

Press Releases: Briefing on Updated Conventional Arms Transfer Policy and Unmanned Aerial Systems (UAS) Export Policy

Special Briefing
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MR GREENAN: Thank you, Shaun. And thank you, everyone, for joining us this morning for this on-the-record conference call. We have with us Dr. Peter Navarro, who's the assistant to the President for trade and manufacturing policy and director of the White House Office of Trade and Manufacturing Policy. He is joined by Ambassador Tina Kaidanow. She is the principal deputy assistant secretary in the Bureau of Political-Military Affairs here at the Department of State.

The call today will be on the updated Conventional Arms Transfer policy and Unmanned Aerial Systems export policy. This call is on the record, but I'd note that the contents of the call will be embargoed until the Conventional Arms Transfer policy is posted on the White House website at approximately 12:00 p.m. today, Thursday, April 19.

I'd also like to note that we have with us on the phone Mr. Gregory Kausner. He's the deputy director of the Defense Security Cooperation Agency. He's able to participate with us today. He will be happy to field any questions that are addressed to the DSCA.

So with that, I'll turn it over to Dr. Navarro. Thank you.

MR NAVARRO: Thank you. I want to start by thanking the Department of State and the National Security Council for all their tremendous work leading this process over the past year, along with all our interagency partners. This collaboration underscores the President's vision that economic security is national security. The fact is our allies and partners want to buy American.

They know American industries produce the most technologically sophisticated, accurate, and effective defense systems in the world. When we enable our allies and partners to more easily obtain appropriate American defense articles and services, we improve our national security. Partners who procure American weaponry are more capable of fighting alongside us and ultimately more capable of protecting themselves with fewer American boots on the ground.

Providing our allies and partners with greater access to American arms will also reduce their reliance not just on Chinese knockoffs, but also on Russian systems, consistent with the Countering America's Adversaries Through Sanctions Act. For too long we have hamstrung ourselves and limited our ability to provide our allies and partners with the defensive capabilities they require, even when in the U.S. interest. President Trump's new CAT policy, which reforms the myopic 2014 policy of his predecessor, will ensure that American interests are put first in our own decision making.

The administration's UAS export policy will level the playing field by enabling U.S. firms to increase their direct sales to authorized allies and partners. By expanding international sales opportunities, U.S. industry will be further incentivized to do what they do best: invest and innovate. This will keep our defense industrial base in the vanguard of emerging defense technologies while creating thousands of additional jobs with good wages and generating substantial export revenues.

The U.S. aerospace and defense industries contribute almost a trillion dollars annually to our economy and support about 2.5 million jobs while maintaining a significant global trade surplus. As President Trump works to balance our trade with the rest of the world, further strengthening a critical part of our export economy and defense industrial base is a logical and critical step.

I'll now turn it over to Ambassador Kaidanow.

AMBASSADOR KAIDANOW: Thanks very much. Actually, I'm going to leave that statement because I think it speaks volumes, and maybe just open it up for any further questions. We're very, very pleased that we now have the opportunity to engage in this conversation. As Dr. Navarro said, it's been a process that's taken some time to put together thoughtfully, and we want to be able to talk about it with all of you. So thank you very much.

MR GREENAN: All right, thank you. With that, we'll turn to our questions.

OPERATOR: Thank you. And once again, ladies and gentlemen, if you do wish to ask a question, please press *1. Our first question is going to come from the line of Matthew Lee from the Associated Press. Please, go ahead.

QUESTION: Hi there. Good morning. I just – I have two brief ones. Number one: What exactly is changing about – how is it now or going to be easier for allies and partners to buy these drone systems and the other things?

And secondly: Didn't – you refer, Dr. Navarro, to the myopic policy of the

previous administration. Didn't this begin, this review with an eye toward easing these restrictions, begin during the previous administration? Thank you.

AMBASSADOR KAIDANOW: Okay, well, I'll start, and then if Dr. Navarro wants to chime in, he's welcome to. What I would say is as follows: Let's remember, again, first of all, there's the discussion of sort of the wider array of things that fall under the conventional arms treaty – Conventional Arms Transfer initiative. That is a wider set of things than simply just the UAS policy; we should bear that in mind. And in that instance, or with that regard, what we are explicitly doing there is inserting a definition of economic security, right – consideration, I should say, of economic security into our broader national security considerations.

So in other words, it's not that we are necessarily doing one thing. You're doing a number of things, and I hope that we will be able to talk interactively with industry associations – that's part of this effort – to hear what they have to say about how we can more strategically address some of their concerns and enable them to make sales overseas. That will be done within the very near future. In fact, we're – as part of the explicit element here, you'll see some of this when it comes out in the new NSPM so-called. But at any rate, we will be talking to them within the next 60 days so we can put together a specific work plan to actually implement all of this.

But – so in other words, it is efforts to do things a little more strategically. We need to do, as the U.S. Government, a better job of strategic advocacy for some of our companies. We need to think about those areas where we can really enable sales overseas. We need to think about how might they sell things that are a little bit harder to sell. We recognize that because the quality of our product is so high, sometimes, for example, it's more expensive than others. Well, just because of that, we don't want to disadvantage them. We'd like to find ways to help enable countries to buy our product even when it may be slightly more expensive and so forth.

So we need to be working with our companies to find the ways for strategic advocacy to do all of these things that will enable them, and we are specifically looking, again, as Dr. Navarro said, at the question of how do we enable these companies, how do we provide economic security for the United States, how do we make sure we're creating American jobs and American prosperity as part of the larger picture, the balance and responsible policy that we have with regard to all the things we consider when we look at any particular arms sale.

So I'm going to leave it there and then Dr. Navarro, if you want to chime in.

MR NAVARRO: Again, the fact of the matter here is, although the U.S. leads the way in UAS technology, overly restrictive policies enacted by the previous administration have accelerated an undesirable outcome. Strategic competitors like China are aggressively marketing to and making sales in international markets that are forecast to be worth more than \$50 billion a year within the next decade. Already, we are seeing Chinese replicas of American UAS technology deployed on the runways in the Middle East. In June,

at the Paris Air Show, China's Chengdu Aircraft Group featured its Wing Loong II medium-altitude, long-endurance UAS, a clear knockoff of General Atomics Reaper.

Bottom line, the policies of the previous administration enabled that, and this administration, consistent with its national security strategy and national defense strategy, is changing that policy.

AMBASSADOR KAIDANOW: Let me – sorry, just let me add one more thing specific to the UAS policy itself because I mentioned that's it's a part of, but it's an important part of the overall changes under the new CAT policy. We are enabling not just some additional sales of MTCR Category 1; we are actually looking at allowing these companies – Dr. Navarro mentioned we're allowing them to go forward and make a function of what we call direct commercial sales – in other words, to directly make sales to the countries rather than via the U.S. Government. That's a major change. And we will give them additional space for marketing of these systems and for the eventual sale, assuming that they meet all the other criteria, the sale meets all the other criteria that we would normally consider.

There are other things the new policy will do. It'll eliminate the special scrutiny of laser designators on UAS. That's one of the things that has hampered the sale of these particular systems. So there's a number of things within the policy itself that will help enable and widen the space, if you want to call it that, for the sales.

MR GREENAN: Thank you very much. We'll go to the next question, please.

OPERATOR: Thank you. Our next question, then, comes from the line of Aaron Mehta from Defense News. Please, go ahead.

QUESTION: Hi, thanks for doing this, guys. A couple of things just to make it clear: So is there any change in the presumption of denial and – with the unmanned systems? And if so, how is it actually – if there's no change, how is it actually different from what the Obama administration set up in 2015 with that standard? And then can you just go into why the laser designator decision was made and what that actually means in terms of being able to sell these things to different countries?

AMBASSADOR KAIDANOW: Let me be clear, first of all, that the presumption of denial is not a feature of a particular administration. The presumption of denial comes as a feature of the MTCR regime itself. And the rationale behind it is one that I think is understandable and it still pertains, and that is it is supposed to prevent the proliferation of systems that may indeed cause – of weapons of mass destruction, in essence, and those systems in particular that might, for example, endanger U.S. troops.

So we have to have those considerations in mind and that's why I say this is a balance policy. It does not change the presumption of denial under the MTCR, okay? It's – again, this is a regime that is a multilateral regime and it's existed for some time. The point is that what we are looking to do is take that presumption of denial, assess it against other factors – and these

are important factors, the ones that I mentioned before, and there will be others – but the point is that we will work to update the MCTR. That's another issue. We are looking to ensure that the MTCR keeps pace with the dynamic quality of all of this.

Let's remember that the things that, for example, two or three years ago may have been, again, endangering our troops may have been of concern to us with regard to the spread of weapons of mass destruction, now may have commercial applications. There may be things that, again, over time, do not concern us in quite the same way. So we are looking together with our partners to update the MTCR. That's an ongoing process. But the existing presumption of denial – that doesn't change. What we are doing is – again, we are widening the space for the companies to do their sales and marketing via direct commercial sales. We're eliminating some of the specific factors that in the past we looked at when we approved these sales or we didn't. And what we are doing is ensuring that, again, that the MTCR itself keeps pace with the changes over time that we think are salient and need to be considered.

MR GREENAN: Thank you. We'll go to the next question, please.

OPERATOR: Thank you. Our next question comes from the line of Roxana Tiron from Bloomberg. Please, go ahead.

QUESTION: Yes. Hi. Thank you for doing this. Two questions, actually: Is there – are there any considerations given to make sure that some of these arm sales don't end up to countries that violate human rights? And also, President Trump yesterday said that this could allow sales of weapons to go through in just days, but Congress still has about 30 days to block a proposed sale. Does that change? Is there any change in that as well?

AMBASSADOR KAIDANOW: Okay. So let me be very clear. Nothing in the – this new NSPM that will be issued changes either the existing legal or the regulatory requirements. And we are very respectful of Congress's role in all of this. Again, we consider them to be our partners and they are the ones that ultimately will authorize a number of these sales, in so far as – again, we have good consultation with them. There is a process by which all this flows. I won't get into all the mechanics of that here. I'm happy offline to talk about it, or we can give you a lot more detail on how that all works. But the point is Congress retains its role. Again, no change to the legal or regulatory framework.

And the important thing again here to remember – you asked about human rights. The real question for us – again, this is a balanced policy. We absolutely look at human rights as one of a set of considerations that we look at. It's all done – every sale we do is done on a case-by-case basis. In other words, we look at a whole range of U.S. national security objectives. Dr. Navarro talked about some of them. We are looking, again, at the – we are looking at the – again, the entire range. And let's remember, U.S. national security make – is comprised – may be comprised of a whole set of things. We look at democracy, at governance, at human rights, at economic development, at security, at the creation of U.S. national – or U.S. jobs and American prosperity. We look at all those things, with an emphasis on making sure

that, again, companies can operate in that space, that they have every opportunity to do their business within that set of considerations.

On human rights specifically, let me just mention we have been very, very focused, especially in this administration and in tandem with Congress, on trying to give our partners, our strategic partners overseas, the ability to avoid civilian casualties especially where we can. I know that's the focus of – in Congress and the wider array of public opinion. This is really important. We need to give them an understanding – using some of our experience, give them an understanding of how to minimize civilian casualties to the extent possible when they are doing their operations overseas. That's critically important to us. I really want to emphasize that, because, again, we have focused on it so very hard over the last little while, especially with Congress.

MR NAVARRO: Yeah. Let me echo what Ambassador Kaidanow said, because it's so important. The new policy clearly and strongly recognizes the need for responsible balance. And just some of the key issues include human rights, nonproliferation, as well as safeguards against the transfer of our technology, the theft of that, to bad actors. And the safeguards that are put in place include things like prescreening, principles of proper use, training and support, and a continuation of stringent end-use monitoring. So this is a key part of President Trump's new policies. And again, as Ambassador Kaidanow said, they require enhanced end-use monitoring, directing the federal government to work with partners in reducing civilian casualties in conflict, and championing principles of human rights and international law, including the law of armed conflict. Thank you.

AMBASSADOR K Aidanow: Let me – sorry, just to add one thing, and again, to emphasize – this is so salient and Dr. Navarro just mentioned it again, but this is the first time that minimizing civilian casualties indeed will be an affirmative part of our conventional arms policy. So that really is a change, and it's an important change, and is one that I think we're incredibly focused on as we do our work.

MR GREENAN: Thank you. Next question, please.

OPERATOR: Thank you. Our next question will come from the line of Mike Stone from Reuters. Please, go ahead.

QUESTION: Thanks for doing this. What is the number of jobs that will be created by this? And what is the estimated dollar amount that defense exports will go up, making them go from X to Y?

MR GREENAN: Dr. Navarro?

MR NAVARRO: So we're going to say at the general 30,000-foot level. This will all be a function of how the sales go forward and through the review process. So that would merely be speculation at this point. What we do know is that this will provide the American industry with expanded opportunities, and that's the signature of President Trump's administration.

MR GREENAN: Thank you. Next question, please.

OPERATOR: Your next question's coming from the line of Charles Forrester from Jane's. Please, go ahead.

QUESTION: Good afternoon, or morning rather. Thank you very much for doing this. Question for you is regarding offset technology transfer. Now some of the markets that you've mentioned here, in the Middle East and India for example, very strong on technology transfer and getting some of that work done out there as part of a package deal. How do you see that reconciling with the new policy?

AMBASSADOR KAIDANOW: Well, what I would say is with regard to – first of all, I think you know that in certain particular instances, we are – we allow the companies to do the actual negotiations with regard to offsets and other requirements and so forth. The U.S. Government itself doesn't get in the middle of that set of negotiations.

But again, let's remember that what the NSPM will call for is within 60 days we are apt to produce a work plan. And that work plan, again, will be done and created in conjunction with a number of these companies and with some of the industry associations. In putting it together, we will be looking at a whole array of things, not just coproduction but, again, things that will enable sales overseas: strategic efforts to create an environment in which our companies can push back against foreign competitors, make our products as competitive as possible, advance sales, all those things that we want to be doing. Financing advocacy – in other words, looking at ways that we might, again, if our product ends up being slightly more expensive because it is better, then how do we enable countries to really do that so that they can purchase those systems. So there's a whole array of things that may come. We're going to have that conversation with companies, but it's important that we look at that whole array of things in order to give us a better understanding of where we can be most effective.

MR GREENAN: Thank you. And we'll take our last –

MR NAVARRO: I would just add to that the organizational culture of the Trump administration is: buy American, hire American. These are the two simple rules that President Trump has repeatedly stressed, and be assured that this administration will be encouraging private defense industry to embrace those principles as it goes forward with its expanded opportunities.

MR GREENAN: Okay. We'll take our last question now, please.

OPERATOR: Thank you. Then our final question will come from Aaron Mehta from Defense News. Please, go ahead.

QUESTION: Hi, you guys. Sorry. I just wanted to follow up on the laser designation question from earlier. What is actually being changed about that? Why does that change matter? Thanks.

AMBASSADOR KAIDANOW: So basically what it means is that we'll be reducing the complications to how we classify UAS. Because under the previous policy, UAS

equipped with so-called strike-enabling technology, like laser target designators, were classified under a specific, discrete category. And the criteria for transferring that category of UAS was equivalent to the criteria for transferring an armed UAS. So we placed the proposed transfer of UASs equipped with strike-enabling technologies under significant scrutiny in the past, and we limited their transfer to occur only through the Foreign Military Sale system.

That approach caused a lot of confusion within industry and our partners, so the new policy does away with this category of quote-unquote striking-enabling, and those technologies that were previously classified as such are now treated as unarmed, essentially. So eliminating that kind of distinction makes it easier, or makes it so that U.S. industry faces fewer barriers and less confusion when they're attempting to compete against other countries in marketing and selling those similar systems to our partners. So what it does is it allows them effectively to sell you UAS with laser target designators via direct commercial sale, which, as I mentioned previously, can potentially allow for faster procurement by those countries.

MR GREENAN: And before we close, I just want to offer Mr. Kausner from the Defense Security Cooperation Agency an opportunity to comment on any of the topics raised, if he has any comments.

MR KAUSNER: Nothing to add. Thank you.

MR GREENAN: All right. Terrific. Well with that then, we'll conclude the call. I remind everyone that the contents of the call is on the record, but embargoed until the Conventional Arms Transfer Policy is posted on the White House website. That link was provided in the advisory sent out for this call, and we expect that will be around 12:00 p.m. noon today, Thursday April 19th. Thank you everyone, and have an enjoyable day.

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