

UKDF Viewpoints comment : this briefing flags up the existence of US-UK and US-Australia Treaties on export licencing which haven't been approved by the Senate. Presumably they hope that the process will be facilitated by introducing this new system. This is a topic on which the U K Defence Forum has been taking UK legislators to lobby in Washington DC for more than five years and which despite many expressions of American goodwill has still not resolved the issues.

US House Armed Services Chairman Ike Skelton released the statement below following the speech by Secretary Gates announcing a comprehensive reform of export control reform. Rep Skelton was one of the people the U K Defence Forum arranged for MPs to meet on two occasions :

"Our nation has the very best military technology, and it is absolutely critical that these highly sensitive systems do not fall into the wrong hands. While controlling the export of sensitive technologies is fundamental to keeping our nation safe, it cannot be truly effective if the system is muddled and wrought with gaps and inconsistencies across agencies.

"Earlier today, Secretary Gates announced a plan for the kind of comprehensive reforms that can strengthen our export control system to better protect Americans, placing a top priority on our national security. By building a better and stronger protective system, we can be more effective in preventing terrorists or others who seek to do us harm from obtaining our technologies.

"The Armed Services Committee has long worked to make the export control system stronger, more efficient, and more effective. I am confident that we can work closely with Secretary Gates on a bipartisan basis and with other committees in the Congress to make sure that the system protecting our technology is as excellent as the technology itself. I look forward to holding a hearing on this issue in the coming months."

DOD Background Briefing with Senior Defense Officials from the Pentagon 20 April

STAFF: So, guys, before we get started, let me just go over a few things. I mean, I think the reason that you guys are here, other than you were walking down the halls and didn't have anything better to do today when I saw you, was most of you have expressed -- that were invited here ahead of time were -- expressed some interest in this particular topic. Many of you have written on this topic.

As you know from our announcements, the secretary's going to be giving a major speech tomorrow in front of the BENS organization at the Ronald Reagan center on this topic, and we thought it might be helpful for those of you that are particularly interested in hearing

kind of what this is all about and be able to position yourself to kind of have the fullest type -- fullest kind of story when the speech is given.

But the ground rules for this, therefore, though, is that it is embargoed until the speech is delivered tomorrow; it is on background, so the senior Defense official one, furthest to my left, for referring in to the transcript, and senior official number two, Defense Department official number two, is right here to my immediate left.

And with that, they're going to start out and kind of give you an overview of where we are, a little bit of the system as it exists, and then some of the initiatives going forward.

So with that, I'll turn it over to senior official number one.

SR. DEFENSE OFFICIAL: Okay. Well, thank you. Appreciate people taking the opportunity today. And as [our moderator] said, the secretary will give what we hope to be a major speech tomorrow to BENS on export control reform. And it will frame it, appropriately, as a national-security issue. We know that export control reform has been tried a number of times in the past, and without tremendous success. We think we have a good plan going forward, and that -- we want to lay that out for you today.

In thinking about the overall battle rhythm of this effort, interagency work on this began last summer, and a number of senior-level meetings, including principals' committee meetings, occurred. And it was -- it was agreed at the principal level that we have a serious set of national-security challenges, and that fundamental reform was necessary. This speech is an important point in that process.

Just for those of you who may have heard about it, remind you of another one in late January. On January 27th, the secretary and some of his colleagues got together with a number of senators and members from the House to talk through export control reform and to indicate that we -- that we were moving towards fundamental reform, and, frankly, to ask for their support. We do expect to propose legislation, have been in conversations with both staff and members on the Hill. And senior Defense official number two will talk more about those details when we -- when we get there.

We started with an assessment that -- the NIC, National Intelligence Council, did an assessment that will be turned into a national

intelligence estimate, and looked at the current U.S. export control system. And the frank and unfortunate conclusion is that it itself, the system itself, poses a potential threat to national security. The processes and institutions on which it's based are over 50 years old, and it really was designed -- or the multiple systems that comprise it were designed for a bipolar world.

And the conclusion -- the conclusion that we've reached is that it -- that it's insufficiently focused on the most critical threats that we -- that we face today. And the phrases that have been used in this regard is we look at tens of thousands -- over -- well over 100,000 cases per year, that we continue to add more hay around the needles, that we're overlooking the crown jewels, and that we're not looking forward enough in time to consider the trends in technology.

So the threats we face today are different. And you could look at our Quadrennial Defense Review, our Missile Defense Review, our other -- Nuclear Posture Review. The significance on global terrorism and the -- and the proliferation of weapons of mass destruction and the delivery systems, and advanced conventional systems as well. And we see those systems -- we see those systems proliferating.

At the same time, we see more dual-use technologies, and we see a diffusion of technologies. So many of the controls that we may have assumed -- excuse me -- could work in a bipolar world won't work, or won't work for long in today's world. And we need to think about a process for setting priorities and for focusing on those crown jewels.

As I said before, export control reform was attempted several times in the past and didn't make a -- didn't make a lot of progress. And there are a couple things that are fundamentally different today. And at the top of that list, I think, is the Secretary of Defense, who understands the problem, who worked on it extensively in his -- in his past and who is committed to change.

The other element that we have that is unique not just in -- well, is unique over time on this issue -- I'll leave it to that -- is a very strong interagency consensus, so Secretary of State, Secretary of Commerce, Secretary of Defense, Secretary of Energy, Homeland Security, intelligence community, agreement on this -- on the nature of the problem and agreement that we need to take significant steps to deal with it and, as I said before, in understanding that this is a national-security problem.

We are not going to give you a lot of examples; we'll leave some of those for Secretary Gates tomorrow. And senior defense official two will have more to follow on that topic after the speech tomorrow.

So looking at fundamental reform of the system, we came to the conclusion that it was needed in four dimensions. And for shorthand we've referred to them as the four singles.

Q The four what?

SR. DEFENSE OFFICIAL: The four singles.

Q Singles.

SR. DEFENSE OFFICIAL: Four singles: a single export control list, a single licensing agency, a single agency to coordinate enforcement, and a single unified IT system. I'll go through each of them very quickly.

And so first, with the single export control list, we currently have two primary lists, the -- and I think I'll leave it to -- I think you'll get into those when you talk about the phases. Two primary lists, but one led by State, one led by Commerce, DOD involved in both, other agencies involved in both. The -- you're familiar with the USML, the United States Munitions List and the critical commodities list, the two -- the two main elements of this.

So we're looking to move toward a single export control list, to make it clear to companies that they have a single place to go, in terms of understanding what restrictions may be, and frankly to avoid situations where people may attempt to either forum shop, by trying to use one list versus the other, or cases where they get captured by two lists and have to go -- in some cases, we've had people have to go or organizations have to go sequentially through more than one -- more than one export control process.

The second single is moving forward toward a single licensing agency. This is to streamline the review process and to ensure that export decisions are consistent and made on the capabilities of the technologies.

As it stands today, we have two different authorities, one at the State Department and one at Commerce, often making independent, unilateral decisions in some cases. And the stovepipes that this creates can result in sometimes not the optimal decision and very often delay, as we see -- as we see agencies competing for who's the

lead and, in some cases, who's not the lead. So the single licencing agency is a critical step in this process.

The third single -- the third element is a single agency to coordinate enforcement. This is to strengthen our ability to identify, to investigate and to prosecute violators.

We have multiple enforcement agencies today including ICE [Immigration and Customs Enforcement], State enforcement, Commerce Export Enforcement Office, FBI and many others. We intend that in the future, even once reform is accomplished, that there will still be multiple players involved in enforcement.

But what we want to do is have those efforts coordinated -- we don't have that today -- so that rather than having each agency go on more or less on its own, there is a lead for coordination of their activities, so that we can deal with the challenges of overlapping jurisdiction and, in some cases, confused authorities.

And then underlying this effort and really fundamental to it is to move to a single IT system. This system is to both review license applications across the U.S. government and to make this process -- make this process move more efficiently.

Today, there are three main IT systems. I'll let SDO-2 talk more about them if you'd like to. Our view, and I think it's generally agreed that DOD has the most modern system, is it's likely to be the backbone of where we go forward. But to say we have not adequately applied information technology to this problem set would be, I think, a great understatement.

So my colleague is going to talk about the nature of the system today, and what would be different under this reform, and also about the phases that -- the three phases that we intend.

Let me just say very briefly that the first two phases can be done predominantly by the administration. And we are planning to move forward with those expeditiously.

We want to consult with Congress very closely, even as we do the things that we can do administratively, because Congress has an interest in this. And number one, they could legislate in the other direction. And number two, we will want and need their help to go forward into phase three.

And I think with that, I'll turn it over to my colleague.

SR. DEFENSE OFFICIAL: Okay, thank you.

Just to say a few more words about each of these four singles and sort of compare it to the current system and what will be different. If you look at the single list, right now you have, as SDO-1 said, the U.S. Munitions List and the critical commodities list controlled -- over which Commerce has oversight.

In the current system, we spend a great deal of time fighting interagency about whether or not an item should be on one list or the other, rather than how important the item is, because there seem to be differences in how various items are controlled.

Our view would be that we need to take that and turn it into one list, on which you would instead focus on the most important items and control items based on how important the technology or the article is, rather than simply who controls it.

We believe that would bring a lot of efficiency. It would help - it would be predictable and transparent to exporters. And it would also allow us to focus our resources on those things which are most important for national security.

When you look at the single agency, again there is right now this huge amount of time spent on who has jurisdiction. Often exporters don't know who to go to, to ask the questions or to get the license.

With the single agency, we would have that consolidated in a single place. This is a model that is used by many of our allies, including both the U.K. and Australia, to do their export licensing.

For the coordinated enforcement, there is likely to be a need to at least currently an item is -- the penalties for exporting an item are the same as any other item on its particular list, whether it be CCL [Commerce Control List] or USML, without regard to the particular importance of the technology.

Under this concept, you might have much higher penalties on the most important items. And you would also have coordination among all the enforcement agencies, to ensure that they are focusing their resources on the most important violations or potential violations, rather than viewing all violations as being of equal importance.

And the IT system -- as SDO-1 said, the Commerce Department IT system I believe was essentially set up in 1987 and has not had any serious update since then. The State Department has only recently

begun to move from a predominantly paper licensing system to an IT system.

We have a system that's fairly modern. And we are looking to help out the single licensing agency, when it is established. And in the meantime, even our current interagency colleagues with this are moving forward on that.

SDO-1 mentioned that there -- that there were phases in how we will implement this. We have broken this, for conceptual purposes, into phase one, two and three.

In phase one, we will do those things that are sort of most important initially for getting ourselves ready to move forward into this transformation. This includes agreeing on the criteria for tiers on a single list. It includes doing the groundwork to put together the coordination center that would be in the enforcement -- single coordinating enforcement agency. It includes making sure that people have a clear understanding of what is and isn't controlled on their current list, which obviously is something we should be doing. And it is getting the initial groundwork laid for getting the IT system agreed across the interagency.

In phase two, which we would see beginning later this year, we would move towards actually applying a tiered single concept for control across the current two lists, which would make it very easy to integrate them at a later point in time; getting the single IT system into place, and working through any issues that may arise there; getting the coordination enforcement up and running, and beginning preparations for moving towards a single agency.

Phase three is when you -- when you bring on the rest of the system, when you would move from two licensing agencies to a single licensing agency; when you would move from a regulatory perspective into a single control list; the single IT system would be up and running, and the enforcement mechanisms would be working and in place.

While we don't -- that would obviously take some time to get in place, what we are hoping is that there would be legislation giving the president authority to move in those directions, even this year.

When we talk about this end-state, one of the words that are used are fewer walls -- higher walls around fewer items, excuse me. And just to be a little concise about what that means, when we say fewer items, it doesn't necessarily mean that we will de-control large

amounts of items. What it really means is that we are focused: that we're focusing our resources, our interests and our controls, on the most important technology, ones that either have a strategic or WMD implications, and ones where the U.S. has -- probably has a substantial lead, or it has a very substantial impact on what our forces face. We want to focus our efforts there, rather than on the lug nut or the bolt that might be being currently controlled at the same level as those things.

And so you focus on those fewer items, and then in terms of higher walls, it's the enforcement being stronger. It's the focusing of resources on those items. It's creating a system in which things are coordinated and less time is spent fighting about jurisdiction and more time focusing on how you control, or directly control, and reach out to allies and partners about how you control the most important items.

So with that, maybe I should stop there.

STAFF: Good. Let's open it up to some questions.

SR. DEFENSE OFFICIAL: But if I could, let me --

STAFF: Go ahead.

SR. DEFENSE OFFICIAL: I think we had -- very, very briefly, a little commentary. While we didn't want to give examples, let me give three categories of challenges that we have faced in this system.

The first is a situation where allies and partners can't get equipment quickly for the fights that they're in, for their security, or get the parts that they need to support them, because our export-control system is chugging along at its -- at its slow rate.

The second, as we did mention, is inadequate attention to the crown jewels, to the most important technologies. That would be in this top tier.

And the third is broader and longer-term, but it is important. And that is that the U.S. industrial tech base is over time going to -- is losing out competitively. As you -- as you know, this has been a particular issue in the space arena, where there are companies that advertise themselves as non-ITAR [International Traffic in Arms Regulation], so that they're using no components that require an

ITAR review. And this is -- this is an issue that's important as we do our -- look at export control, but also as we look at the future for our space policy, as well.

So those three categories are all important as security elements in this.

Q What percentage of the items -- and I know this is hard to generalize -- but on the two lists that would be -- that could be dropped off as a result of a single-list scenario?

SR. DEFENSE OFFICIAL: Well, it is -- it is impossible at this point to give you a clear answer on that. But if you look --

Q Most of them?

SR. DEFENSE OFFICIAL: I would say very few items will be sort of in that highest-walls area. That doesn't mean that there won't be some form of control around other things, but it will be a lower level, and you might have arrangements like the U.K. and Australia treaty would -- as examples, for how you would deal with items in those areas.

But there are a set of items, things like -- that are currently controlled because they were designed for use in defense items, which have no real technology or military applicability; things like lug nuts, screws, bolts, you know, those simple tools. And those things could go license-free.

It's also possible that we would be able in this new arrangement to set up certain kinds of agreements with friends and allies where you would be able to move more items without specific licenses.

SR. DEFENSE OFFICIAL: So, we didn't talk about the U.S.-U.K. and U.S.-Australia treaty, but they are really a part and parcel of this, and important as we go forward.

Q Sir, you said you had spoken to Congress as you were setting this up. What sort of a reception did you get from them?

SR. DEFENSE OFFICIAL: I think it's -- I think it's fair to say that we have a combination of real interest, including some on both sides of the aisle, and at the same time -- okay, let me add to that. Interest and concern about the current system, understanding a need for significant change, all of that on the positive side. And at the same time, among those who have been around the block on this, a

concern that we do this right, that we have -- it appears that we have things lined up internally in the administration to make real progress, and a Secretary of Defense who cares a lot about it and other Cabinet heads who also care a lot, who want to move in the same direction.

And so we have concern about the details of how it's accomplished, I think, to ensure that we make the progress that -- you know, the most and -- the most appropriate progress that we can.

Q Let me, if I could, ask you one substance question and one politics question. On the substance, trying to convey this to a mass audience is tricky. Without trying to get into percentages that would fall off the list or stay on the list, can you point to specific cases where individual countries weren't -- partners of ours couldn't get parts they needed, things were on the list with walls around them that shouldn't?

And then, as a politics question, trade obviously has been explosive on the Hill for a long time. The Korea trade pact hasn't gone anywhere. The Colombian trade pact hasn't gone anywhere. What gives you any confidence that this, which could be more easily caricatured as potentially weakening national security, will go through when those haven't?

SR. DEFENSE OFFICIAL: On the examples question, we've been -- what I'd like to do is to leave a few for the secretary tomorrow and then ask senior Defense official two to follow up with more details, and a number of cases -- I'd want to save some of the -- some of the examples for those.

On the politics of it, it's -- you've asked, I think, a perfectly appropriate question, and it's also -- it's also -- has a potential to be a crowded agenda going forward in this legislative season.

The reality is, though, that by casting it appropriately as a national security issue, where change is an -- is important to our national security, you know, rather than this being about increasing exports or -- et cetera, I think that the politics are a little bit different. And I -- and I -- and I -- and I do think that there's interest among those who follow national security on the Hill to look into what kind of change is possible, you know, starting with the understanding that it's first and foremost as a national security issue.

Q Shouldn't we be shedding more light on what Congress needs to do?

SR. DEFENSE OFFICIAL: Yeah.

Q In, for example, phase three --

SR. DEFENSE OFFICIAL: Yeah.

Q -- what exactly do you -- would you like Congress --

SR. DEFENSE OFFICIAL: There's a few things Congress needs to do. Congress needs to give the president the authority to -- right now the USML is authorized by the Arms Export Control Act, and the CCL is authorized under the Export Administration Act, which actually expired several years ago and has been renewed under executive order by the president.

So the Congress needs to give authority to the president to create a unified list. The Congress needs to give authority to the president to create a single licensing agency.

There are some elements of the enforcement piece -- for example, higher penalties and uniformity of penalties across items that need -- require legislative change -- there is also the need, obviously, for some appropriations to do some of this, and authorizations, including for the IT system, which, while we've got a basic backbone for it, there is quite a bit of development work that needs to be done too, to make it stand up correctly.

So those are the real essential elements, and we look to get those in to be able to do phase three, for the most part, although there's one or two things, like getting money for the IT system, that we will need to do earlier.

Q Do you get the sense -- Howard Berman's working on reauthorization. Do you get the sense he's moving in the same direction with the Pentagon and these other agencies?

SR. DEFENSE OFFICIAL: In general, yes. I think his -- having talked to his staffers some, I think his legislation may not be quite as far-reaching as ours is, but in general we're headed in the same direction.

Q A couple clarifications. How much money are you going to need?

SR. DEFENSE OFFICIAL: Well, the total amount of money for the single licensing agency is not yet quite clear. The IT system, we believe, including sustainment, for the first several years is in

the range of \$20 million. It could be less than that, but --

Q And was -- did I hear correctly -- you said that you could have agreements with allies that would cover certain items and essentially then they wouldn't have to go through -- they were pre-approved for a certain categories?

SR. DEFENSE OFFICIAL: That is a concept we're looking at under the single list, yes.

Q Okay. And then, finally, aside from the question of delays in getting important stuff to allies and partners, how is this a national security issue? How does making these changes improve national security?

SR. DEFENSE OFFICIAL: Want to do --

SR. DEFENSE OFFICIAL: Yeah. Again, I'd say two things. One is that if we take the -- if we take existing system and the resources we put into it and apply it to -- more to the -- more to the crown jewels and less to the things that -- and less to the things that are -- that are -- that -- where the answer's going to be yes -- and for most of the -- for most of the questions that are asked of our export control system, the answer is yes. At the end of the day, the vast majority, the answer is yes. Some of those we should be able to sort out early by putting them -- by having -- we think about tiers -- by having them in -- either in a lower tier or not on the list, or by having arrangements with -- and/or by having arrangements with allies in which -- in which they're able to move forward.

The second and longer-term issue is that the U.S. industrial base and our technology base really is part of the foundation of our national security over time. And I think -- and I think it's really in the space arena where you see it the most, where we've seen it over the last couple decades -- and export, if you will, of some of the -- some of the talent and therefore some of the -- some of the core competencies that we need over time.

Q So that is essentially a trade point, then.

SR. DEFENSE OFFICIAL: It's -- the last one is a -- it's a -- it's not only a trade point, it's that you -- that in order to sustain an industrial and technology base in some key areas, you've got to be able to -- you've got to be able to compete in the marketplace. And we want the -- there is an economic benefit for the sales, but

there's a national security benefit for having a leading technology base in these -- in these key areas.

Q Could you give examples of the tiers? What do you consider a crown jewel technology and then perhaps a little bit farther down --

SR. DEFENSE OFFICIAL: Examples.

For example, if you're talking about stealth technology, that is something we would view as being a crown jewel. Perhaps the manufacturing know-how for the latest kind of night vision devices could be a crown jewel, the manufacturing technology.

In sort of the next tier, which is sensitive things but not crown jewels, you could have items that incorporate some of those technologies, which we would export to close allies and friends. So for example, the Joint Strike Fighter is a potential sensitive item. Or night vision devices and goggles could be, but not the manufacturing for it.

Then in the basic tier, you get down to sort of, you know, the basic items that you have to control under international obligations but that aren't quite as important to national security. And then, you know, there are also items that need to be controlled under sanctions or foreign policy reasons.

SR. DEFENSE OFFICIAL: The concept is to have the top tier be as small as possible while protecting national security and really focus on those items that are vital, and then also -- we haven't mentioned it before, but to have a process over time that migrates items as they --

Q Out of the whole process?

SR. DEFENSE OFFICIAL: -- as they become more broadly available, to move down the tiers and eventually they move out of the process.

Q Can I ask a question about these tiers? Because I get the idea like, you know, some things are more important than other things, but -- so if it's on a bottom tier, you don't need to look at it?

SR. DEFENSE OFFICIAL: No, you would need to look at it, but you wouldn't put the same level of --

Q What does that mean, practically? Like, you know, if I'm exporting, you know, X item on the bottom tier, is that -- and I

guess I shouldn't be, because it's on the tier, or else it wouldn't be there at all, right? I mean, is it still a problem?

SR. DEFENSE OFFICIAL: Well, in the current list, for example, on the Commerce side you have certain items that are controlled, for AT reasons, to a very small number -- for anti-terrorism reasons -- to a very small number of countries. So there might be items in the bottom where you would need to make sure they weren't going to countries that have clear records of diversion or to groups where they might go to -- to terrorists or something. But you wouldn't need to look at those in the same way on, you know, every export that you would at higher tiers, and certainly in the most critical tier.

Q But does that mean it's depending on what country, like certain countries can't get things on the bottom tier, whereas on the top tier, nobody gets?

SR. DEFENSE OFFICIAL: Well, I wouldn't say that nobody would ever get those things on the top tier, but you would have a very rigorous review of who would get them. But yes, if you go down to the bottom tier, it would probably be, you know, a very -- fairly limited number of countries who don't get those very -- fairly basic things.

STAFF: Question?

Q Gopal with Bloomberg News. I was wondering -- you talked about a single licensing agency. What role is taken -- right now, State has a role in licensing as well. So are now proposing one shop where all of this will be coordinated?

SR. DEFENSE OFFICIAL: We're looking at several different models for that. And let me say one option is this independent agency. It's not at all clear that that's the direction we would go. An alternative is to identify an existing department and put an integrated -- put a single licensing agency under it. And that is so it could -- for example, that could go under the State Department. And we are currently in conversations, both within the administration and with the Hill, about the appropriate model.

Q If I could follow up on that, if you did have a single licensing agency, would the criteria change at all for their decision-making and issuing licenses based on economic, national security or other factors that maybe State and Commerce would take a different look at, different perspective on now? Do you expect that to change, or would the guidelines and criteria remain more or less

the same?

SR. DEFENSE OFFICIAL: The notion is to have a set of criteria that are applied irrespective of where it sits. And your -- let's see, what's the right way to put this without tilting one way or the other. The fact that we've portrayed it as a national security issue really means that the criteria that we intend -- that we'd intend to apply really are focused heavily about that, understanding that there's still -- in addition to protecting the most important technologies, we also want to be able to have the ability to export others as well to -- well, for the, you know, frankly, for the trade and economic benefits but also to sustain our industrial and technology base.

Q Does that then mean that the Defense Department could be one of those agencies that could do all the licensing? Is that under consideration?

SR. DEFENSE OFFICIAL: What's the best way to answer that? I think -- I think it's fair to say at this point no one has been ruled -- none of the national security agencies involved in this have been ruled out.

SR. DEFENSE OFFICIAL: All options are being considered, yeah.

Q You have both mentioned lug nuts and bolts and tools. Were those just picking out to be sort of colloquial, or are there actually on this list lug nuts and tools --

SR. DEFENSE OFFICIAL: If you look at the United States munitions list, if you have a bolt that was specifically designed for a defense article, it is on the United States munitions list.

Q Actual, like, bolt that you'd pick up at a hardware store?

SR. DEFENSE OFFICIAL: Yes, absolutely. Even if it has no particular shape, size, you know, strength or anything else, if it's just a bolt but it was designed for that particular item, it is on the United States munitions list currently and controlled by the State Department.

STAFF: You got your example after all, didn't you? (Laughter.) In an oblique kind of way, you did. (Laughter.)

Q (Inaudible) -- sly -- (inaudible).

STAFF: We'll have more for you tomorrow.

Q You mentioned before the U.S. agreements with Australia and with the U.K. and how those fit into this. Can you explain what -- why, or a little more about that?

SR. DEFENSE OFFICIAL: Well, just for anybody who's not familiar with those agreements, the treaties that are currently pending ratification in the Senate allow for a special arrangement between the U.S. and each of these key allies under which an export license would not be required, for export of goods that are not on an excluded list of very sensitive items, to agreed communities of companies that have been vetted by the foreign government, in that government, for certain purposes and processes.

So this -- assuming there was ratification, this would allow the much freer exchange of goods and services without a licensing process, within that set of constraints.

SR. DEFENSE OFFICIAL: For the vast majority of items.

SR. DEFENSE OFFICIAL: Yeah. So we could foresee -- I mean, certainly those agreements fit into this idea that below sort of the excluded list or critical items, you could set up arrangements where you could find, under very controlled circumstances, certain license-free, you know, arrangements for certain sets of items.

Q So this new -- these new export-control -- new export-control regime that would be pushed by the administration would allow the government to put in ally -- special allies without the need of having these separate agreements. Basically, you know, I can say later on that --

SR. DEFENSE OFFICIAL: No, no, no, no, not necessarily. It would -- it would certainly incorporate and have a place for the U.K. and Australia treaties if they are ratified. And then, given that the administration would certainly be consulting and looking to Congress for approval for its actions, you could foresee that there might be other cases where you would do certain license-free arrangements. So there's room for it, but it's not -- that is not in and of itself a key component of the four singles.

Q What -- like -- (inaudible) -- treaty allies or other --

SR. DEFENSE OFFICIAL: Something like that. I believe Secretary Locke, at one time or another, has talked about making some

arrangements on EU licenses. I'm not sure. You know, we'd have to -- I'm not fully talking about that arrangement, but there are other examples out there.

Q So you're saying it would no longer require a treaty that requires Senate ratification, that there'd be -- it'd be something administrative?

SR. DEFENSE OFFICIAL: No, no, no. I think that we're talking about the tiers that are about the technologies and items that are going to be controlled. In a different dimension, you have the actors to which they may be exported.

At one end you have the U.K. and Australia, where we -- where we think it makes good sense to move forward with these -- with these treaties so that most of the items that -- most of the tiers, at least -- at least, you know, at least in all but the top tier would be presumptively exportable to these -- to the -- to the -- to the U.K. and Australia.

The other side, there's a different dimension in the tiers. On the other side, there are those countries or entities that have been involved with proliferation in the past, where they'd -- they could be subject to much more restrictive treatment and indeed sanctions.

And then there's, if you will, the default in the middle that the system would orient around. I don't know if that's the right -- if that's the right three categories, but there's a -- there's a spectrum of actors, then, to which --

SR. DEFENSE OFFICIAL: I think the way I'd characterize it is that arrangements like the U.K. and Australia treaties would be compatible with this arrangement that we're setting up.

Q And it wouldn't preempt them?

Q Who negotiated those? Was it this administration?

SR. DEFENSE OFFICIAL: It was negotiated by the last administration.

SR. DEFENSE OFFICIAL: Previous administration.

SR. DEFENSE OFFICIAL: Yes.

STAFF: All right. We've got time for probably one more --

SR. DEFENSE OFFICIAL: The Senate will still have its role.

Q You mentioned --

Q This issue of reforming it for control has been debated by -- now this is the third administration that's looking at it. How would -- is this, you know, a significant departure from the way it is now? Is it just, you know, changes on the margin? Is there more that could be done? (inaudible.)

SR. DEFENSE OFFICIAL: I'll just say very quickly that the big change, from my perspective -- in addition to the fact that over the last 20 years since the first time this was -- this was tried, the world has moved forward, technologies have advanced and so forth -- is that you have an administration that is unified on the -- on the objective of making progress and on the specific approach to be taken, and, as you will see I think with some clarity tomorrow, a Secretary of Defense who has -- who is not just okay with it but is the leading champion of export-control reform as a national security issue. I think those factors are extraordinarily important in moving this effort forward.

SR. DEFENSE OFFICIAL: And I think what I would add to that is that, you know, a lot of the reforms that have been brought up, including the one at the end of the Bush Administration, really had to do with efficiency of the system or process management. And in fact, I think if you looked at the statistics, you would see that we're turning licenses in both State and Defense and to a certain degree Commerce much faster than we used to. And we're -- we have already tried to increase our transparency to industry.

But the things that the secretary is focused on, which is that the world really has changed substantially since the current export-control system was put in place, aren't solved by this sort of process-improvement issues and really need to force us to take a look at what is the right way to do this in the future. So I think that's the genesis of what we're talking about here.

Q Well, how much more restrictive will this be just to get it -- to modify it in some way?

SR. DEFENSE OFFICIAL: It's not -- it's not intended to be more restrictive except for those things that are -- you know, are surrounded by the higher walls where we'll take a very careful look and have higher penalties.

SR. DEFENSE OFFICIAL: If something's in the top tier, it will be -- the intention is that it be -- more time be spent in -- first in understanding and identifying the potential ways in which it could get released and so forth. And then there will be, as was said, higher thresholds, higher walls associated with exporting those items.

STAFF: I think that's a good place to probably close it up.

Q Just one basic question.

Q Actually, just a quick clarification, possibly.

STAFF: All right. A quick clarification and a basic question, and then we're done.

Q You mentioned the two independent agencies. One is licensing, and one is enforcement. Will they be two separate, or will the same agency do the licensing and enforcement?

SR. DEFENSE OFFICIAL: Well, since the single licensing agency decision has not yet been made, I'm not sure that there's a hundred-percent answer to that. But we have conceived of them as two.

Q Two. Separate ones.

SR. DEFENSE OFFICIAL: Quite likely.

Q Okay.

STAFF: And basic question.

Q And when -- and when this -- in theory, if this all gets passed, what's the timetable for implementation?

SR. DEFENSE OFFICIAL: Well, it depends quite a bit on when it gets passed.

Q I'm sorry, in terms of --

SR. DEFENSE OFFICIAL: Phase one and two, very soon, this year, and -- this year and as -- and as soon as -- we want to have consultations with the Hill before we begin to do even the administrative steps, so that we don't bias the prospects for phase three and some -- and the funding we need for some elements of phase

one like for IT. But we'd like to move forward quickly, and we'd like to get some legislation passed this year on the Hill. And that's a conversation that has begun and is -- I think is going to intensify over the coming few weeks.

Q Some but not all the legislation.

SR. DEFENSE OFFICIAL: We'll see how -- we'll see what the -- frankly, what the -- what the -- what the traffic will bear. We think that there's a clear vision for getting to phase three and accomplishing this. The more we can do this year, the better.