



DEFENSE AND AEROSPACE EXPORT COUNCIL

Action Plan to Implement National Security Presidential Memorandum Regarding U.S. Conventional Arms Transfer Policy Executive Summary

Institutionalize Focus on Economic Implications of Export Policy: We recommend Department of State's (DoS) Undersecretary for Arms Control and International Security Affairs and its Bureau of Political Military Affairs report to the Secretary of State, the House Foreign Affairs Committee, and the Senate Foreign Relations Committee any denial of an SME/MDE sale to a foreign government; an assessment that the denial will or will not result in the denial of the military capability to the end user; an assessment of the economic impact to the U.S. Military; implications for U.S. national security industrial base health; and a list of military or dual-use capabilities and technologies, indicating a presumption of approval to enable expedited decision making. We also suggest the Defense Intelligence Agency contribute to industry assessments regarding foreign availability of similar SME and MDE under review for export.

Institutionalize Focus on U.S. Dominance in Emergent Technologies: We recommend the DoS's International Security Advisory Board provide an assessment on policies and investments to expand U.S. dominance in the global defense and aerospace market; the Bureau of International Security and Nonproliferation provide a plan to update their policies reflecting the assessment; the Under Secretary of Defense for Research and Engineering (USD R&E) determine annually the emergent technologies vital to national security; and the Directorate of Defense Trade Controls (DDTC) and the Bureau of Industry and Security (BIS) publish Federal Register Notices of Proposed Rulemaking for public comment to proposed U.S. Munitions List (USML) category and their corresponding Commerce Control List (CCL) categories.

Modernize Defense Department Technology Security Foreign Disclosure (TSFD) Policy Procedure: We recommend the Technology Release Senior Steering Group (ATTR SSG) and Technology Security Foreign Disclosure Office (TSFDO) be realigned to advise the Under Secretary of Defense for Acquisition and Sustainment (USD A&S) and work with the Military Industrial Base Policy (MIBP) office to evaluate the impact to the military industrial base of all export transfer denials of SME and MDE. For MDE/SME sales, we suggest the COCOMs be informed of intent to deny and/or heavily proviso export authorizations or to deny an FMS sale to potential buyers of U.S. systems. We also recommend denials or returns without action of MDE/SME require a TSFDO assessment that an export authorization or FMS denial will or will not result in the denial of the military capability or a near equivalent capability to the end user.

Promote Foreign Industrial Security Mechanisms to Allow Increased Defense Technology Release: We recommend the Director of DTSA, in coordination with USD A&S and the DoS, develop a list of countries seeking advanced U.S. defense technologies but lacking the industrial security mechanisms to safeguard those technologies; develop a plan to offer assistance to those countries to upgrade their security mechanisms; develop a timeline to achieve sufficient security standards to allow advanced defense technology release to those willing to cooperate with the U.S.; and provide an annual classified report on these activities to inform the interagency, COCOMs, Office of the Secretary of Defense, the Services, and U.S. industry.

Assess & Adapt to the Impact of Russian and Chinese Exports on Israel's QME: We recommend the Office of the Director of National Intelligence collaborate with U.S. defense industry analysts to monitor and assess the impact of increased Russian and Chinese defense exports, which are not influenced by QME considerations, to the Middle East.



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Address Workforce Deficiencies: We recommend that the Secretary of State support the DDTC's efforts to fill vacant positions and determine if staff levels need to increase; and that the Secretary of Defense support DoD components who need to grow to manage FMS programs more effectively.

Institutionalize Competitive Standards for Overcoming "Strong Presumption of Denial" for MTCR CAT I UAS Exports: We recommend the U.S. military cooperate with foreign militaries on UAS tactics, techniques, procedures and doctrine and establish a new policy.

Streamline Contracting & Modernize Pricing Structure for Foreign Military Sales: We recommend DoD work with U.S. defense industry representatives to develop pricing options when an FMS LOA is used in a foreign government competitive acquisition and share with the U.S. company the LOA draft pricing. We suggest DoD implement NDAA reforms to FMS contracting- in concert with Congress and industry- to tailor recent statutory reforms for greater flexibility. We also recommend the Administration convene a working group to draft a new model Federal Acquisition Regulation (FAR) or DFARS Part to implement FMS contracting procedures that will reduce the time to award a contract and reduce data required for pricing subsequent FMS contracts.

Modernize FMS Congressional Notification Process to Keep Track with Inflation & Technology Evolution: We recommend the Administration submit a legislative change allowing the annual use of an OPM accepted inflation index to inflate the 1981 thresholds to nominal dollar values..

FMS Non-Program of Record/Non-Standard Acquisition/FMS Only Programs: We recommend OSD and the MILDEPs issue joint, transparent guidelines detailing the evaluation process for a non-program of record FMS sale. We also suggest OSD and DoS' Bureau of Political-Military Affairs (PM) issue consistent criteria for differentiating SME and MDE- restricted to FMS only and those permitted under DCS- and provide a procedure allowing companies to contest FMS only designations based on established criteria.

ITAR Exceptions for Australia, UK, and Axiom NTIB & Trade Treaty Implementation of Legislation: We recommend the Administration expand the "Canadian Exemptions" to include the United Kingdom, Australia and New Zealand.

Offset Policy Engagement: We recommend the U.S. government engage on a case-by-case basis when an allied/friendly nation offset policy is particularly contrary to U.S. practice to shape partner nation expectations and recommend actions to modify their offset policy. We also recommend The Secretary of Defense direct MILDEP program offices to review potential direct offset/industrial participation with prime/major subs as part of MILDEP assessments and briefings to the DoD release committees.

Track Progress of USG Initiatives Undertaken to Implement Conventional Arms Transfer Policy: The Department of State shall produce a status report to the President on implementation of these recommendations no later than 365 days after the completion of the administration's Conventional Arms Transfer Policy.