

Subject: Conventional Arms Transfer (CAT) Policy – Biden Administration Review

Reference: National Security Presidential Memorandum (NSPM-10, issued April 19, 2018).

The members of the U.S. Chamber of Commerce Defense and Aerospace Export Council (DAEC) are grateful for the opportunity to provide input into the Administration review of and expected revisions to NSPM-10. Fundamentally, we desire to see preserved the ability of the Administration to weigh equally the economic impact to our industries and their ability to reinvest proceeds from global sales into future research and development programs to innovate, along with other critical policy considerations. Furthermore, we desire to see greater support for technical cooperation among America's closest Allies, especially our Five Eye partners, in developing next generation military capabilities to include some of our sensitive developmental projects.

The following are specific recommendations we ask that the Administration to consider:

Recommendation #1: Retain Sec. 3. Arms Transfer Decisions, sub paragraph (b) The Economic Security of the United States and Innovation. As the Administration focuses on America's post-COVID 19 economic recovery and rebuilding the middle-class, the approximate two billion individuals employed by the Defense Industrial Base (DIB) are vital to our overall economic health. Furthermore, especially for our aerospace DIB community, the connection with the commercial aviation industrial sector is significant. Commercial aerospace is one of the hardest impacted sectors from the pandemic, and the supply chains and those employed in it are closely connected to the aviation DIB. Secondly, it is critical to retain as a strategic consideration the matter of foreign ~~a~~ability. Ceding market share to America's adversaries, whether our enem~~e~~s or competitors, when the request is from a nation friendly to the United St~~at~~es, only ensures scarce acquisition dollars going to a rival nation and its industries. Furthermore, a failed market capture that leads to an acquisition by a friendly nation from an adversary most likely will result in future challenges that will hinder our bi-lateral relationship with the purchasing nation. Let us not forget the Russian S400 matter and its impact upon various allied and partn~~e~~r nations. Some would correctly argue that a failed U.S. decision to sell a comparable U.S. capability forced the hand of some S400 buyers; not all, but some. The impact to future U.S. transfer decisions will be felt for decades until which time the system is obsolete or removed. We must work in harmony to ensure we do not replicate such a situ~~ati~~ation in the future.

Recommendation #2: Retain Sec. 3. Arms Transfer Decisions, sub paragraph (c) Relationships with Allies and Partners. We ask that the current language in this section of NSPM-10 be expanded to address and clarify the importance of parti~~cip~~ing in the transfer of technology to advance innovation. Not only is it important to recognize the contribution international sales have with respect to the DIB investing in innovation, but to also amplify the importance of collabor~~at~~ing with our closest Allies and their dom~~est~~c industries to rapidly advance next generation capability. Although unique to address this matter in NSP~~M~~-10, we feel it

appropriate to do so in the context of the arms technology transfer decision process and the urgency this Administration is placing on innovation in defense.

Recommendation #3: If pressure is such that Sec. 3. Arms Transfer Decisions, sub paragraph (b) The Economic Security of the United States and Innovation, would need to be suppressed or removed in some way, we would ask that the text of this section then be added to Sec. 3. Arms Transfer Decisions, sub paragraph (c) Relationships with Allies and Partners, while also addressing our suggestions as noted in the prior two recommendations.

The DAEC and its members offer some additional thoughts for consideration:

- The CAT policy ideally would offer insight into the decision process and would provide the DIB some confidence in their international business development work. Unfortunately, this has not been the case. We would like to better understand how this Administration intends to weigh key factors in the decision process. Furthermore, as you consider how to direct implementation of the new CAT policy, clarifying decision timelines and associated metrics for the Administration staff would assist industry efforts to be more accurate with respect to business development timelines and ultimately more competitive in the global market.
- U.S. policies must continue to adapt to a world where we are no longer the exclusive provider of effective military capability. It is true that America remains one of the few providers of exquisite military capability, however, like the United States many nations are looking for “good enough” rather than “exquisite” as defense budgets continue to get squeezed.

We would like to see a greater effort to harmonize various export policies with this Administration’s CAT policy such that fundamental disconnects platform by platform are minimized thus reducing current levels of uncertainty. Frequently we have experienced either a delay in adopting revised CAT policy and/or an intent to circumvent CAT policy objectives at the operational level. These disconnects lead to unnecessary and costly confusion between the DIB and Administration officials tasked with implementing Presidential policy.

There is a need for those implementing the CAT policy to partner more closely with the DIB and industry experts to fully understand the technology, how that technology is protected, details of the supply chain and DIB case for release. In a recent discussion with a senior adviser to the Biden Administration regarding emergent technologies, supply chains and ideas for protecting what matters from a national security objective, it was agreed that the lack of DIB representation in the prior Administration’s policy formulation process is and will remain a disadvantage to all parties. We agree that often those who know best the technology and what is at risk are often excluded from the debate. Doing so has lost market share and critical market capture not for national

Reframe?
DAEC supports the administration's commitment to "develop new processes and partnerships to ensure that ... private sector actors are better integrated into policy deliberations." On CAT...then insert this example

Add the Biden tone?

"The world's leading powers are racing to develop and deploy emerging technologies, such as artificial intelligence and quantum computing, that could shape everything from the economic and military balance among states to the future of work, wealth, and inequality within them..." (Interim NSS Guidance)
"Because traditional distinctions between foreign and domestic policy - and among national security, economic security, health security, and environmental security - are less meaningful than ever before, we will reform and rethink our agencies, departments, interagency processes, and White House organization to reflect this new reality. We will ensure that individuals with expertise in science, technology, engineering, and mathematics, economics and finance, and critical languages and regions are fully integrated into our decision-making."

Reference this from the INSSG?
"And we will develop new mechanisms to coordinate policy and implementation across this diverse set of stakeholders."

Reframe around clear INSSG comments on this - DAEC ready to make this happen.
"Because traditional distinctions between foreign and domestic policy - and among national security, economic security, health security, and environmental security - are less meaningful than ever before, we will reform and rethink our agencies, departments, interagency processes, and White House organization to reflect this new reality. We will ensure that individuals with expertise in science, technology, engineering, and mathematics, economics and finance, and critical languages and regions are fully integrated into our decision-making. Because the federal government does not, and never will, have a monopoly on expertise, we will develop new processes and partnerships to ensure that state, municipal, tribal, civil society, non-profit, diaspora, faith-based, and private sector actors are better integrated into policy deliberations. And we will develop new mechanisms to coordinate policy and implementation across this diverse set of stakeholders."

security risks reasons, but from an Administration's inability to make an informed decision.

Secretary Hillary Clinton, in a Foreign Affairs article dated November/December 2020 and titled *A National Reckoning: How Washington Should Think About Power*, stated "Among the highest priorities must be to modernize the United States' defense capabilities.... Another is to renew the domestic foundations of its national power—supporting American innovation and bolstering strategically important industries and supply chains." As the DIB is clearly a strategically important industrial community, we and our council members agree that their business considerations globally and associated supply chains must be factored into this Administration's review of the NSPM-10. The Biden admistration has an opportunity to take concrete steps to advance and defend its interests globally with support from the DIB community.

Fold in the INSSG focus on US workers:

"We will ensure our **international economic policies reinforce our domestic policies** to support workers, small businesses, and infrastructure, and we will integrate measures to address transitional and distributional challenges."

"To address the economic crisis, we will work with the Congress to provide sustained relief to workers, families, small businesses, and communities and begin to make far-reaching investments to **create millions of good-paying new jobs in infrastructure, manufacturing, technology, and caregiving.**"

"We will **mobilize U.S. manufacturing and innovation** to ensure that the future is made in America, and in all of America. We will leverage American ingenuity to build modern infrastructure and ensure our investments create good, union jobs that expand the middle class. "

"When the Chinese government's behavior directly threatens our interests and values, we will answer Beijing's challenge. We will confront unfair and illegal trade practices, cyber theft, and coercive economic practices that hurt American workers, undercut our advanced and emerging technologies, and seek to erode our strategic advantage and national competitiveness. We will ensure that our **supply chains for critical national security technologies** and medical supplies are secure. "

"We will only pursue new trade deals after we have made investments in American workers and communities. And as we negotiate with other nations, we will stand up for American workers and small and medium-sized businesses, even as we continue to ensure that all American **companies can compete successfully abroad.**"