

Export Control

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Thank you for the opportunity to be with you today.

Of the questions that this panel is expected to address, I'd like to focus on question 6.g., "What reforms to the U.S. export processes are needed and how can improvements be accelerated?"

This is a question with which I have been wrestling since just after the Secretary asked me to be part of his team at State.

September 11th shifted my focus as it did much of the government, and we lost some time in taking a serious look at how we can make the State Department's portion of the export control system more responsive to the rest of the interagency and the needs of industry while still ensuring that U.S. security interests are properly served.

But finally, I can tell you that I have carefully reviewed every—and I mean every—report and proposal dealing with the defense export control system that has crossed my desk in the last year.

I am happy to take the opportunity today to talk about a number of steps we are taking that should markedly improve and enhance the State Department's ability to license the export of defense articles, services, and information.

In the interest of time, I will provide a summary review, and perhaps I can elaborate on any points of particular interest in the panel discussion.

Let me start off with a snapshot of where we are now. First of all, of the 47,000 license applications or cases it receives each year, Defense Trade Control (DTC) handles approximately 70% internally; that is, they don't have to be staffed to other offices for review. That's just under 33,000 cases a year. The median processing time for these cases has been reduced from 15 days in 1999 to 8 days. So once again, today we are turning around 70 percent of the license applications in 8 days.

The median processing time for the other 14,000 cases, those that must be staffed to other offices within State and/or outside agencies has now been reduced to 58 days, down from 76 in 1999.

This progress has been made possible by providing greater resources to DTC in a number of functional areas; for starters, we have just about doubled the licensing staff in two years.

We are just now benefiting from resource decisions made by Congress in 1999. My goal is to build on that progress and re-engineer the licensing process in a comprehensive manner, to capture any and all efficiencies we can and achieve maximum accountability to management. By doing that, I believe we will see still further progress on turn-around times – both in terms of shorter duration and more predictability for industry.

To accomplish that goal, my staff and I are examining a large and growing list of specific ideas relating to our export licensing procedures: we are also moving swiftly to upgrade DTC's IT infrastructure, and we are developing further recommendations in the policy area to make the export control system a more effective regulatory and policy instrument.

Re-engineering the Licensing Process

Let me first address the re-engineering of DTC' licensing processes. This is the foundation of our efforts in PM. We have to validate our processes before enabling them with IT systems. And by the way, in this view I have the – shall we say strong encouragement? – Of GAO and State's Inspector General behind me.

In that context, we are looking at interagency functioning in support of the licensing function, end-use monitoring of exported defense items and technology, the policy referral process within the State Department for license applications, the commodity jurisdiction process involving Commerce and many issues of timeliness as they relate to industrial competitiveness including the note and effect of Congressional notification procedures.

We will be looking at our compliance and enforcement functions involving the Customs Service. And we will be drawing up goals for DTC relating to training, career development, and customer relations with industry, as well as potential management tools that might be candidates for future resource investment.

At an appropriate time, I plan to draw on the expertise of industry via the Defense Trade Advisory Group (DTAG), and am happy to receive specific ideas and recommendations from members of this organization. Just send them to me at the PM Bureau, the sooner the better.

DTC IT Upgrade

Many of you may be aware that we are upgrading DTC's information technology infrastructure. We have entered into an intensive dialogue of experts with the Department of Defense, to include several meetings with USXPORTS technical experts. We have expanded the use of the T-1 line to transmit to DoD both structured data and unstructured back-up material for cases in support of Operation Enduring Freedom, which have been turned around in 24-48 hours on average.

The Department's CIO has personnel from his staff working with us on this upgrade effort. And I have received strong encouragement from my bosses to push hard on the IT front, consistent with Secretary Powell's interest in modernizing the Department's operations.

We hope to use standardized processes and IT infrastructure to eliminate delays and bottlenecks that have slowed our responsiveness to industry particularly when staffing cases to other agencies and to policy offices within State.

Our plan is to initiate a six-month beta test of a fully electronic licensing program in the coming weeks, with the participation of some large and small companies alike.

Policy Implementation and Revision

The final area in which we are taking a hard look at the defense export system involving larger policy issues that determine what we are trying to accomplish.

As you know, this Administration has sought to continue implementation of the previous Administration's initiative in this area, the Defense Trade Security Initiative or DTSI, which began in May of 2000.

To be honest, we have seen mixed results. NATO Secretary General Lord Robertson has proposed narrowing and concentrating the focus of the Defense Capabilities Initiative (DCI), which seeks to facilitate the transfer to NATO allies of equipment identified as key to wartime interoperability. I support Lord Robertson in this endeavor and will work with DoD to that end.

The DTSI project and program licensing arrangements have not been widely used for a host of reasons. But now that the Joint Strike Fighter is moving forward, PM will work with DoD to ensure that our licensing process serves national security priorities such as JSF.

On the Munitions List review, we are close to Executive Branch agreement on some categories and expect to move the whole process more expeditiously from here on. Industry and Congress will have their say as we go forward.

Finally, we are working with various congressional committee staff members to raise the current thresholds for congressional notification of defense sales. I believe significant changes are warranted and hope Congress will be persuaded.

So that is a quick look at my action agenda. I look forward to your comments and questions.

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