue with all the relevant stakeholders here – whether industry or NGOs. And we want that dialogue to be frank, honest, and ongoing. I would particular urge U.S. industry to engage with the interagency on this process by offering specific, quantifiable steps that will help meet the goals laid out in CAT. Again, I want to thank all my interagency colleagues and the NSC, of course, for their hard work and dedication. Thank you.

MR. HUNTER: Thank you, Alex. Keith.

KEITH WEBSTER: Great. Andrew, thank you. And thank you to CSIS for this opportunity to speak.

And first of all, I’d like to put in context the Defense and Aerospace Export Council, which was recently launched a few months ago, in April, at the U.S. Chamber of Commerce, is a unique opportunity capitalizing on the administration’s interest in moving forward with CAT policy changes to put forward a brand-new council at the Chamber that’s focused on influencing the government – both U.S. government and foreign governments – and working with our industrial sector to advance opportunities for industries globally. And it’s an honor for me to be part of that initiative. And my executive director, Ben Schwartz, is here in the front row as well.

As Andrew kindly pointed out, I have a little bit of experience – roughly 33 years of experience in this very issue of arms transfer and cooperative research and development work with friends and allies globally. And what has changed in that 33 years is that the United States and its industries, although having incredibly capable military equipment, is not the only game in town. We are seeing the emergence of the Chinese and their military-industrial complex. And we’re also seeing Russia continue to advance some of its capabilities in the global market, as well as others – friends and allies – who have created military-industrial complexes. So when I started in this business 33 years ago, we had a very strong corner on the market for advanced military capability. That is no longer the case today. So there is a paradigm shift.

Specific to the CAT changes, we at this council at the Chamber are welcoming of the economic impact considerations as an element of the arms transfer review process. In my 33 years, it’s the first time that the policy has been expanded to include this consideration – the economic impact. It is not an overarching consideration, but it is allowed now to be a credible component of consideration in transfers. We also encourage consideration of foreign availability as an element of the arms transfer review process.

As we are witnessing China – as an example, not alone – but China filling voids the U.S. left with a denial to a friend or ally. The consequence of a denial filled by China or others is as follows: The U.S. loses market share that is not easily recaptured, and in some cases will never be recaptured. The U.S. loses control of the capability. The U.S. loses the opportunity to train, influence, and maintain a military relationship with foreign forces, who now are introducing into their inventory a Chinese – Korean, Israeli, et cetera – capability. And finally, with the introduction of, let’s say, Chinese or Russian system into the military inventory of that friend or ally, we now have a far more complicated future arms transfer decision process that is now compounded by a prior U.S. denial. And in some instances, we complicate the potential for expanded diplomatic relations.

Let me explain how – what I mean here. India. Let’s take India as an example. I’ve worked very closely with India over the recent years for Dr. Carter. Years ago we denied AESA radar for the
MMRCA jet competition, fighter competition several years ago, and the French clinched the deal. Now I like the French. Don’t get me wrong. But I like American industry better. Now, several years later – and I worked this initiative with Dr. Carter; we’re Johnny-come-lately to the effort – for additional aircraft capability in India. And now we’re all in. We’ve revised our policies. AESA’s possible, coproduction, production of aircraft and making it in India is possible. But we are behind now because the French bid us out.

Another example with India, we never answered India’s request for ballistic missile defense capability. That ask of the U.S. went unanswered for a number of years. And now, India has been forced to consider and has – may potentially go buy, potentially, the Russian S-400 system. Similar to what Turkey’s buying-- or said they were going to buy. Now we are rushing to put together a proposal for BMD for India to counter that situation. And why is that a problem for us? We have legislation on the Hill in 2017, CAATSA, which penalizes friends and allies who lean towards Russian equipment specifically. Fortunately there’s been a congressional carve out for India, but it created a lot of anxiety.

So NDAA 2019, the National Defense Authorization Act for fiscal year 2019, is headed to the president. And we at the chamber, and on this council, Defense Aerospace Export Council, are encouraged with the language is Section 1752 that reinforces economic consideration in this review process, and also requires, as well, the consideration of foreign availability – a recommendation that we published in 30 proposals to the administration on June 8th. So we’re excited about the language in NDAA 2019.

Finally, the DAEC, this council, is working closely with the administration and the Congress specific to our 30 recommendations that we published on June 8th. We are encouraging the administration to use the tools it has to affect real change, to issue executive orders, directives, and to hold the system accountable to seize this opportunity to address issues that we have debated since the Defense News article “Wrapped in Red Tape” that was published in 1997. I remember that. Many of you probably do not. A unique opportunity for true change. And I am honored to work with the colleagues here representative of State, the NSC and the White House, and others to advance these changes. Thank you.

MR. HUNTER: Thank you, Keith. And as I mentioned, I’m going to sort of take a break now on opening remarks and ask some questions as the moderator. But I would like the whole panel to weigh in on if they would like to.

And I want to start with the question – if I could just pose it in its most general form and then elaborate a little bit – about how you implement a policy and a process that is a case by case review process? Because these cases come up as individual transactions or deals. They may not be single transactions. They may involve multiple transactions. But they’re reviewed – well, if we’re lucky, they’re reviewed as a – (laughs) – as an overarching case. And so any individual situation has its own unique, you know, bumps and hurdles and roadblocks. And that can lead to an outcome which may seem inconsistent at first blush with the policy statements that are being made.

So I guess that’s in terms of how you implement this policy approach. And I really take to heart the kind of paradigm shift that was referenced by several about being proactive rather than reactive. And I strongly resonate with Keith’s remarks that, you know, we – previously we had a situation where U.S. products were so much in demand, so much the pinnacle that the world was seeking that, you know, reactive probably worked, at least for a while, because you had what everyone wanted, and you could afford to be in a reactive mode. That I tend to think has changed. So how do we actually do a
proactive process on something where it’s case by case and we’re trying to balance all these competing priorities? And I welcome anyone on the panel who has thoughts on this.

MS. CRESSEY: I’ll take a first shot. So I think looking at a case-by-case review, to us what that means is that provides us with an element of flexibility. It does not mean that we are going to ignore past licenses or past arms transfers, that we’re going to, you know, turn a blind eye to any kind of precedent. But what it does give us, is it gives us a bit of flexibility. All of those various considerations that are in the CAT policy that we have to – that we have to take heed of when we’re looking at a – when we’re looking at a potential transfer, it’s – what’s great about the CAT policy is it does not – it does not prioritize any of the – any of the considerations that are out there. It just lays them out there for us to – for us to consider.

And as my boss was saying in a Chamber of Commerce event just yesterday – my undersecretary – she says, you know, the world changes from week to week, from month to month. And so, you know, something that we may have been willing to provide a partner two months ago, maybe something has changed – you can imagine right now – some things have changed such that we’re not really quite ready to approve that transfer today. And so that’s the kind of case-by-case review that we’re talking about. It does not mean, just to underline, that we not going to be considering precedents, that we’re not going to be looking at past licenses, that, you know, if a company comes to us and says, well, this is the third of 10 transfers that we have planned, we’re not going to necessarily take that third transfer and look at it without thinking about the – about the whole picture. So hopefully that allays some of the – some of the concerns.

But we do have a bit of a – a big of a balancing act here with this case-by-case review and our desire to – as Alex was talking about – to really try to look proactively at what we want to do with partners and allies. And that proactive, strategic look is a little bit different from what we’re doing on a case-by-case – on the case-by-case basis. And it’s trying to take into account, you know, what are the things that we want to accomplish as a country? What are the things that have been outlined in the National Security Strategy and the National Defense Strategy? And how can we work proactively with our partners and allies to try to realize those goals and objectives?

MR. HUNTER: Dak?

DAK HARDWICK: Andrew, I think it’s a great lead-off question for what we’re talking about here. And I think it’s illustrated in one of the reform proposals that the Aerospace Industries Association submitted to the U.S. government. How do you rationalize the case-by-case with the – with the broad overall policy change? And one of the best examples is you look at some of your existing processes – and specifically, I’m talking about the concept of a program license. So for those that are unfamiliar with the program license, instead of licensing on a case-by-case basis on individual licenses, what you do is you provide a license for an entire program, and then any of the associated licenses that are responsible for – or, that fall under that program could then be expedited through the U.S. government.

Those licenses, that program, has already been adjudicated by the United States government. We already see the considerations. Whether it’s for human rights or humanitarian concerns or technology transfer, all of that has already been adjudicated. And that allows for those licenses to continue through the system, which is already burdened, to move through more quickly than you would do on a case by case basis. So a program license really is a good solution for one of these really thorny issues that we run into when you do overall defense trade and defense trade reform. And we’re hopeful
that the administration, as part of the national implementation plan, will look at a program license and consider that particular structure as something that can be considered going forward.

MELISSA DALTON: Thanks, Andrew.

To build off that point, I mean, I think, you know, there is the risk of being inundated and overwhelmed from a capacity and workforce perspective in terms of the range of inputs that’ll have to be taken into consideration with this policy. It has always been multifaceted. Arguably there are additional layers of complexity that the administration is endeavoring to incorporation, which I think is the right approach. But perhaps, as a similar but broader effort to what Dak and AIA have recommended, is building a series of archetypes or templates for the types of challenges that the U.S. National Security Community is going to encounter when it wrestles with these arms transfer policy decisions.

Based on the complexity of the context into which we’re inserting these arms, in terms of the foreign policy tradeoffs, in terms of tech release concerns, such that you could develop a range of archetypes that move along a spectrum of a highly capable ally – such as European or Eastern Asian allies, to perhaps a more fractious debate surrounding partners in some other parts of the world. So that might be an approach to consider, but would require all the different nodes of the interagency and also a dialogue with industry, Chamber of Commerce, and others that have a voice in this process, along with civil society and humanitarian actors, to construct these archetypes.

MR. HUNTER: Jeff, go ahead.

JEFF ABRAMSON: Just briefly on this. It’s an interesting question, and I get where it’s coming from. But I want to sort of maybe stress what Laura was saying. It’s really important that you keep this as part of your approach because of the changing dynamics and the changing situations. And then maybe later we can talk about there should be additional insertion points where you are taking account of changing times. I understand the desire here, but I think it’s also really important as a – from the idea of responsibility with these sales that there is this case-by-case review.

MR. GRAY: Just one addition to what Laura said. I think while maintaining the case-by-case review, I think it’s important that we do have these big-picture policy statements, not only because they convey a sense of the administration and the president’s intent in this policy throughout the entire whole-of-government approach, but also I think having these economic security – you know, being able to compete in a great power competition, having all of that as a signal of intent to our allies and partners, as well as our competitors, I think that’s really important. So the balance between the big-picture signaling and kind of the case-by-case nuance that the interagency needs to do this effective, I think that’s really important.

MR. HUNTER: This discussion kind of brought to mind for me, for those of you who don’t know, when Keith and I worked together at the Department of Defense, I was head of the rapid acquisition cell. And a lot of what I was doing at that time was trying to facilitate the provision of equipment to the Afghan national security forces, so that they could succeed in their missions. And Keith was my Svengali for trying to manage some of that process. And he would bring home to me that a lot of times the answer to – the solution to the problem was to take the easier path. In other words, things that had already been approved in a similar context, much easier to approve in an Afghan context, than trying to create some brand-new path. Not to say that the brand-new path can’t be done, but it is – it’s a lot easier and quicker to do something that’s been done before.
Which kind of brings to mind – and I think, Alex, this ties into what you were saying, that if we communicate, the government, some of these broader policy ideas, and folks in industry, folks in partner nations have an idea of what is more likely to get yes than no, we can maybe cut out some friction. So it definitely seems to me there’s a role for kind of these broader policy statements and communication. But that kind of brings me to my next question, which is, you know, how do you see – or how does the panel see it should be, or it will be, that we can facilitate and build those kind of communication mechanisms with industry? It was referenced by several folks about wanting to get feedback from industry. But, you know, sometimes the U.S. government is challenged to communicate back to industry in its processes, for a variety of reasons. So I kind of throw that out to the panel. How do we get this kind of dialogue process with industry, with partner nations working effectively?

Keith.

MR. WEBSTER: A couple of thoughts. And this issue of transparency we discussed yesterday at the chamber with the undersecretary and some of our members, you know, as the administration works through the details of the implementation plan, we really do see a desire for greater transparency on the details of that implementation plan. And I realize some of it is classified, but there’s a chunk that is not.

You know, one of the things that we worked hard in the Pentagon for many years and was critical to my various assignments is viewing industry as a partner. At times, the bureaucracy will try to keep industry at arm’s length for a number of reasons. And in order to succeed in this, it has to be a very collegial and transparent dialogue with our industry partners and the associations, and our Council. And otherwise, we’re not going to move forward. And it requires an understanding of the technology. So you have to have program management and engineer folks involved as well.

Part of the discussion we would often have in the Pentagon, as part of the acquisition technology logistics community – where Frank Kendell, for example, or Ash Carter, when he had the position, was beholden to the president and to the war fighter for not approving a transfer or supporting a transfer of capability that would somehow disadvantage U.S. forces. The conversation we would have is: With that industry, and with that capability, within five years, will there be a next generation of something that minimizes the risk of a transfer today? And in some instances, the answer was yes. And so we felt comfortable supporting the administration’s desire to transfer cutting-edge capability that otherwise might be a bit risky. And in some instances, the answer might be no. And that’s a kind of dialogue you need to have to move forward in some of these areas.

Of course, precedence is critically important. Industry knows where they’ve had licenses approved in the past. They know where the swim lanes are, no-go. However, there are opportunities that press against those swim lanes, that create the opportunity for new precedents. India’s a great example over the past five years, raising the bar in the relationship with India. That came with a great deal of discussion and dialogue, and a very close partnership with industry on F-16s, F-18s, et cetera. So I think – I think we need transparency and we need a very strong and open dialogue to move forward.

MR. HARDWICK: Andrew, if I might, let me give an example. I actually think that there is an existing structure and existing mechanism that is ongoing right now that AIA has been a part of for a number of years. And it’s through a series of dialogues that occurs at multiple levels in the government and in industry. And so we have a CEO-level dialogue that we hold with the secretary of deputy
secretary of defense. And then we have an undersecretary level that’s held with division presidents. And then we have a mid-tier dialogue that we continue to run with other associations as well. And so there are multiple levels of conversations that are ongoing that I think we can formalize, that we can continue to pursue with the U.S. government in such a way that it achieves the reforms that we have – that we all agree need to go forward.

The key for us is to make sure that we focus on security cooperation, defense trade, overall trade as the topic that is selected. Because the challenge that you suddenly start to have is – at the senior level and just under that very senior level – is that you have competing demands for multiple issues across the range. So it’s not just security cooperation that the secretary of defense or the secretary of state or the undersecretary of state or defense has – is responsible for. They are responsible for a number of things. And so it’s being very specific about what you’re trying to achieve. And defense trade is very – is very specific.

So if we can focus on security cooperation in defense trade at that senior level, and have it be baked into the bureaucracy, then we’re going to make some real change, because right now we are having those dialogues. They tend to be episodic at best. But if we can formalize those and put those – and have them be enduring going forward, then you’re going to see the levels of change that we think is necessary in order to accomplish the reforms that are going to be part of the national implementation plan.

MS. CRESSEY: I just wanted to add onto what Dak was saying. We have a number of standing meetings with associations, with AIA, with NDIA and others, where we try to engage the broad spectrum of industry stakeholders. With the consideration of the new CAT policy and the implementation plan, the administration has really tried to make an extra effort to increase that – increase that engagement. We’ve had a series of roundtable meetings with associations bringing in their membership, trying to make sure that we’re reaching out not just primes but also to small- and medium-size companies as well, to make sure we get a range of – a range of input.

We also understand too that sometimes in these broader dialogues it’s – folks may be somewhat reticent to talk to us. So our doors are always open to folks, whether it’s associations or think tanks or companies, to meet in our various officers – whether it’s State Department, at the undersecretary and secretary or office level, whether it’s the Defense Security Cooperation Agency, whether it’s Undersecretary Lord in ANS. All across the security cooperation landscape I think there’s been an extra effort to try to make sure that we engage to understand what the – what the various concerns are.

We have said when we started on this process that we were not just going to be looking for input to the implementation plan, write the plan, put it out there, and then say, OK, thanks, we’re done, talk to you all later. We really do want to make sure that this is just the beginning of our engagement. And we continue to reach out to folks.

I’ve told some of our – some of our colleagues that last week we held the first meeting of the interagency offset working group that was reestablished pursuant to the implementation plan. And in our first meeting, we said that one of the first things we need to do is reach back out to industry and through the associations to find out, you know, what is the perception of offsets? What is the perception out there of what the U.S. government should be doing as its offset policy? What are the countries out there where offset policies are perceived to be really incredibly onerous such that our companies cannot effectively compete?
So it’s that kind of situation where you’re going to see this ongoing engagement from us on a number of different – a number of different issues.

MR. HUNTER: And if I could just follow up on the topic of – and it was raised by Ambassador Kaidanow about resourcing, resourcing the process.

I’m always loathed to criticize my former colleagues, but I would say I think there’s some challenges there. And I would point as a for instance to some of the early stages of this year’s defense authorization bill kind of targeted, for example, the Defense Technology Security Administration potentially to be folded into other aspects of the department, but abolishes an independent entity.

And there is pressure. There’s pressure in the system, both within the Department of Defense and the Department of State to streamline, to be efficient, to reduce billets in certain areas and, in particular, in the kinds of things that tend to support the export – arms export policy, like contracting, like technology security reviews.

So how do you – how do you strike that balance? How do you effectively make sure that the resourcing that’s required to be proactive rather than reactive? And I would – I would postulate or argue that that may be harder to do, require more staff effort to accomplish than just to be reactive in an environment.

Now, I should – I should add that some of those early proposals in the defense authorization bill were not in the final conference report, but there were still some reductions mandated. So I’d just appreciate thoughts on that.

MS. CRESSEY: Is that directed at me? (Laughter.)

MR. HUNTER: Feel free.

MS. CRESSEY: Sure. So resourcing is a concern. It’s a concern, I think, among all of our agencies. I can’t necessarily speak to – speak to DOD, but, you know, they have some concerns. Contracting especially is one area that all of us collectively point to as a – as a real need for increased resourcing.

In my department, in my bureau, I think it’s very well known that the Directorate of Defense Trade Controls is quite understaffed at the moment, down considerably. And we also have vacancies here and there. And it’s something that our leadership is very much – very much aware of. And we are going to be, you know, seeking to try to fill those – fill those spots.

But, you know, Andrew, you mentioned it yourself, there are stresses on the system, you know, where we are, you know, being asked to do more with less. And, you know, we have to prioritize our work. Luckily for me, this is a top priority. So we, you know, we have a fair number of folks in my office and in other offices in the department that are working on – working on these tasks that are outlined in the implementation plan.

MR. HUNTER: OK, I’m going to raise us up a level now and kind of shift the focus somewhat, not to preclude anyone talking about implementation or the intent of the policy, but shift us up a level to the more strategic perspective of how arms transfers generally and the policy that we’re discussing fits into the strategic framework. And, of course, it’s been addressed several times already in terms of
the National Security Strategy and the leadership focus and the need to engage in or at least be prepared to engage in peer competition.

And so to kind of give us some opening thoughts on that, I’m going to start first with Melissa.

MS. DALTON: Well, thanks so much, Andrew. And I’m very delighted to joining today’s panel.

In partnership with Andrew, starting in March, we launched an effort to really start to unpack the complexity of the defense trade agenda with an event here at CSIS that featured the DSCA Director Lieutenant General Hooper and Mike Miller, also from State, Pol-Mil Bureau, and really looking forward to continuing this project stream with Andrew in the months to come. I’m sure we’ll be harvesting many insights from today’s discussion.

I also want to thank Maura McQuade and Hijab Shah for organizing today’s event.

Too often, we think about and approach arms sales in terms of the input to the partner and the output for the United States. I think we’ve seen in recent congressionally mandated reforms for security cooperation that are underway at the State Department and the Department of Defense that encourage the whole community to think more and drive towards outcomes. And indeed, if we want to compete and win in the ways that have been framed by this administration, it hinges on our ability to articulate and achieve those outcomes.

The fact is, as Ambassador Kaidanow stated in her remarks, is that arms sales are a foreign policy tool that may well reap U.S. economic and strategic benefits, but are fundamentally a political act that have political outcomes and in shaping the monopoly of the use of force within the partner country that we are working with and how that force is used. And so as we are thinking about the outcomes that we are seeking to achieve politically, it has to take into consideration that broader sweep of considerations.

I believe that the intent is there in terms of how the administration is designing its security cooperation reforms, again, mandated by Congress and I think as reflected in the framing and priorities of the CAT. But it’s worth underscoring that arms transfers should be designed to build allied and partner capability and interoperability, to mitigate risk in U.S. plans for managing crisis and contingencies, for deterrence and coercion against our adversaries, for countering terrorism and other national security objectives.

Internal to the U.S. government, this will necessitate greater linkage between the planning community and the security cooperation community and joint planning with our partners beyond which is currently practiced. There are impediments, of course, to this from a classification perspective, in terms of tech release considerations, and in terms of cultural barriers, not just between the United States and its partners, but between the different cultures that exist within the U.S. bureaucracy and in fact between the planning community and the security cooperation community.

But in order to break through those barriers and ensure stronger alignment with defense and national security priorities, we need to think about ways to better streamline and provide top-down direction for the imperative of thinking about security cooperation as a way to achieve our planning objectives.
Arms transfer policy also needs to be reconciled with two other priorities that have been articulated by the Trump administration. The first is the return on investment for working with allies and partners and why context matters in terms of avoiding being embroiled in protective conflicts, including those that are pursued by our partners and to whom we might be providing arms.

To start with return on investment, in the last two NDAA cycles, there has been an emphasis on reforming and reinforcing the requirements for planning, for assessment, monitoring and evaluation of security cooperation. And, of course, the president himself and members of the administration have been quite strong in encouraging allies to step up and do more to invest in our collective security.

Arms transfers are, of course, a form of security cooperation, so in thinking ahead of how we frame and reconcile the imperative of seeking return on investment with the need to be streamlining our arms transfer processes and policies to provide those arms to other partners, I think will need to be wrestled with at the highest levels of our government. If they are treated as separate policy decision-making processes, we run the risk as a country of parallel and possibly conflicting outputs and outcomes that we will have to deal with in the years to come.

Context also matters. Arms transfers further the by, with and through approach of relying on allies and partners to achieve common security objectives, not only through burden-sharing, but also burden-shifting. We’ve seen this approach increasingly utilized, not just by this administration, but frankly also by the Obama administration, and for good reasons. Our partners oftentimes have better understanding of the lay of the land for complex operations, they speak the language, they will hold the keys to that country’s future in terms of providing security over the long term and ensuring that our interests are met there.

And arms transfers may well achieve common objectives for both the United States and the partner, but we need to think through whether the outcomes are sustainable and supporting of our broader foreign policy objectives in these country contexts. And they must be calibrated not to inadvertently elevate partner expectations that the United States will not be able to match, whether that’s the type and sophistication of arms that we would like to provide them, but also the political implications of continuing a military cooperation relationship with them over the long term, that we’re not inadvertently empowering bad actors, that we’re not reinforcing predatory governance and that we’re not exacerbating conflict dynamics that may undermine our collective security in certain regions or that we’re causing civilian harm.

And I do want to applaud the administration for strengthening the civilian harm provision in the new CAT Policy. And I hope that that is well-implemented.

And I’d like to point you all to the administration’s own Stabilization Assistance Review that just came out in June, a collective effort by the Department of State, Department of Defense and the U.S. Agency for International Development, USAID, which links some of these very complex scenarios where we’re conducting stability operations with security assistance, security cooperation, and the need to be thoughtful about how we’re designing our security cooperation programs in these contexts. So for this administration, context does matter, but it does seem to be in tension, at least from an outsider’s perspective, with some of the imperatives driving in the arms transfer policy.

So while we need to design a policy that is responsive and adaptive to the competitive landscape of the 21st century to support our allies and partners in achieving common objectives, those
decisions are incredibly multifaceted. You can see by the CSIS challenging the length of CSIS panels today in our attempt to bring together the multifaceted dimension of these issues.

But given that greater reliance on U.S. allies and partners heightens the importance of calibrating our approach to consider these different policy objectives, providing feedback opportunities to refine them so that we are achieving our desired outcomes. Thank you.

MR. HUNTER: Thank you.

Jeff.

MR. ABRAMSON: Thank you. And thanks so much for inviting me to be on this panel. I may be the most unhappy with the policy on the panel, so that’s the role I’ll happily take on.

There’s a lot I’d like to talk about. I’ve been taking a lot of notes because I wanted to tailor to what’s been said so far.

There’s an issue brief that I authored through the Arms Control Association that came out a couple of months ago, which lays out some of the points I will make. I’m also, as mentioned, part of the Forum on the Arms Trade, which is a network of 70 people, I think at this point, around the world, about a third of which are here in D.C., who initially responded to the transfer policy when it came out. We have a page on our website on the – on the arms transfer initiative where you can see some of those reactions and ongoing things that have been written since then. There’s a great deal of concern actually about this policy.

Now, every Conventional Arms Transfer Policy is kind of a word soup. You can find almost anything you want in there. And as mentioned, the priorities there are not weighted, they’re just listed.

I’m concerned that the optics and the reality of how this policy might be implemented are looking at the wrong problem. So I just want to frame a few things so that I can explain how I see this differently, and then talk about how I think this matters to the world.

There are some assumptions I’m hearing that I sort of reject as a frame. One, that if others do it, if others are going to fill the gap, we have to fill it. I don’t think that’s ever a rationale for transferring what is not a trade commodity. These are weapons. These are killing machines. And it’s easy to talk about the in the abstract, but that is their purpose.

And in our economy, they aren’t that huge a piece of our economy. But for those of us who care about it, they have an outweighing impact on our world, our country and the world. And we never need to forget that. And we can’t talk about the arms trade as sort of an anodized, clean system. It is dangerous. And I don’t think we’ve figured out exactly how to do it right over time.

And we can easily go through the litany of past arms transfers that seemed to make sense that no longer do. And that’s the problem, I think, that every conventional arms transfer policy should take at its root, which is, how do we make sure we do it responsibly?

And I appreciated Ambassador Kaidanow’s message that we do want to continue to do this responsibly. And I do believe that is what is in people’s hearts. But as she said, each delivery sends a message. And my concerns here are, when we stress the economic side of this, that is what is seen.
And when President Trump meets with the Saudis and holds up posters of weapons and the amounts of sales, the message being perceived in the world is that the human rights, the other concerns, the security, they don’t matter, it’s a transactional approach, it’s about faster and more. And faster and more could be a recipe for disaster. These are some of the concerns that are in – that need to be taken into account.

There is this idea that the higher-technology weapons are the only ones that matter, and so there’s an export control reform process on categories one to three of the USML, which was briefly mentioned, which I find really alarming, the prospect that we’ll be actually making it much easier for semiautomatic weapons to go around the world. These are often the weapons used in conflict. These are often the weapons that are driving human rights abuses. The rationale that, well, these aren’t high-sophistication weapons so we don’t need to pay as much attention is driven from this idea that our approach needs to be more and faster and we need to protect only the crown jewels, which is a continuation of the Obama administration, but never got to these pieces. So there’s all these parts that are going on that I think are the wrong message.

And one of the other portions of this is, if we do want to create responsibility – and this is where I’ll be interested and as we have the panel to discuss this – where there might be some overlaps. There’s a lot of discussion in here about timelines and milestones, right? I mean, I understand industry is wont for that. I understand the idea that you want to move faster.

A number of us have met with the people working on the policy and I think most of us are disappointed that none of our suggestions about a little bit more transparency in those timelines and milestones would be helpful. I think industry would probably also support that.

I think also, if we’re going to move faster and more, we need to have at the tail end a better sense of how we’re going to use end-use restrictions and end-use monitoring. And we need to have better transparency afterwards so we can test. And I appreciated Melissa talking about there is a much greater push today to assess whether our security assistance, our efforts are actually achieving the goals.

My concern is we’re going to move faster and we’re going to not improve our transparency or our processes along the way such that we can assess later whether this was an experiment that was worth taking.

I think it’s also critical, as we mentioned, that along the process, if there are these milestones, that those are insertion points where you can reevaluate whether the deal that was made, however many months or years ago, still makes sense. And a small piece of this could be Congress gave itself the power to get a predelivery notification. It’s only used its power once in a Middle East sale, but this could be a standard process. And it could be public similar to direct commercial sales which get notified to Congress, but don’t have the same website as foreign military sales. Those could be made public at the same time.

My thinking here is that if we’re going to do this, if this is the drive for the administration to faster and more, that we need to have at the same time a more transparent process and one that the public can engage in a little bit more frequently. Because I think we are seeing, interestingly in this new, first two years of the Trump administration, Congress is paying a bit more attention. You have some holds right now on some sales that have been really concerning that I thought were going through
on weapons to Saudi Arabia and the UAE on precision-guided munitions. You have some holds on appointments and so on and so forth. But Congress needs to step up its game, but it needs to be helped by the public.

And I don’t think that can be inconsistent, I think it could be worked into the policy. But I think the message of the policy is not one that promotes international responsibility, but instead one that promotes transactions and sales, not human rights. And that is very alarming.

MR. HUNTER: Well, thank you.

Dak.

MR. HARDWICK: Andrew, thank you. Obviously, you know, I can’t thank you enough for the opportunity to be here today.

And to my U.S. government colleagues, not only here on the panel but also in the audience, I want to thank you so much for all of your work so far on the Conventional Arms Transfer Policy.

The Aerospace Industries Association has been working on this particular item for a number of years now. And please understand that AIA and its member companies, as well as the 2.4 million aerospace and defense workers across this country, are appreciative for your efforts to date.

I’d also like to call out Ambassador Kaidanow. She’s been a stalwart partner with AIA and with the U.S. aerospace and defense industry for a number of years, and her team has been absolutely outstanding. And so Laura’s presence here on the panel is – should not go unnoticed. They have been at our call. They’ve been very responsive to issues that we bring to them. I want to really thank you for that opportunity.

I want to, very quickly, go through a couple of things. The first I want to talk about is the strategic linkages that Andrew spoke about. The second I want to talk just a little bit about what the AIA recommendations were for government action, talk a little bit about the country relationships, and then, frankly, trying to wrap some of this up, where does all of this lead.

So, first of all, the Conventional Arms Transfer Policy, we thought, was the very first critical step in addressing some of the key reforms that we need in the U.S. defense trade system. It has been a pillar of U.S. foreign policy for decades and we see that it’s going to continue to be a pillar of foreign policy, going forward.

AIA and its member companies have focused on this issue for a number of years and we’re very excited to see some of the progress that we’re making now. At its core, the Conventional Arms Transfer Policy and the reforms associated with it is in support of foreign policy and national security objectives of the United States as laid out in the National Security Strategy and the National Defense Strategy, and in the National Security Strategy, the reforms to the Conventional Arms Transfer that we see that coincide with those reforms are renewing America’s competitive edge and reducing the regulatory burdens.

In the National Defense Strategy, we find key objectives like strengthening alliances and attracting new partners, deepening interoperability, and fostering a competitive mindset to be central to the goals of the Conventional Arms Transfer Policy. So the point in going through all of that is that
there is a direct linkage between the National Security Strategy, the National Defense Strategy, and the Conventional Arms Transfer Policy that has been – that has been identified, and so we see a strategic linkage from what the direction of the United States is – the United States government is and the Conventional Arms Transfer reforms. We see those linkages as key to reforms, going forward.

Now, earlier this summer, AIA sent in some recommended government actions as a result of dialogue that we’ve had with the AIA member companies, both large and small, and those fell into 11 different areas, and if you’re interested, the AIA website, aia-aerospace.org, has those recommendations.

But it really fell into key areas, and those include identifying specific priorities, addressing key reforms in the foreign military sales system, specifically, contracting, nonprogram of record, and reform to FMS-only-related transactions, examining the arms transfer and technology review release process, licensing, and that industrial cooperation – we commonly refer to that as offsets.

So those were 11 categories of recommendations that AIA recommended. When we saw the fact sheet that came out in the middle of July, we saw many of the themes associated with those recommendations carried forward by the U.S. government. We were very excited to see those themes coming forward.

But the next step and the critical step is the implementation. You’ve heard it referred to here in the National Implementation Plan. One of the things that we really need to do is have a key system that is set up where the industry can provide feedback to the government during the implementation stage.

As I said earlier on one of the other questions, we really need to bake in the feedback mechanism from industry to government to be able to realize some of the changes that are being recommended in the Conventional Arms Transfer Policy. Effective coordination mechanisms between industry and government are going to be key because the objective here is to reduce the burden on the system.

So one of the questions that we had earlier today was about – was about resourcing. Well, one of the easiest things to handle resourcing is to identify the things in the system that you don’t need to do anymore and so we did that as part of the Export Control Reform Initiative. So what are the things in the export control system that we don't need to do anymore and how can we reduce the burdens? So if you have a resourcing issue, then look at the system that you currently have and see what you don’t necessarily have to do anymore because the situation has evolved. That’s one of the ways that you really get to the resourcing piece.

Now, where does all of this lead? So one of the things that has been missing from some of this discussion, and I’d like to emphasize in forums like this, is the role of the ultimate end user of the items that we are transferring, and that is our foreign partners. So how do our foreign partners – if you were to take off your shoes and put on their shoes, how do you think our foreign partners feel about the U.S. conventional arms system? And what I would submit to you, having talked with a lot of these foreign partners, is they are as frustrated as we are because their objective is to control their own national security to meet their own national security objectives and to be key partners with the United States.

We think about it one directionally. We want key partners and allies. Well, our partners also want key partners and allies, and that main partner, for many of them around the world, is the United
States, and we want to make sure that we are meeting their national security objectives through our foreign military sales system just like we are meeting our own national security objectives.

So where does all of this lead, ultimately? So at the end of the day, this is a very competitive market. There are foreign competitor countries. There are foreign companies. They are all looking to get a leg up. They’re all looking to take market share from U.S. companies. But it’s not necessarily about market share. They’re looking to expand their global influence.

So the race that we’re actually running is a race for global influence, and for 50 years the United States has set the standard for the race in global influence. The question that we have and that we think by some of these reforms that we see that are coming as part of the National Implementation Plan is who is going to make the rules for global influence for the next 50 years.

And as an industry, as a country, and as a government, we feel like the United States is poised to continue to set the standard and make the rules for the next 50 years and that’s why we are excited about the potential change in the Conventional Arms Transfer Policy, the reforms that are coming forward, and we think that we have set the stage for really good action, going forward.

So with that, Andrew, I’ll stop and happy to answer any questions.

MR. HUNTER: Thanks, Dak, and I want to kind of follow up a little bit on what you said. But there was a common thread, I think, to your comments, Jeff’s comments, and Melissa’s comments, which gets at the question of how do we evaluate whether our policy is succeeding or failing at promoting the strategic objectives that it is designed to support in our broader strategic framework.

So, you know, there was some critiques of deal flow as a metric, there was arguments for end-use monitoring as one way of assessing what we’re achieving, and I think there’s a lot of other potential metrics out there. But I’d kind of be interested in the broader panel’s thoughts on how you assess that, you know, in a year’s time – if we do a six-month check in, a year’s check in farther down the road, do we say to ourself, yeah, the policy is working – it’s having the intended result, or we might need to fine tune some things, and I would postulate that you always need to fine tune things over time. So I don’t mean that as a critique.

But how do you see that assessment process playing out? And I should just mention that, and it’s been referenced, but, you know, that the FY ’17 National Defense Authorization bill really expressed strong congressional interest in trying to understand the strategic context of this and assess it and bring some more visibility to whether we’re achieving our objectives in our security cooperation efforts.

So let me turn that to the panel and see what thoughts we can get, and Alex, if – I would like to tap you first if you’re willing to go first.

MR. GRAY: I think one metric that the president himself as set is he would like to see more sales that are successful. He would like to see – he would like to see sales that meet the requirements that are laid out in this policy that are evaluated with all the criteria that we – the State Department and the interagency deem appropriate. But he would like to see an increase in our defense exports and he’s been the most vigorous advocate of doing that, and I think we saw 2017 set a record for defense sales. 2018 looks that it will continue – it will continue in that trajectory, and I think that’s a metric.
That’s an important metric. And I think as to strengthening our strategic partnerships, I think that’s going to be harder to quantify but I think we will – I think you will continue to see – you know, as more sales are consummated I think that’s also going to be a sign of the continuing strengthening of our strategic partnership. So that’s – those are two metrics that will – you know, they’ve been showing themselves since the start of this presidency and I think as this policy is implemented and we continue down that road I think you're going to see more of that.

MR. HUNTER: Laura.

MS. CRESSEY: Thanks. I think metrics are – metrics are difficult – difficult in this area, in particular. Quantities of sales, of course, is one way to measure how we’re doing. But it’s definitely not the only one, as Alex mentioned.

For us in this business, when you talk to those of us in my office and my counterparts in DOD, we often say that we’re not looking to sell items to countries. What we’re looking at is trying to – trying to build capabilities in our partners, not just selling them something and walking away. We want to make sure that our partners and allies are more capable and able to work with us when we need them to, to be more able to effectively defend themselves.

And so it’s hard to quantify that and that can be very squishy – a technical term – but it’s something that we do need to do. You know, as we are selling things to African counterparts, OK, well, what does that mean – how are they – how are they implementing the things that we are selling. You know, our country is able to better perform with U.S. – with U.S. war fighters in various operations and the like. I think that needs to be factored in as well because at the end of the day, you know, sales are important but it’s making sure that we are building the capabilities of our partners.

MR. HUNTER: Keith.

MR. WEBSTER: Building on what Laura was saying, you have a National Security Strategy and from that National Security Strategy you have a military strategy. From that strategy you have combatant commanders globally who have wartime planning documentation. It’s all classified.

But they know what they would like to see – their partners and allies in the region – the AOR – half as capability, and in my time in the Pentagon when there were very spirited debates about highly technical capability moving to a partner for a first-time introduction, we would always go back to wartime planning doctrine and look at how that capability supported the combatant commanders’ objectives in the National Security Strategy.

So, to me, that is another way to measure success. That’s not something that’s discussed publicly, but it is inside the administration a way to measure success as well.

MR. HUNTER: Jeff.

MR. ABRAMSON: Thanks, and I forgot to say when I was speaking before that I’m speaking on behalf of myself, not on behalf of the Arms Control Association or others.

I think it’s a really tough question because its – weapons, as a part of any security solution, are a long-term proposition and so it’s hard to say, after six months, whether, you know, that has
succeeded. But I think you have to pick your metrics properly and maybe one of those is how are the recipient countries using or changing their practices.

I mean, this is one of the pieces that was, I’d say, sold to the community of – my community as concerned about how the U.S. does its policies – that there will be this interest on protection of civilians. Training, as was required for transfers to Nigeria and Saudi Arabia, will be a critical component. Ambassador Kaidanow talked about this in terms of the human rights concerns and making sure the capacities are there. Those would be the metrics I’m looking at. Are we seeing countries who are receiving U.S. weaponry, if we’re concerned about their behavior, changing their behavior?

We have this sort of belief that if we’re a partner with a country we’re going to have control over what they do. But, oftentimes, that isn’t the case. I would argue that the Saudis have not been good actors however much influence we’ve tried to act on them as they’re reacting to the situation in Yemen. And often, I think, we actually end up – end up getting captured, which I think Melissa was talking about. Sometimes the countries we sell weapons to we end up getting embroiled in conflicts in ways that we weren’t expecting. How you measure that I think you pay attention to those hard places and see if you see progress. Ultimately, it’s about whether you’re creating peace and security, which is one of the hardest things to measure.

MR. HUNTER: Melissa.

MS. DALTON: Thanks, Andrew. As I alluded to in my opening thoughts, there are robust processes underway and good thinking happening both at DOD and State in terms of how to conduct assessment, monitoring, and evaluation. It is a congressionally-mandated task in the FY ’17 NDAA that DOD in particular has to create an AM&E framework for Section 333 Title 10 – building partnership capacity activities. I think over time there will be an effort, and I understand from State colleagues that there is a desire, to encompass Title 22 grant-based security assistance in similar frameworks and some pilot attempts underway at State to do that.

What I was trying to stress in my opening remarks is that whether – regardless of the input, whether it’s grant assistance or arms sales through FMS, you’re still achieving the same effects in the country, right? You’re driving toward interoperability, building partner capacity capability, retaining access, retaining influence in relationships, and so ought we not be using the same framework to evaluate our outcomes, our objectives with our partner regardless of the input to that system. My sense is – again, as an outsider – is that those processes are being bifurcated right now.

MR. HUNTER: OK, I want to open up at this point to audience questions. You’ve been a very patient audience, and so – (laughs) – we appreciate that and, you know, I’m kind of torn. I’m sitting here thinking I wish I had a Hill person on the panel and a DoD person – which we did seek – on the panel, and it didn’t work out, but I can only imagine how long we would have kept you if we had.

But let me start here with Colin.

Q: Colin Clark, Breaking Defense.

I am a grizzled veteran of watching these. I go back almost as far as Keith: the Defense Trade Security Initiative, wonderful ideas, they were going to change everything, everything was going to be faster, better, more wonderful.
Not to be snide, but a lot of this sounds similar, although there is less focus on process than there was in the DTSI, I think. So my question would be, OK, the laws and regulations haven’t changed. How do you actually – aside from pushing people to say yes more often, actually get things done?

(Pause.) (Laughter.)

MR. HUNTER: Laura, please.

MS. CRESSEY: Well, you were looking at me, right? (Laughs.)

Now, excellent question. I think I tried to allude to this a little bit when I was making my opening remarks where we have a situation right now where, you know, for the past several years, before this administration even – you know, we were hearing – as Dak had mentioned, we were hearing from partners, we were hearing from a lot of folks that, you know, we’re slow, we can’t compete, we take too long to make decisions, we take too long to produce our stuff. We really, you know – we produce wonderful stuff, but it’s too expensive, et cetera, et cetera, et cetera – mostly focused on the foreign military sales process.

And so the Defense Security Cooperation Agency, under then-director Admiral Rixey, really tried to take a look at reforming the process. And they ran into some bumps along the way.

But now what we have is we have kind of top-down direction from the White House that we need to really take a better look at how we are doing things, and we have the – we have that top cover to implement those kinds of changes that will make the FMS process, you know, smoother where we could try to address the real contracting issues that we have, that we can look at non-program-of-record items that take forever to get through the technical disclosure process – those kinds of things.

So I think what has really changed is the buy-in from the top level. And it’s – you know, it’s the White House, but it’s not just the White House. You talk to the secretary of State, or the Secretary of Defense, or the deputies, or the undersecretaries, and everyone is very much aware of all of the different things that we’re doing and very much behind us.

So I think that’s – you know, in the absence of, you know, other documents and legislation and the like, you really do have a changed situation with the – you know, with the top-down direction.

MR. HUNTER: Hand? Or Keith, if you would like to –

MR. WEBSTER: So the reason why I agreed to head this council at the chamber is because I believe there is a unique opportunity and interest by this administration at the highest levels in a way that is unprecedented. Let’s look at export control reform. It was tried by the Clinton administration, but half-heartedly. It was tried by the George W. Bush administration half-heartedly. It wasn’t until the Obama team came on board, with Secretary Gates’ support and direct intervention that export control reform actually happened. That is what it takes.

The proposals that we put forward to the White House – 30 proposals – were very detailed, 16 pages based on my experience and the experience of others. It doesn’t mean that that is the only way to
get this done, but it has to be a very specific, driven, solution-driven, detail-driven rose pinned on someone to see it through. That is the only way that we will see true transformation.

Let’s look at contracting. It takes over 300 days to get a major system on contract under an FMS case because you have a contracting community in the Pentagon that is decimated in numbers, it is grossly understaffed. They are overwhelmed with the current fight supporting U.S. forces and then supporting allied forces in the current fight, and then FMS comes along as a third priority for contracting. That’s why you have the unprecedented use of UCAs – Undefinitized Contracting Actions.

That is an opportunity potentially with the administration to look at carving out, with the Congress’ support, unique federal acquisition regulation procedures for FMS contracting to have a truly rapid process. That’s going to take whole-of-community support, and we at the chamber are willing to help with that.

That’s just one little example, but if you look at export control reform over two decades, how did that actually get done, that’s a roadmap for how to get this done instead of continue to talk about it.

MR. HARDWICK: I want to quickly just say one thing. So what has changed? It’s a great question. The easy answer is that your global security environment has changed, and our U.S. government colleagues see it in their bilateral discussions. Our industry members see it when they meet with customers. We see it in the daily media about how great powers are emerging, how certain countries are moving to align themselves. So the global security environment is changing, and continues to change, and is dynamic; it is not fixed. And there has been a recognition by the administration. There has been a recognition by our friends in our agencies, and there has been a recognition by industry that the global security environment is shifting, the dynamic is changing quickly, and that we need to make some key reforms in order to ensure that we are meeting the challenges of the next 50 years.

So your global security environment has changed. And after 15-plus years of conflict, we should expect that the environment should change and is going to continue to change. That is why we think that some of the recommendations that we put forward allow the U.S. government, allow industry to be flexible, to be nimble, to be able to react quickly to a world that is going to change and change very quickly.

MR. HUNTER: There.

Q: Thank you. Rick Weir from Northrop Grumman.

I’m going to couch this question in a quote from Keith Webster: “consequence of a denial filled by China.” What’s the will at the White House, Alex, or at the State Department to make changes to – this aggregate of CAT is filled with a number of policies that seem to need some significant changes like a sovereign decision, for instance, in MTCR to treat aircraft like aircraft and missiles like missiles. What’s the will to move on those challenging, very hard choices?

MR. GRAY: I think the will is demonstrated by the level of engagement that you see publicly and privately on this issue. I mean the fact that you have principal-level officials talking about these issues on a regular basis, you have – my boss, Peter Navarro, has written – to my count – two op-eds –
two national op-eds on CAT. You’ve got Ambassador Kaidanow going to numerous forums, both Farnborough, Chamber of Commerce events, today, talking about these issues.

So I think – and, you know, Keith was talking about the – you know, his experience going back 30 years and not having seen this level of administration engagement on topic like this, yeah, I think that’s absolutely true.

And to your point about making – how do we – you know, what is the level of commitment, I think it’s demonstrated by the personalities involved and what – their public statements. I would just direct you to those.

MR. HUNTER: Can we come just right here? The – yes, you’ve got it.

Q: Good morning. Thank you. My name is Veronica Cartier. I am a think tank and focus on the security sector including nuclear policy.

So my intention is in the future risk. That’s what I am – would like to focus on, and my comment is I think – is the CAT policy should include risk policy, and the security monitoring body should be considered, which is primarily just focus in the future risk.

For example, how could we be so sure after we transferred a weapon not to be retransferred somewhere else? And the second, does United States still have the technology control of the transferred weapon? I think that primary, and –

MR. HUNTER: Yeah –

Q: – as we all know that the changing world our ally become adversary and vice versa. We should consider that.

Thank you.

MR. HUNTER: OK. So risk – how does risk fit into the policy?

MS. CRESSEY: So risk is something that we have to – I think we have to factor into every decision that we make. All of my colleagues are very aware of risk, whether you are looking at the release of a technology, the sale of a system, the situation within that country, the situation within that region. So I would say that the assessment of risk is baked into the entire process from the beginning to the end, including end-use monitoring, whether it’s a direct commercial sale or a foreign military sale.

We also have very strict retransfer provisions that are within the – whether it’s – again, whether it’s a direct commercial sale and built into the license or whether it’s a foreign military sale and built into the contract or the letter of offer and acceptance. So in order to retransfer an item, they have to come back to my office, if it’s a foreign military sale, to get that kind of – that kind of approval. And if that doesn’t happen, then we have – you know, we have other provisions to deal with countries that transfer in contravention of their agreements.

So I would say that we are very much aware of risk. Jeff has pointed out the kinds of things that we are dealing in. We are not talking about paper, we’re not talking about transferring – we’re
talking about transferring lethal equipment, so risk is something that is baked in, I think, every step of the way.

MR. HUNTER: Jeff?

MR. ABRAMSON: It’s easy to forget that – I mean, the U.S. is by far the world’s largest arms dealer and growing its share. If you look at the SIPRI reports, the U.S. is not suffering; it’s growing, and it has great influence, and for decades has argued for responsible arms trade. And I think as we assess the policy, if this is setting the standard for the next 50 years, is it the standard that we want other countries to follow. I think that if it is, we need to make that portion of the case, and if we are concerned that some countries are not acting as responsibly as they should, how do we convince them to act more responsibly. And that’s where I think we stress these end-use monitoring agreements, we stress pieces of our continuing process that we want other countries to follow, and it’s an unfair criticism to say this, but I don’t think this administration or this president is particularly proud or fond of multilateralism, but ultimately that is I think the approach that you have to take here. There is an arms trade treaty that is signed in a hundred countries – almost all of our allies included are part of it – and how do we figure out ways to build the multilateral system at the same time because if the problem is other countries acting poorly, and we’re presenting a model, is that model one that they are going to want to replicate.

If we figure out how to do it faster and better, how do we show we’re doing it, taking account of all these risks?

MR. HARDWICK: So, Andrew, if I can just very quickly – I want to say something differently about risk than what I think other panelists have said. So risk can be – so risk can be mitigated by processes. That part is true; I think that’s what you have heard. But risk is also mitigated by relationships. And I want to emphasize that because the government-to-government relationship that occurs between the United States and other countries is so critical to ensuring that whatever risk we think there is in transferring an item is mitigated is really important.

But the other relationship that has developed that we don’t talk about very often is the relationship between the industry partner and the country in question because those relationships are baked in for years because what happens is as soon as you start working with a country, you also start working with their supply chain, with their in-country partners, and those relationships are developed, and continue, and endure even beyond the government-to-government relationships.

So we don’t necessarily talk about those relationships very often, and so what you will see is that risk reduction occur both on the government-to-government level as well as the industry-to-country level. That is so important in making sure that you are making the right decisions when it comes to sales in countries around the world.

MR. WEBSTER: Quickly, I’m sorry. So I just want to make a couple of quick comments. Yes, our defense industries do an incredibly good job internationally today. The focus of my work is ensuring that they do as well in 15 to 20 years as they do today. And part of the change in the dynamic is the evolution and success of competitors, like China and others, who are going to make that more challenging for our industries 15 to 20 years from today.

Also I want to point out that our defense industries ensure that innovation continues to progress. We cannot sustain our position in the world without security, and in order to have that security, we
must have continued innovation. Innovation comes from revenue. Our defense industries lead in innovation in spite of everything you read in the press. They do amazing investments with the money that DoD provides them, money they make from international sales.

DoD just announced this week that the 2020 budget for the president will probably be flat, so no surprise. R&D has fortunately not been cut over the years but remains flat. We need our industries to continue to be vibrant and to reinvest that revenue, as they do, in research for next-generation capability for our forces and for our allied forces to dominate on the battlefield tomorrow. Just a thought.

MR. HUNTER: All right. Unfortunately we’re running short on time, so in order to get in a few more questions, I’m going to recognize a couple of people, ask you both to ask your briefest possible version of your question, let the panel react, and then we’ll see if we have time for a few more. But I’ll come here and then over here. And so whoever gets the mic first – (laughs) – can go first, and then, yeah –


There wasn’t a lot of discussion here today about drone exports, but I was wondering if you could talk specifically about what is in the implementation plan to enable that. And, you know, can you give us a status update on any changes to the MTCR that the State Department, the U.S., is proposing?

MR. HUNTER: All right. So she asked about changes to MTCR, and then what was the – let’s get the second one and –

Q: Thanks, Andrew. I’m Will Imbrie from Dyncorp International.

Laura, you and Alex both talked about advocacy being reinforced under the new policy. When I was a foreign service officer, I advocated for defense sales overseas under a very strict set of rules. Now a defense contractor, I feel that we are hamstrung compared to our foreign embassies. Have you issued new guidelines for embassies and commercial counselors on what they can do?

MS. CRESSEY: Sure. We’ll start with – Will, with your question on advocacy. We have not yet issued new guidelines. It is a question that we’re looking at, what should our role be. I know that Defense Security Cooperation Agency issued guidance to their security cooperation officers in our embassies around the world because they are – that’s another point of confusion is we have our security cooperation officers, we have our foreign service officers, and we have our foreign commercial service in Commerce Department. But it is definitely something that we’ll be looking at and hopefully issuing something as the process goes on.

MR. HUNTER: And then who wanted to tackle the MTCR question? I’m guessing that’s you, too, Laura.

MS. CRESSEY: That’s right. (Laughter.)

Ambassador Kaidanow mentioned in her remarks the MTCR, that we are looking to try to reinvigorate the MTCR with respect to UAVs, and have proposed something to our partners, that we are working to try to gain acceptance that we hope will open up some market space for the producers of
UAS’s here in the United States and also abroad. But that’s something that we are working towards this fall, so I hope to have more later.

MR. GRAY: Just one quick piece on the advocacy point. You know, one of – we talked about strategic competitions as a larger, you know, geopolitical impetus. I think one of the tools that has been used as part of that competition is advocacy by our rivals, by our competitors. And when you look – and I would say even not just by our competitors; as well, even friends and allies have had a very vigorous advocacy, high-level advocacy effort going back, you know, decades, and I think, as you have alluded to, you know, we have – in recent times, we have not been as aggressive with high-level advocacy as maybe we could have been. And so I think one of the thoughts behind the larger CAT policy, and I think driven by some of the folks at the highest levels of the administration who personally identify with advocacy as being something they want to undertake, is that that’s a way for us to be strategically competitive – is to have that high-level advocacy.

So as State continues – and the interagency continue to work on that, you know, revising the guidelines and working on the implementation of that, there is a huge desire at the principal level to undertake that effort.

MR. HUNTER: Well, I know there’s a lot of questions left unanswered yet, but it is at the end of our time, and it was a long event so I don’t want to hold you too long.

But thank you very much to the audience for coming. Thanks again to the supporters who made this event possible.

Thank you, and please join me in thanking the panel for a great discussion. (Applause.)

(END)