

# **Defense Trade Security Initiative (DTSI)**

## **New Export Authorities**

- **Major Program Authorization**
- **Major Project Authorization**
- **Global Project Authorization**
- **Technical Data Exports**
- **Special Commercial Satellite Licensing Regime**



# Defense Trade Security Initiative Update and Assessment



# Defense Trade Security Initiative (DTSI)

- **New Export Authorities**
- **New/Broader Use of Exemptions**
- **Expedited Process or Expanded Authorities**
- **Future Improvements**

## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **New Export Authorizations**

- **Regulations published July 21, Effective September 1**
  - Currently limited to NATO, Japan & Australia
  - Broad, brief definitions
  - Special Auditing and Report Requirements
    - Electronic Record Keeping System
- **Satellite Components**
  - Regulations published May 26, Effective July 1
  - Currently limited to NATO plus 8



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **New Export Authorizations**

**Major Program Authorization: A comprehensive authorization (including hardware, technical data, defense services) issued at the beginning of a project to a single U.S. firm. The license permits a consistent line of supply to identified subcontractors as well. This can cover a wide range of ventures, including projects for the commercial development of defense articles. The U.S. firm will need additional licenses only when activities or transactions extend beyond the initially approved license parameters.**



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **New Export Authorizations**

**Major Project Authorization**: A single comprehensive authorization for a major commercial sale of defense articles to NATO, Japan or Australia. This is available to the U.S. prime contractor engaged in a teaming effort with other U.S. firms. The U.S. contractor must define the parameters of an export license that would cover all or most of the exports associated with the sale.



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **New Export Authorizations**

**Global Project Authorization: A single, comprehensive authorization to cover all exports planned to occur under a government-to-government international agreement for a cooperative project. DOD will define a standard set of terms and conditions that will apply to all phases and activities identified in the international agreement. Once a firm receives an initial authorization permitting it to participate in some aspect of the project covered by the international agreement, it would need additional licenses only for activities that exceed the standard terms and conditions and/or exceed Congressional notification thresholds, to add new end users or participants, and/or to expand the participation of existing end-users or participants. Exports and re-exports to and among the approved end-users would require no additional licenses.**



**DEFENSE TRADE SECURITY INITIATIVE (DTSI)**  
**New Export Authorizations**

**Technical Data Exports for Acquisitions, Teaming Arrangements, Mergers, Joint Ventures and Similar Arrangements:** A single, comprehensive export authorization to permit qualified U.S. defense companies to exchange a broad set of technical data necessary for teaming arrangements, joint ventures, mergers, acquisitions, or similar arrangements with qualified foreign firms from NATO, Japan or Australia. Unlike export authorizations for marketing, this authorization would cover the much broader range of technical data needed to assess with some degree of depth and transparency opportunities for such undertakings.



# **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

## **COMSATS**

**Special Commercial Satellite Licensing Regime: This will streamline the licensing process for parts and minor components and for related technical data needed to bid on projects and respond to insurance requests on COMSATS. This process will minimize the number of licenses needed to support COMSAT programs where all the parties to the programs are NATO countries (members of the European Union who are not members of NATO and the European Space Agency will also be eligible on a case-by-case basis). The proposal has been developed by State and DOD in consultation with U.S. industry and is intended also to fulfill the requirements of Section 1309(a) of the FY 2000-2001 Foreign Relations Authorization Act**

**New regulations implementing this initiative were published on May 26. However, some important steps of the process have not yet been finalized. Additionally, a report on actual exports must be provided to the State Department electronically, and many companies do not yet have this capability.**



# Defense Trade Security Initiative (DTSI)

## New/Broader Use of Exemptions

- “Canadian Type Exemption” Open - State/DOD
- Maintenance Services and Training Regs Out
- Tech Data in Response to DOD RFP Regs Out
- Improving DOD’s use of ITAR Exemptions Open - DOD
- FMS Defense Services Regs Out



# Defense Trade Security Initiative (DTSI)

## Expedited Process or Expanded Authority

- Multiple Destination Licenses (No Change Req'd)
- Warehousing and Distribution Agreements (No change Req'd)
- Defense Capability Initiative Support Open - DOD/State
- Embassy License Review Program Open - State
- Advance Retransfer Consent Open - State



# Defense Trade Security Initiative (DTSI)

## Future Improvements

- USG Licensing Automation Systems      Open -  
State/DOD
- Periodic Review of USML                      Open -  
State

# Defense Trade Security Initiative (DTSI)

## Evaluation and Potential Impacts

- **Very little industry input into process**
- **Release of Regulations was timely at State**
- **Further DOD and State actions required**
- **New authorization guidance is very brief**
  - **Broad discretion retained**
- **Industry must make System/Hardware Changes**
- **Potential is great - Results will depend on the commitment to use by Gov./Ind.**

**BACK-UP SLIDES**

## DEFENSE TRADE SECURITY INITIATIVE (DTSI)

### New Exemptions

Extension of ITAR Exemption to Qualified Countries: An ITAR exemption will be extended to countries that share with the United States congruent and reciprocal policies in export controls, industrial security, intelligence, law enforcement, and reciprocity in market access. This exemption will be limited to unclassified exports to the foreign government and to companies who are identified as reliable by the U.S. government in consultation with the foreign government. This exemption will be contingent upon establishment of appropriate international agreements on end use and retransfer of defense items, services and technical data and on close conformation of essential export control principles.

Bilateral negotiations are currently taking place with the UK and Australia, and new regulations will not be issued until all necessary agreements are in effect.



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **Process Streamlining Initiatives**

**Expedited License Review for NATO: Expedite USG review of export licenses for Defense Capabilities Initiative (DCI) projects or programs.**

**Special Embassy Licensing Program: Expedite USG review of licenses submitted by the governments of NATO countries, Japan and Australia via their embassies in Washington, D.C., for end use by the requesting government.**



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **Advance Re-Transfer Consent**

**Advance Re-transfer Consent for Items Sold or Granted by the USG: This proposal will permit the retransfer of defense articles previously sold or granted by the USG if (1) the articles are to be re-transferred only between the governments of NATO countries, Japan or Australia which have already signed blanket end-use and re-transfer assurances; (2) the re-transfer involved only unclassified items that the recipient already possesses; and (3) the re-transfer involves articles with acquisition values of no greater than \$7 million.**

**This initiative does not require regulatory changes, but implementation will most likely not take place until bilateral agreements are in place, since advance re-transfer consent is in fact an exemption from licensing.**



# **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

## **USML**

**Review/Revise the U.S. Munitions List: The process would involve a four-year review cycle, where one-quarter of the USML would be reviewed each year. The objective would be to comport what is controlled by the USML more directly with the Military Critical Technologies List.**

**From a broader perspective, this initiative is a major priority for industry because it has the potential to remove items that no longer need to be controlled in accordance with the ITAR.**



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **Enhanced Use of Exemptions**

**ITAR Exemption for Foreign Military Sales Defense Services: This proposal will permit the license-free export of technical data and defense services if they are expressly authorized in a Letter of Offer and Acceptance (LOA) and the underlying contract with a U.S. company. License free exports will be permitted for the duration of the LOA and the underlying contract.**

**New regulations clarifying the use of this existing exemption were published on July 21, with an effective date of September 1. Use of the exemption is subject to a new reporting requirement.**



## DEFENSE TRADE SECURITY INITIATIVE (DTSI)

### Enhanced Use of Exemptions

DOD will promulgate new guidance that is intended to make better use of existing authority in ITAR to exempt certain activities from export license requirements. The Department is encouraging and defense agencies to use such exemptions to facilitate defense cooperation with allies and friends with U.S. defense industry where appropriate.

Use of this exemption will serve to reduce the number of export license applications industry is required of the DOD agencies involved in international programs.

Guidelines, promised by the end of June, have not yet been provided. Latest estimate for release is September 2000.



## DEFENSE TRADE SECURITY INITIATIVE (DTSI)

### Technical Data Supporting - Business Combinations

- **Addresses Acquisition, Teaming, Merger, Joint Ventures**
- **Broadly Defined set of Technical Data**
- **Qualifying Well Established Defense Firms in Foreign Countries (Covered List)**
- **Permit in Depth Assessments of Deals**



## DEFENSE TRADE SECURITY INITIATIVE (DTSI)

### Global Project Authorization

- **Comprehensive - Hardware, Data, Services**
- **In Support of Government to Government Cooperative Projects**
- **DOD to Establish Standard T's and C's for use by all U.S. Exporters**
- **MOD's of MOU Signatory countries**
- **Includes Non-Transfer & Use Assurances**



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **Major Project Authorization**

- **Comprehensive - Hardware, Data, Service**
- **Circumscribed Commercially Developed “Major Projects”**
- **May Include - Commercial Sale of a Major Weapons System to a Foreign Government**
- **Describe Scope, Including Other Exporters, U.S. Subcontractors**



## DEFENSE TRADE SECURITY INITIATIVE (DTSI)

### Major Program Authorization

- **Comprehensive - Hardware, Data, Services**
- **At Program Inception**
- **Single U.S. Firm**
- **Circumscribed Commercially Developed “Major Projects”**



## **DEFENSE TRADE SECURITY INITIATIVE (DTSI)**

### **New Exemptions**

**Defense Services Exemptions for Maintenance and Maintenance Training: Create a new ITAR exemption for increased levels of maintenance services and maintenance training for NATO countries, Japan and Australia, if such repairs provide no upgrade to the equipment's original capability and do not include the transfer of manufacturing designs, information or know-how.**

**Exemptions for DOD Bid Proposals: This proposal will permit U.S. firms to export certain technical data and services in support of DOD bid proposals without a license.**

