



# Export Control Reform Perspectives & Update

Directorate of Defense Trade Controls  
Bureau of Political Military Affairs



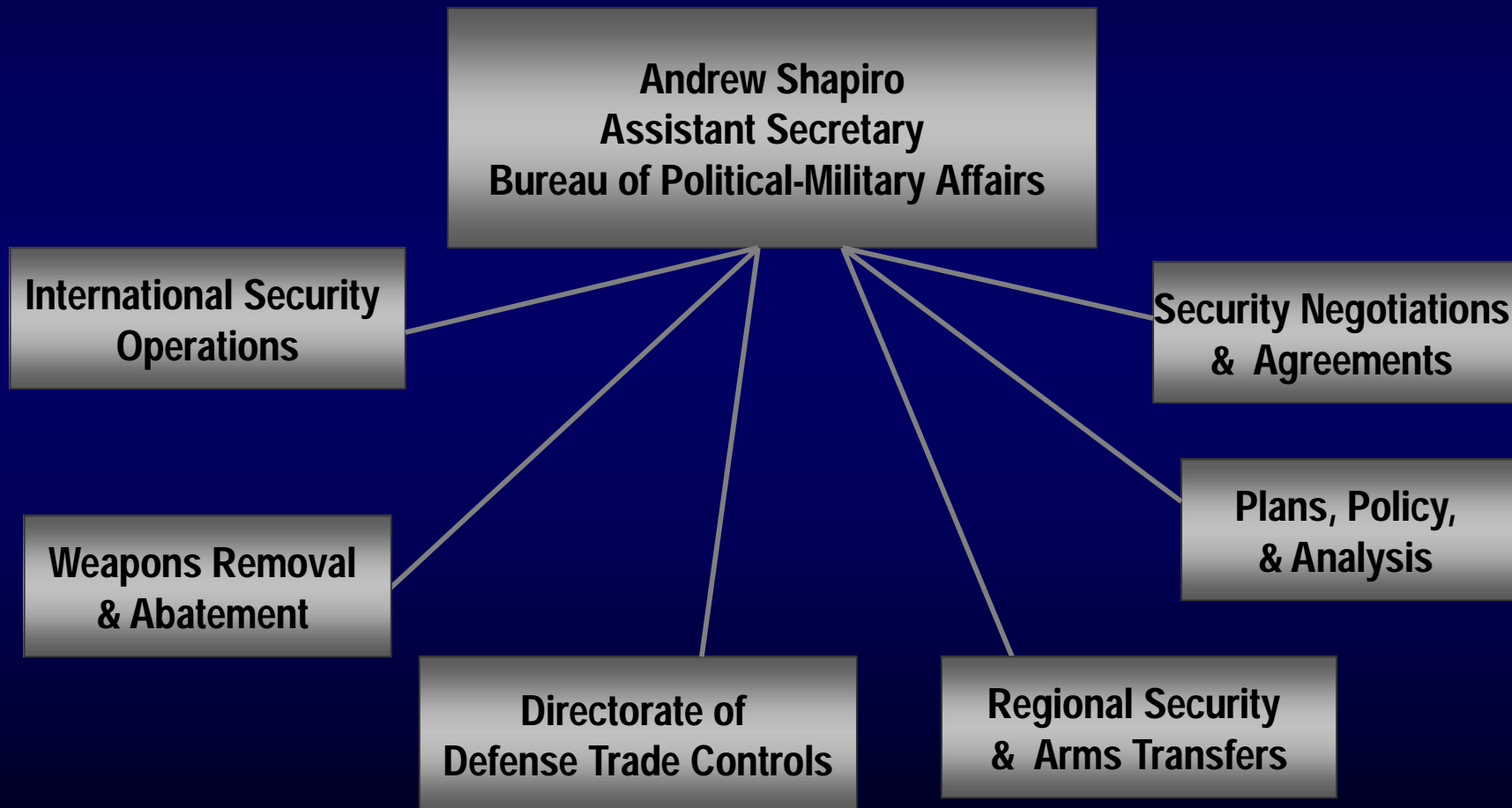
# PM/DDTC's Mission

- *"Advance US national security and foreign policy through licensing of direct commercial sales in defense articles and the development and enforcement of defense trade export control laws, regulations and polices."*
- Hostile nations, terrorist groups and others want U.S. defense articles and technologies
- Export Controls are key to defeating this threat and safeguarding our national security



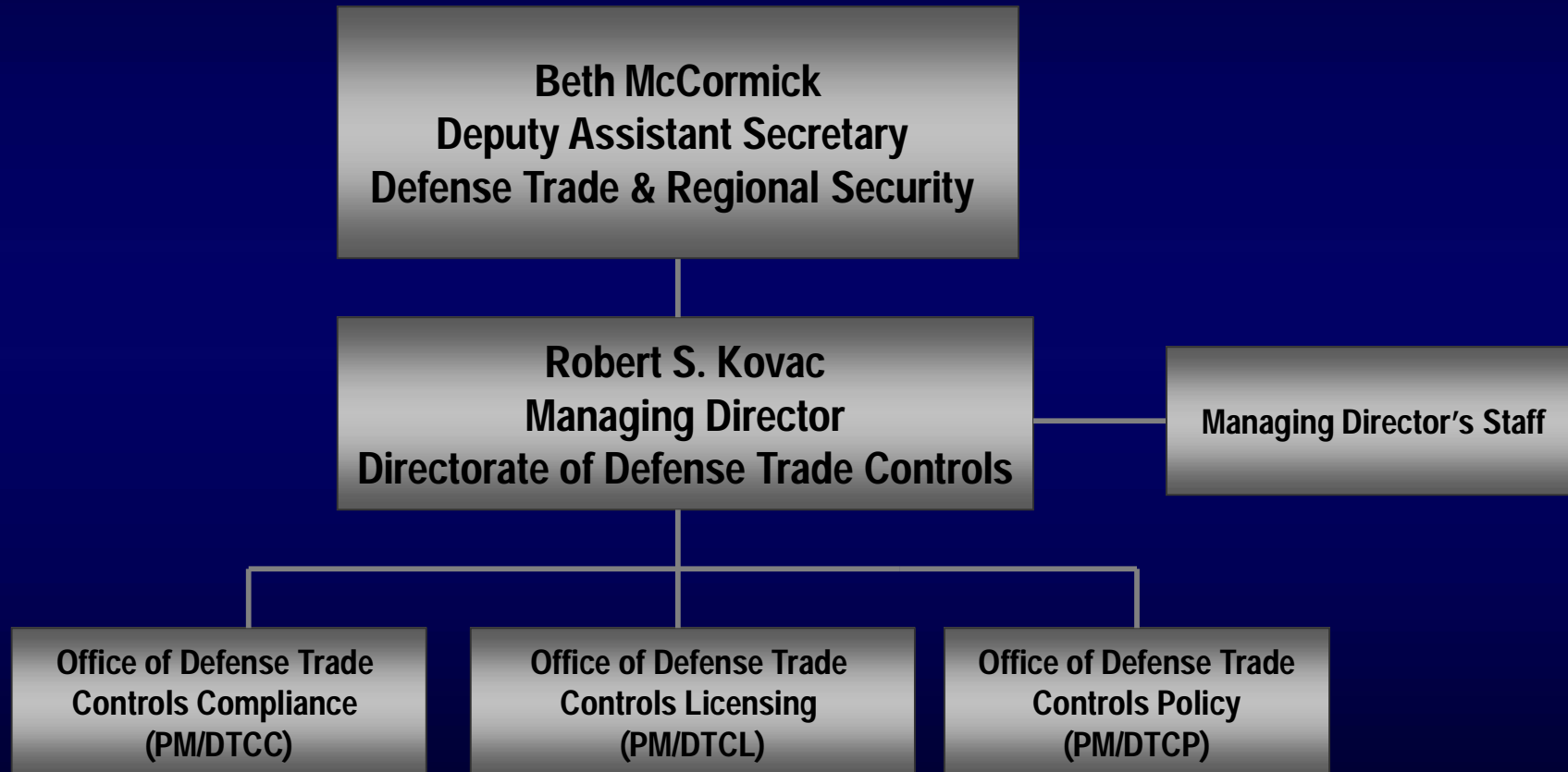


# Pol-Mil Affairs Bureau





# DDTC Organization





# Legal Framework

Arms Export Control Act (AECA): Establishes the legal requirements for the control of arms exports

Executive Order 11958: Assigns responsibility for designation of defense articles and control of Direct Commercial Sales (DCS) to the Secretary of State

International Traffic in Arms Regulations (ITAR):  
Implements the AECA

United States Munitions List (USML): Part 121 of the ITAR, identifies items subject to State Jurisdiction



# CY 2010 Defense Trade Stats

Cases Completed: 83,158  
(Approved: 90%, Denied: 0.5%)

Value of cases approved:  
\$100+ billion dollars

Average Case Age at close:  
16.2 calendar days

Congressional Notifications: 141



# Licensing CY 06 - CY10





# Defense Trade in Transition

US Defense Trade is evolving with globalization

Export Control Reform is well underway

Export control changes will be both regulatory and statutory

Goals are efficiency and transparency, while preserving US National Security



# President's Export Reform Initiative

Announced in August 2009, jointly Chaired by the NSC and NEC. Announcement recognized the significant changes in procurement, business practices and technology since the 70's. There were no pre-conceived conclusions on its outcome.

In the Spring of 2010, the Departments began action to reform the way the US does exports in 3 phases:

- I: Immediate improvements, create the framework
- II: Implement the new framework within existing structures
- III: Complete transition: Merge and consolidate



# Pending Export Control Reform Actions

- New exemption for replacement parts
- New definitions of defense services and levels of maintenance
- New policies on defense articles embedded in commercial items, treatment of 3<sup>rd</sup>/dual nationals
- USML rewrite (all categories)
- Updated “by or for” the USG exemption
- Elimination of foreign party signature requirement on TAAs
- USG program licenses



# Other ITAR Changes

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**Prior Notification**

**Protective Gear**



# Prior Notification

**Deletion of the 126.8 requirements**

**Old rule originated in 1977**

**Today's processing times means that "advance notice" is no longer meaningful**

**Eliminates redundancy of reviewing transactions twice**



# Proposed Protective Gear Rule

**Prior change allowed only body armor**

**Update allows chemical protective gear**

**Personal use only**

**Covers those assisting government of Iraq, not  
limited to humanitarian workers**



# Proposed Dual/Third National Rule

**Applies only to transfers to licensed end-users  
and consignees**

**Limited to transfers within the scope of the  
license and within scope of employment**

**Regular, full-time employees only**

**Clearance or screening required to qualify**



# Proposed Replacement Parts Rule

**For government end-users only with license for end-item**

**Original licensed supplier only**

**Only if end-user not subject to denial or 126.1**

**Does not apply to upgrades of capabilities**

**Only if not subject to Congressional notification**

**DDTC can revoke if not in compliance**



# Proposed Defense Services Rule

**Explicitly excludes services based on public domain data**

**Excludes mere hiring of a U.S. citizen**

**Includes integration of items into defense articles**

**Includes training with foreign units or forces only if training involves employment of a defense article**



# Proposed Incorporated Components Rule

**Where end-item is rendered inoperable for intended operations by removal of defense article**

- no technical data is transferred
- value of component is less than 1% of end-item

**Or where defense article is rendered inoperable by removal from the end-item**

**Components shipped separately or not embedded not eligible**



# Closing Comments

**DDTC remains committed to continuously improving the process**

**Prioritization:**

- **Law**
- **National Security and Foreign Policy**
- **Broadest impact**

**Your input is valued**



# References

- DDTC Response Team 202-663-1282
- DDTC Website: <http://pmddtc.state.gov/>