



Defense Trade News

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NEW STATE DIRECTIVE ON DEFENSE TRADE

Embassies Advised to Support U.S. Companies

The Center's strategic objective. As stated in previous editions of *Defense Trade News*, the Department of State created the Center for Defense Trade, earlier this year, to improve the U.S. Government's regulatory handling of U.S. defense trade. Improvements were to be focused both on the actual implementation of the Arms Export Control Act (AECA) and the resultant International Traffic in Arms Regulations (ITAR), as well as on related policy guidelines.

Previous guidance to U.S. posts. A key aspect of providing improved defense trade policy guidelines, both to U.S. defense industry and within the Federal Government, involves providing guidance to U.S. embassies. In 1977, the Carter Administration—in what became known as the “leprosy cable”—actively discouraged U.S. officials from getting involved in the sales efforts of U.S. defense firms abroad. In 1981, the Reagan Administration rescinded this policy. In its place, it issued new, general guidance indicating that U.S. officials should operate in a more cooperative manner with overseas representatives of U.S. defense industry.

The new State directive. In light of this history, a recent State Department cable was sent to all diplomatic posts expanding upon the 1981 guidance and advising them to support the marketing efforts of U.S. defense firms abroad. The new cable detailed for U.S. embassy personnel some specific types of assistance that should be provided to U.S. defense industry representatives overseas. In essence, the goal is to treat defense exports on the same basis as other exports—consistent with U.S. foreign policy objectives.

Specifically, the July 10, 1990 cable from Acting Secretary of State Lawrence Eagleburger to all U.S. Ambassadors worldwide outlined the appropriate embassy role in

support of U.S. defense trade. Secretary Eagleburger wrote: “It is the policy of the United States that our diplomatic posts abroad should support the marketing efforts of U.S. companies in the defense trade arena as in all other spheres of commercial activity.”

Special nature of defense trade. At the same time, Secretary Eagleburger cautioned ambassadors that defense exports involve special considerations and responsibilities. U.S. missions must adhere to relevant laws, regulations, and statutory restraints governing defense trade. It is not U.S. policy for embassy personnel to create markets that do not currently exist. Whenever two or more U.S. firms are in competition for a sale, it is U.S. policy that embassy personnel support all American contenders equally.

Country-specific info for U.S. firms. The cable advised embassies to be well informed about, and responsive to, U.S. defense industry sales interests in host countries. Posts may provide many kinds of pertinent country information to industry representatives. This information might include the defense budget cycle in the host country; decisions concerning memoranda of understanding, coproduction and codevelopment; the national procurement process; and estimates of equipment the country currently needs to fill defense requirements or likely future procurement plans. Of course, release of such data depends upon available embassy resources and country sensitivity to specific data.

Unique embassy role. American embassies, Secretary Eagleburger pointed out, are in a unique position to help U.S. defense industry. When providing information, posts draw on expertise within the embassy staff. For example, it might be useful for industry representatives to be aware of the overall finan-

cial position of the country, any International Monetary Fund controls or restrictions on credit, and the relationship between the Ministry of Defense and other branches of the government. This might mean drawing on the expertise of commercial, economic, and political officers in the embassy.

Other embassy support functions. Embassy personnel are permitted to assist U.S. indus-

try representatives with appointments with host country officials. Personnel may provide names and office telephone numbers of key defense procurement officials. If requested by both industry and host country representatives, embassy officers may sit in on meetings between the two. However, post officials must avoid any action that forecloses options or prejudices the outcome of the arms transfer decision-making process.■

THE BOTTOM LINE: FAST LICENSING

Average License Issued in 13 Days

The implementation side of the Center's mission. In addition to providing improved defense trade policy guidelines, the other half of the Center's mission is to provide improved export licensing services.

The overall objective on the implementation side is to create and institutionalize a fast, predictable export licensing process that ensures adherence to and enforcement of the Arms Export Control Act (AECA), the International Traffic in Arms Regulations (ITAR), and State Department policies in a time frame that does not unnecessarily impede trade through delays in the issuance of licensing decisions. Achieving this objective permits U.S. defense industry to be a reliable supplier to overseas purchasers while advancing U.S. foreign policy and national security.

A phased approach. In the Office of Defense Trade Controls (DTC), which regulates all U.S. commercial defense trade through the export licensing process, improvements in the implementation of U.S. defense trade have been intentionally phased.

In the first phase, from the creation of DTC on January 8 through March 5, the primary objective in the Controls Office was eliminat-

ing the thousands of backlogged 1989 license applications while also handling new, incoming cases so as to ultimately reach a point where the staff could begin handling cases as they arrived. Having reached this plateau in March, the Controls Office set as its next objective to begin instituting control mechanisms—on both quality and speed—at each stage of the licensing process to ensure appropriate handling of all cases.

The current, third phase involves refining the numerous internal control mechanisms recently put in place through a continuous assessment of performance. Throughout all of these phases, DTC has also hired, trained, and brought into the licensing process many new employees.

The bottom line: fast licensing. From an industry perspective, the best measure of DTC's performance is undoubtedly the responsiveness of the licensing process. Average licensing times would thus seem to provide a good gauge of the performance of the Controls Office to date.

Sample set of April and May cases. The following statistics are derived from the sample set of all cases received from April 1 through May 31, 1990. This represents a total of nearly 10,000 applications to DTC (9,564 to

be precise, including all DSP-5, DSP-61, DSP-73, and DSP-85 license applications and all Commodity Jurisdiction, General Correspondence, and Agreement requests).

Of the cases received in April and May, 99% were issued (i.e., mailed back to the applicant with a decision) as of mid-September. The 1% (113 cases) that had not been issued as of mid-September are not included in the following figures.

Tracking old cases. Statistically, the 1% of April-May cases that are still "open" represent a small number of earlier data points. By and large, these cases represent applications that either a) are particularly sensitive for policy or technical reasons and are thus still under review, usually outside of DTC, or b) are on hold in DTC pending the furnishing of more information regarding the case by the applicant.

Old cases of this sort are tracked by both a Special Projects Licensing Officer, Rob Groesbeck, and by the individual licensing officers responsible for the cases. The Controls Office works closely with the staffing offices in State and throughout the government to ensure that such difficult, old cases are not lost in the shuffle, but receive the ongoing attention that they need to be completed.

Average for non-staffed cases: 4 days. Of the April-May cases, 71% (6,797 cases) were handled exclusively within DTC, never requiring staffing within State or interagency for a more extensive technical or policy review. The average licensing time for these

nearly 7,000 non-staffed applications—from day one when they were received to the day that they were mailed back—was 4 business days.

Average for staffed cases: 36 days. The remaining 28% (2,654 cases) of the cases received in April and May required staffing. The average licensing time for these staffed cases—again from day of receipt through staffing to day of issuance—was 36 business days.

The vast majority of staffed cases go to the Defense Technology Security Administration (DTSA) at Department of Defense (DOD). Like DTC, DTSA also operates with strict internal guidelines and tracking mechanisms which ensure a timely response. In April and May, for example, DTSA averaged 15 business days on staffed cases.

The 1990 weighted average: 13 days. Taking the non-staffed (71% in 4 days) and the staffed (28% in 36 days) cases together, the weighted average licensing time for April and May cases was 13 business days.

50-70% improvement over 1989 averages. These 1990 average licensing times show substantial reductions compared to last year's averages. In 1989, for example, the average non-staffed case took 13 business days. Thus, the 1990 average of 4 days represents a 69% reduction in licensing time.

Likewise, the 1989 average for staffed cases exceeded 70 business days compared to the current 36 days. The handling of staffed cases has thus been expedited a full 50%. Of

AVERAGE LICENSING TIMES (business days)

Non-staffed Cases (71%)	Staffed Cases (28%)	Weighted Average
4 days	36 days	13 days

(Sample: 9,564 cases from April-May 1990)

the 1990 cases received in April and May, only 2% (229 cases) were even open longer than 70 business days (including the 1%, or 113 cases, discussed above that are still open as we go to press).

Aiming higher. The Controls Office is very proud of the progress made over the past 9 months in licensing times. For non-staffed cases, we believe that we have now attained

an average that will be very hard to improve upon. On the other hand, we are aiming to continue driving down the average licensing time for staffed cases, and are concentrating on means for doing so.

Overall, despite our pleasure with the results to date, we aim—with the help of industry—to continue improving the licensing process.■

NEW COMPUTER SYSTEM ON-LINE

Advanced Technologies Aiding Licensing

On August 27, the Office of Defense Trade Controls (DTC) brought on-line an entirely new computer system. The new ADP system—named Defense Trade Applications System (DETAS)—brings state-of-the-art technologies to bear on DTC's licensing process. DETAS consists of all new hardware and software, and utilizes the latest in data, voice, and image processing technologies.

Hardware and software. DETAS runs on a WANG VS8000 minicomputer and is accessed through imaging work stations. Other hardware includes image scanning equipment and an Optical Jukebox, which stores images on optical disks.

The system software was designed in-house by DTC's Systems Manager James DePalma starting in April 1990. As one of its many features, the new software was designed to be fully compatible with the old computer system. This permitted the numerous years of licensing files in the old system to be rolled over into the new system when it came on-line.

DTC scanning all new applications. A key feature of the new system is scanning. With the optical scanning and viewing capability, DTC will now be able to store images of all applications, including licenses, registrations, commodity jurisdictions, etc.

These images, or "pictures," will be stored in perpetuity on optical discs, allowing employees to view the actual documents of cases in the DETAS database on the terminals at their desks. This will eventually eliminate the time-consuming, manual file searches officers undertake daily to review precedent cases.

The DETAS advantage. Scanning, however, is but one of DETAS' numerous new features. The bottom line, without detailing the various features, is that DETAS provides the Center for Defense Trade with computing capacity and capabilities far superior to the old computer system.

From a licensing perspective, DETAS provides quicker access to more extensive license case information, and will thus save time while also facilitating the substantive work of the licensing staff. From a compliance perspective, DETAS provides DTC with much greater registration and enforcement capabilities.

From a management perspective, the new system provides an unlimited variety of computer runs for tracking and reporting purposes. Finally, from an analytical perspective, DETAS permits a wide variety of analytical examinations of DTC's database, including word-in-text search capability.

Gains for industry. DETAS will also provide new, service-oriented features designed specifically for U.S. industry. The first such feature to come on-line is the Automated (i.e., telephonic) License Status System, or ALISS. ALISS can be accessed from a touch tone phone, and provides the current status of applications in DTC. See the following article, "Go Ask ALISS..." for more details on this system.

DETAS still evolving. The system brought on-line at the end of August represents only the core of a larger ADP system, portions of which are still being developed. Additional features will be brought on-line as they are finalized. Those that affect industry will be detailed in upcoming editions.■

GO ASK ALISS...

Telephonic License Status System On-Line

DTC overwhelmed with phone calls. The Office of Defense Trade Controls (DTC) receives hundreds of thousands of phone calls annually. Many of these are routine calls from applicants inquiring about the status of their pending cases. The new computer system, DETAS, was designed to address these regular, general inquiries through an automated, telephonic voice system, thereby reducing DTC's phone calls while providing a reliable and accessible response mechanism for U.S. industry.

ALISS to the rescue. Specifically, when DETAS was brought on line August 27, DTC also brought on-line ALISS—the Automated License Status System. ALISS is designed to be a user-friendly service to industry.

All that is needed to access ALISS is a touch tone phone. Moreover, ALISS is accessible 22 hours daily, every day of the year, and the status information ALISS provides is updated daily. Thus, no longer will industry have to encounter any delays in obtaining the current status of applications in DTC.

Call ALISS at (703) 875-7374. When you call ALISS, the following text will greet you:

ALISS Text: Welcome to DTC's around-the-clock Automated License Status System, ALISS. ALISS is updated daily from 7 to 9 am; it is accessible to touch tone users at all

other times 365 days a year. You may enter a case type and number followed by the pound key at any time during this message; if you do not respond within 15 seconds to a voice prompt, you will be automatically disconnected. Up to 10 entrees are permitted per call. If you need additional help information, please press the star key; if you do not have your case number, please call 875-6652 from 9 to 12 am or 2 to 5 pm. Please enter your two-digit case-type number followed by the six-digit case number and ending with the pound key now.

Help Information: You may terminate this help message at any time by pressing the pound key.

Amendments: Amendments are not accessible through ALISS. Please call 875-6652 for status on amendments.

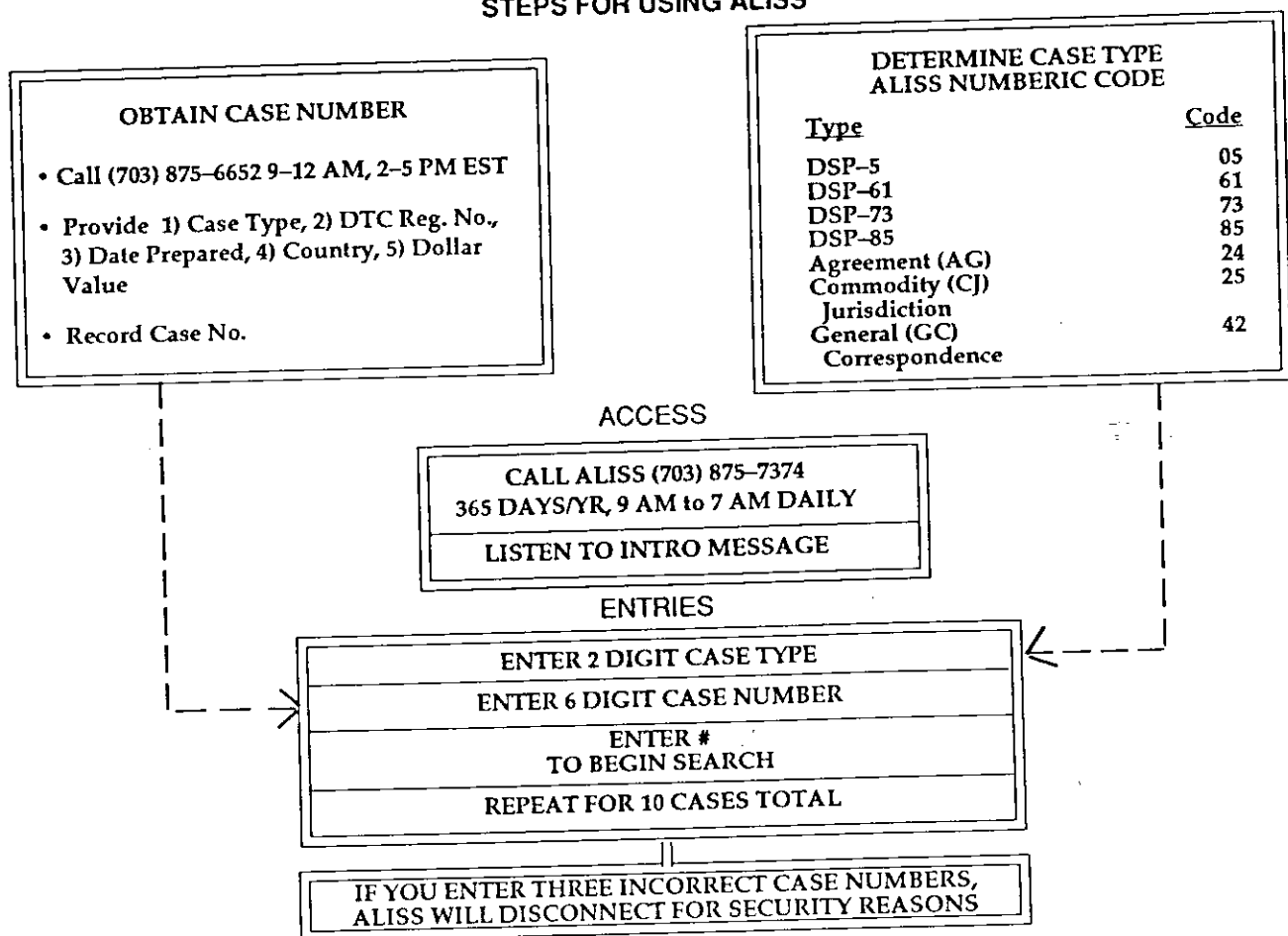
Case Type Numbers: There are seven 2-digit case type numbers: 05 for DSP-5, 61 for DSP-61, 73 for DSP-73, 85 for DSP-85, AG for Agreement, GC for General Correspondence, and CJ for Commodity Jurisdiction. For AGs, GCs, and CJs, the two-digit case type number is represented by the appropriate alphanumeric keys on your phonepad: 24 for AG, 42 for GC, and 25 for CJ.

Case Numbers: Most case numbers include six digits. For those case numbers that are less than six digits, you should add the

Examples: For ALISS, DSP-5 case number 123456 should be entered 05123456#. Agreement case number 123-90 should be entered 24012390#.

ALISS' database. In order to keep the response time short, ALISS' database does not contain cases that were issued more than 1 month earlier—cases that should have already been received by the applicant. In other words, the cases for which ALISS can provide a response include all pending (i.e., open) cases and all cases issued in the past month.

A user's guide. To simplify the steps for using ALISS, the following chart is provided as a user's guide. We hope you find it useful, and that ALISS meets your general status inquiry needs in the future. If you encounter any problems with ALISS, please call James DePalma at (703) 875-6650 or telefax a copy of your concerns. ■



 ? FOR HELP, ENTER * AT ANY TIME TO HEAR ADDITIONAL INFORMATION ?

**ALISS RESPONSES
BY
TYPE INQUIRY**

DSP-5s (05), -61s (61), -73s (73), -85s (85) and AGREEMENTS (24)	GENERAL CORRESPONDENCE (42)	COMMODITY JURISDICTIONS (25)
WAS WITHDRAWN _____ (ALISS PROVIDES DATE)		
WAS RETURNED WITHOUT ACTION WITH AN ACCOMPANYING EXPLANATION _____ (ALISS PROVIDES DATE)		
IS IN INITIAL REVIEW HERE IN DTC		
HAS BEEN REVIEWED BY DTC AND STAFFED, AND HAS BEEN IN REVIEW OUTSIDE DTC SINCE _____ (ALISS PROVIDES DATE)		
IS BACK FROM STAFFING AND HAS BEEN IN FINAL REVIEW HERE IN DTC SINCE _____ (ALISS PROVIDES DATE)		
IS NOT FOUND IN THE DATABASE. PLEASE TRY THIS CASE NUMBER AGAIN TO ENSURE THE PROPER CASE NUMBER WAS ENTERED. IF IT IS STILL NOT FOUND, CALL 875-6652 FOR ASSISTANCE.		
WAS APPROVED _____ (ALISS PROVIDES DATE)	WAS COMPLETED _____ (ALISS PROVIDES DATE)	WAS DETERMINED _____ (ALISS PROVIDES DATE) TO BE A DEPT OF STATE USML COMMODITY
WAS APPROVED WITH PROVISO _____ (ALISS PROVIDES DATE)	WAS DETERMINED _____ (ALISS PROVIDES DATE) TO BE A DEPT OF COMMERCE CCL COMMODITY	
WAS DENIED _____ (ALISS PROVIDES DATE)		
WAS DETERMINED _____ (ALISS PROVIDES DATE) TO BE SUBJECT TO BOTH STATE AND COMMERCE JURISDICTION. DETAILS ARE ELABORATED IN OUR MAILED RESPONSE.		

IRAQ/KUWAIT POLICY NOTICE

Special Handling of Persian Gulf Cases

Federal Register Notice. The morning of the Iraqi invasion of Kuwait on August 2, the Office of Defense Trade Controls (DTC) revoked all export licenses and other approvals to transfer defense articles and services to Iraq, and suspended such licenses and approvals to Kuwait. Formal notification of this action appeared in the following day's *Federal Register* (Vol. 55, No.150, Friday, August 3, 1990, page 31,808). The Notice read as follows:

Revocation of Munitions Export Licenses to Iraq; Suspension of Munitions Exports to Kuwait

Summary: Notice is hereby given that all licenses and approvals to export or otherwise transfer defense articles and defense services to Iraq pursuant to section 38 of the Arms Export Control Act are revoked. All such licenses and approvals with respect to Kuwait are suspended.

Effective date: August 2, 1990.

For further information contact: Rose Biancaniello, Chief, Licensing Division, Office of Defense Trade Controls, Bureau of Politico-Military Affairs, Department of State (703-875-6644).

Supplementary information: Effective immediately, it is the policy of the U.S. Government to deny all applications for licenses and other approvals to export or otherwise transfer defense articles to Iraq and Kuwait. In addition, U.S. manufacturers and exporters and any other affected parties are hereby notified that the Department of State has revoked all licenses and approvals authorizing the export or other transfers of defense articles or defense services to Iraq. The

Department of State has also suspended all such licenses and approvals with respect to Kuwait in order to ensure that no defense articles or defense services reach Iraqi authorities.

The licenses and approvals that have been revoked or suspended include manufacturing license and technical assistance agreements involving those countries. These actions also preclude the use in connection with Iraq and Kuwait of any exemptions from license or other approval requirements included in the International Traffic in Arms Regulations (ITAR) (22 CFR parts 120-130).

These actions have been taken pursuant to sections 38 and 42 of the Arms Export Control Act (22 U.S.C. 2778, 2791) and section 126.7 of the ITAR (22 CFR 126.7) in furtherance of the foreign policy of the United States.

Dated: August 2, 1990.
Richard A. Clarke,
Assistant Secretary of State
for Politico-Military Affairs.

Appropriate industry action. To ensure compliance with the Notice, registered companies should transmit to all employees involved in export matters information regarding revocation and suspension of licenses and agreements (manufacturing, technical assistance, and distribution) where the end-user or sales territory is Iraq or Kuwait.

Special handling of Persian Gulf cases. In response to the situation in the Persian Gulf region and the undertaking of Operation Desert Shield, DTC began an immediate review, in coordination with the Defense Technology Security Administration (DTSA) at Department of Defense (DOD), of all prior applications for countries involved in Opera-

tion Desert Shield. This review ensured expeditious handling, as appropriate, of such cases.

Additionally, all new, incoming license applications for countries in the Middle East or for countries involved in operations in the region are being segregated upon arrival in DTC to receive immediate attention by the licensing management team. Cases related to

U.S. operations, the self-defense of friendly countries in the region, or NATO-country forces deploying to the region are then ordinarily handled within 48 hours.

This special handling will continue for as long as appropriate. To assist us in this effort, please label appropriate applications to highlight their relevance to the Persian Gulf situation.■

A CHECKLIST FOR PREPARING CJ REQUESTS

More CJs than ever before. The Office of Defense Trade Controls' (DTC) encouragement of Commodity Jurisdiction submissions has apparently been well received by industry. Only 9 months into 1990, DTC has received nearly 200 CJ requests, whereas industry submitted about 220 annually in the past few years.

A framework for CJ submissions. DTC's CJ Team, Mike Van Atta and Gary Oncale, conferred telephonically with virtually all individuals submitting CJ requests during the past 6 months. Through these discussions, the CJ team developed the following outline to help industry prepare CJ transmittal letters.

Following this outline when preparing a CJ letter will ensure that all necessary information is included in each CJ submission, and in the most accessible order. We ask that you please use this outline to facilitate DTC's handling of CJ submissions.

The CJ preparation checklist. The following list indicates the information that should be included in a CJ transmittal letter.

Subject Line: Identify that the request is for a Commodity Jurisdiction and provide a clear identification of the commodity for which the CJ determination is being requested.

Transmittal Letter: The letter should provide the following information, as appropriate.

1. A complete description of the commodity (e.g. chemical compound, level or generation of technology, etc.), including product name or model number (both company and U.S. Government), company stock number, and National Stock Number (if applicable).

2. A discussion of the commodity's origin and characteristics, including: a) for whom and to what specifications/standards the product was designed and produced; b) any special design or testing characteristics of the item, such as radiation-hardening, special configuration(s) or special compositions(s) for military or space applications; c) whether the product was designed for ballistic protection; military search, rescue, surveillance, or intelligence gathering operations; weapons (hard points); or thermal or infrared signature reduction; and d) any information on coding capabilities, including an explanation of the process by which the product encrypts or decrypts (i.e., the method employed and purpose of the process).

3. A description of the relative ease or difficulty of modifying the product for either civilian or military use.

4. Information on whether the commodity loses its identity when incorporated into another component. If so, note whether the

product then becomes a spare part of the larger end-item. As a part of this, specify end-items by model number (e.g. spare part for the C-130 and/or L-100 aircraft).

5. A description of the current market (civilian/military) for the product, including the specific end-uses and end-users.

Additional Information. The applicant should also submit any additional information that they deem appropriate for the CJ determination. The following list suggests additional types of information that might be included in a CJ request.

1. If the commodity is similar to other products, explain both the similarities and dissimilarities. If possible, include technical marketing data for similar products.

2. If possible, identify and briefly explain which U.S. Government agency you believe should have jurisdiction for the product and why. In addition, provide the USML Cate-

gory Number or the ECCN Number you believe covers the product.

3. If the commodity is designed to Military Standards or Specifications, indicate if it is designed to meet all of the specifications or just some. If it is not designed to meet all of the specifications, indicate which specifications the commodity does not meet.

4. If requesting a Commodity Jurisdiction for a "class" of products, include the specific wording that delineates the class.

The final CJ packet. Since all CJ determinations are reviewed by multiple agencies, a complete CJ package should include nine complete sets of information, including nine copies of all supporting technical/marketing information. This will ensure the speediest processing of CJ requests.

The CJ team encourages everyone submitting a CJ request to contact them as necessary. Mike Van Atta and Gary Oncale are available at (703) 875-6644.■

EASTERN EUROPE DEFENSE IMPORTS POLICY

PM request for change in policy. Since the June edition, Assistant Secretary of State for Politico-Military Affairs (PM) Richard A. Clarke requested Mr. Stephen E. Higgins, Director of the Bureau of Alcohol, Tobacco, and Firearms (BATF) at the Department of the Treasury, to amend BATF policy and regulations to permit the importation into the United States of Warsaw Pact defense materiel, subject to case-by-case review by PM. Handguns, rifles, machine guns, and spare parts and ammunition for these weapons, as well as all defense imports from the Soviet Union, were excluded from this request.

The request for this change was made in an effort to balance the legitimate concerns of collectors and entrepreneurs in the United States and U.S. foreign policy interests, in light of the dramatic changes in Eastern Europe, with U.S. national security concerns. Case-by-case review will ensure proper monitoring of those instances which could be contrary to U.S. national security and foreign policy interests.

BATF's decision. BATF responded favorably to the request this summer and agreed to amend its policy to permit the importation of defense materiel from East European countries. Any questions regarding BATF procedures should be directed to Virginia Alford at (202) 789-3104.■

U.S. EASES MILITARY EXPORT PATH

Foreign Markets Sought to Boost Sagging Domestic Sales

By Charles Duelfer

The world of the 1990s is an unpredictable place. Even the wisest of political analysts were forced to go back to the drawing board after the dramatic events of the last year in Eastern Europe and the Soviet Union.

Democracy is breaking out in Eastern Europe. The Soviet Union is in political turmoil, but appears headed in a more democratic direction. Conversely, the unprecedented student uprising and subsequent downfall in Tienanmen Square, though now 1 year behind us, left the world stunned.

At home, the administration faces a serious budget deficit. Our perception of the threat is clearly changing. The defense budget is declining, reflecting that changed view of the threat and other domestic pressures on a tight budget. The bottom line: This confluence of events has resulted in what appears to be certain decline for some defense industries.

Individual companies and government agencies are looking at exports with new vigor, if not desperation, to sustain defense production capabilities. Industry wants to be profitable, and government needs a reliable industrial base. The real question is, can exports fill the gap? While there are many steps industry and government can take, expectations must remain limited.

The loosening of restrictions by the Coordination Committee on Multilateral Export Controls with respect to dual-use exports at the group's meeting in Paris, June 6-7, was an important step, in the process of redefining U.S. export controls for the 1990s. This will assist some companies with products not strictly military in nature. In addition, the State Department is working to reduce the number of items under the more stringent munitions category. The objective is to level the playing field for U.S. industry in dual-use

and munitions exports within the limits of national security.

A significant change in arms export controls is taking place. Since control of munitions exports was initiated with the passage of the Neutrality Acts in the 1930s, there has been a continuous growth in the number and type of things controlled. The trend is now reversing, and industry is obviously anxious to remove as many of the shackles as possible, and fast. But 60 years of controls over munitions cannot be dismissed without some careful consideration.

Munitions controls were established before the East-West confrontation began. The principle underlying munitions controls is worldwide concern about the effect that these exports could have on regional conflict and the balance of power. Obviously, the radical changes in Eastern Europe and the Soviet Union will diminish the requirements for some controls, but there will remain many areas of concern. The recent attempted diversion of nuclear capacitors to Iraq underscores this point. The suspension of munitions exports to China following Tienanmen Square is another.

First the good news. There is an unusual consensus among ranking officials in Defense, Commerce, and State that the government should do more to assist the U.S. defense industry overseas. Stories of foreign government intervention on behalf of their defense industries at key moments are legend.

The prevailing view is that it is time for the U.S. Government to begin to actively help our industry overseas within the limits of our foreign policy and national security concerns. Those charged with assessing the national security equation are giving more weight to the positive value of a defense export may

have on the industrial base. There is a strong inclination to expand the target available to U.S. defense exporters as much as possible.

Now for the bad news. The prospect that defense exports can fill the gap for a declining defense budget are not bright, no matter how committed we may be to promoting sales abroad. First, export sales are a very small part of the U. S. defense business. These sales have never been more than a small fraction of the business compared to the overall Defense Department procurement account.

Moreover, the reduction in defense expenditures the United States is experiencing is going on in virtually all other major industrialized countries. Foreign defense industries also will be casting an eye to exports to fill their gap, increasing the prospects for trade barriers and competition. Joint ventures and cooperative projects may be able to give U.S. industry the toehold it needs.

Defense industries in the United States have other attendant problems that exports will not address. Perhaps one of the largest is the cost of capital. Lower stock prices make it costly to raise capital in the bond market. Some companies are now selling off parts of themselves to raise capital and, hopefully, keep what remains healthy. The buyers, when there are buyers, are frequently foreign. This is not what is normally considered defense trade, although it may be an appropriate way of downsizing the defense industrial base to match reduced demand without losing core capabilities.

Against this backdrop, exports can be seen as a useful but not overwhelming possibility. Greater cooperation between government and industry is needed and such steps are being taken within the executive branch.

However, some inhibitions on promoting defense trade remain. For example, Section 515 (f) of the Arms Export Control Act states that the "President shall . . . instruct United States diplomatic and military personnel in the

United States missions abroad that they should not encourage, promote or influence the purchase by any foreign country of United States-made military equipment unless they are specifically instructed to do so by an appropriate official of the executive branch."

Nevertheless, there is a markedly new attitude in all government agencies concerning defense trade. Innovative proposals will be given favorable hearings. For our part at State Department, we will make licensing easier and use our offices overseas to assist in competitive and cooperative ventures. ♦

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Postscript

Since I wrote the above, one notable event has occurred—the Iraqi invasion of Kuwait. This underlines why munitions export controls are necessary, and necessarily global in nature. Munitions list controls are the reason U.S. troops do not confront U.S.-manufactured weapons in Iraq today.

The Iraqi invasion also highlights why a strong defense industrial base is essential for U.S. national security interests. The recent decision by President Bush to support Saudi self-defense through the sale of additional U.S. arms is evidence of this. These sales will be an important boost in an otherwise grim market and are beneficial to the U.S. production base. However, it is worth bearing in mind that they would not have been possible if the production lines were not already active.

While the sales provide obvious benefits to the defense industrial base, our objective in selling arms to Saudi Arabia is not the sale as an end in itself, but rather the net increase in Saudi self-defense capabilities that comes from the additional arms. We will support and promote such sales as best we can consistent with foreign policy and national security objectives. ■

OVERVIEW OF THE POLICY OFFICE

The Office of Defense Trade Policy (DTP) is the sister office of the Office of Defense Trade Controls (DTC) within the Center for Defense Trade. Although the work of the two offices overlaps a fair amount, DTP focuses on providing commercial defense trade policy guidance within the U.S. Government. Moreover, DTP works to support the efforts of U.S. defense industry to sell its goods and services overseas.

Various responsibilities. Responsibilities of the Policy Office include:

- Setting policy guidelines for commercial defense trade, especially in the areas of strategic trade and technology transfer.
- Seeking to help improve the competitiveness of U.S. firms in the global defense market through such actions as providing guidance to U.S. embassies in support of commercial defense exports and responding to regional developments, such as in the European Community.
- Representing the U.S. in CoCom discussions on the International Munitions List (IML).

- Representing the Bureau of Politico-Military Affairs (PM) on the Department of the Treasury-chaired Committee on Foreign Investment in the U.S. (CFIUS).

- Analyzing trends in U.S. defense trade and studying foreign markets to assess opportunities for U.S. defense firms.

- Working with relevant offices in Department of Defense (DOD) on U.S. defense industrial base issues.

- Working jointly with the Controls Office to rationalize, as appropriate, the U.S. Munitions List (USML) with CoCom's export control lists.

- Assisting the Controls Office in revising licensing procedures to reduce the licensing workload for U.S. industry while maintaining the necessary export controls.

Workload reduction test cases needed. As pointed out in the June edition of *Defense Trade News*, the Center for Defense Trade is looking for industry to supply test cases for the workload reduction initiatives. The Center will use the test cases to develop appropriate interagency procedures for the initiatives. If you would like to submit a test case, Jackie Shire is the current point of contact at (202) 647-4231.■

DEPARTMENTS

U.S. CUSTOMS AT DTC

The Positions and the People

Note: Starting with this edition, "U.S. CUSTOMS AT DTC" will be a regular department in Defense Trade News. For this issue, we have provided profiles of U.S. Customs personnel working at the Office of Defense Trade Controls (DTC).

Customs and the Center for Defense Trade. Section 127.4 of the International Traffic in Arms Regulation (ITAR) recognizes the U.S. Customs Service as the primary governmental agency responsible for enforcing the ITAR and preventing any attempts at illegal exports. The Compliance Analysis Division of the Office of Defense Trade Controls (DTC) interacts daily with members of the U.S. Customs Service. To ensure direct coordination between the licensing office (DTC) and the enforcement agency, three U.S. Customs employees work at DTC providing specialized Customs knowledge, especially regarding export procedures at the Customs Ports of Entry.

The positions. The three Customs personnel (Thomas Smith, Annette McKisson, and Michele Becker) represent the three aspects of U.S. Customs operations that interact with the export process. One position, the Special Coordinator for Law Enforcement, provides senior-level interaction on policy and procedural matters. The second position, the Operation Exodus Liaison, acts as the intermediary between DTC and Customs ports regarding detentions and seizures. The third position, a U.S. Customs Special Agent, conducts actions supporting Operation Gemini—the industry outreach program in Customs—and actions required for pending enforcement cases.

The people. To parallel our "Personnel Updates" department, we provide the following profiles of U.S. Customs personnel working in DTC.

Thomas R. Smith will report to DTC in October 1990 to fill the position of Special Coordinator for Law Enforcement. Smith, possessing a Bachelor's Degree in Criminal Justice Administration, brings with him 22 years of law enforcement experience. He began his law enforcement career in 1968 with the New York City Police Department, spending 3 years as a police officer assigned to the city-wide Anti-Crime Task Force. In 1971, Smith left local law enforcement to fill a Sky Marshall position as a U.S. Customs official in the U.S. Government Anti-Skyjacking Program. He returned to New York City in 1973 as a Special Agent investigating drug smuggling, arms export violations, money laundering, criminal fraud, and general smuggling cases. Transferring to the Customs office in Miami in 1978, Smith became Group Supervisor of the Ft. Lauderdale Office in 1981. He spent 11 years in South Florida, holding supervisory positions including Assistant Special Agent in Charge of Miami and Deputy Director of the Vice President's South Florida Task Force. Smith transferred to the U.S. Customs Strategic Division, Washington, DC, in September 1989, assigned as the Senior Agent in the Munitions Branch. He served as the U.S. Customs representative to two State Department committees, the Nuclear Export Violations Working Group and the Missile Technology Advisory Group, prior to promotion to Chief, Munitions Branch. Smith's broad background in investigations and specialized knowledge of smuggling and munitions issues should greatly enhance the already excellent cooperation between DTC and U.S. Customs.

Annette McKisson represents the Operation Exodus Program of U.S. Customs, serving as the Liaison Officer to the Office of Defense Trade Controls. She assumed this duty in 1986, following a year assignment in the Exodus Command Center. McKisson has 16 years' Customs enforcement experience, including assignments to the Office of Internal Affairs, as Special Assistant to the Assistant Commissioner for Enforcement, and in the Customs Attache Office in U.S. Embassy Paris. In her current capacity, she provides direct communication and coordination between Customs and DTC. She assists in licensing determinations, detentions and seizures, and in compliance issues relating to import/export laws that interface with the Exodus Program. McKisson deals primarily with Customs Field Offices, DTC officers, and other governmental agencies, but also works with industry, providing guidance and referral to the appropriate district office regarding detentions and seizures.

Michele T. Becker came to the DTC March 7, from the Strategic Investigation Division, Office of Enforcement, U.S. Customs, where she completed a 2-year assignment as a Munitions Desk Officer. In that capacity, she oversaw Customs investigations of both International Traffic in Arms Regulations (ITAR) and Arms Export Control Act (AECA) violations. She has 10 years' experience in the Customs enforcement arena, including 4 years in the Special Agent in Charge, Baltimore Office, and 3 years in the Office of Internal Affairs. Because of the expertise Becker developed in previous positions, she was selected as the U.S. Customs Enforcement Liaison for DTC. In this capacity, Special Agent Becker assists licensing officers in handling enforcement concerns. She acts as the investigative arm of Customs in DTC, identifying information to be sent to other Customs agents for potential investigation. Becker also deals directly with industry representing the U.S. Customs industry outreach program, Operation Gemini, answering questions and referrals regarding possible violations or questionable activities.■

COMMODITY JURISDICTION DETERMINATIONS

The following chart provides selected 1990 Commodity Jurisdiction (CJ) determinations. The commodity descriptions are intentionally general to ensure the confidentiality of all proprietary information related to these cases.

These determinations may be applied only to the specific commodity reviewed in the CJ process. If you think one of your products is similar to one of those listed as having been placed under Commerce control, please submit a CJ request letter (ITAR 120.5). See the article "A Checklist for Preparing CJ Requests" for assistance in submitting your request.

COMMODITY	JURISDICTION	COMMODITY	JURISDICTION
Application of Joule-Thomson Refrigeration Technology	State	Rangefinders, not designed to military specifications or for military use	Commerce
Civil Air Traffic Control System	Commerce	Ruggedized Computers designed and configured for military environments and application	State
Eye-visible Laser sights (under 20 milliwatts)	Commerce	Satellite receiver with built-in descrambler incorporating digital cryptographic techniques	State
Flight Line Tester	State	Semiconductors for Cable TV Satellite Descrambling	Commerce
Frequency Oscillation Scrambler	State	Software using proprietary algorithms to encrypt files	Commerce
Gearbox Housing for Military Turbine Engine	State	Software designed for MIL-STD-1750A Computers	State
Hand-held Computer (TEMPEST, encrypting and decrypting)	State	Software for design, development, and analysis of spacecraft	State
Handheld Control Display Terminal, designed and configured for military use	State	Software using Data Encryption Standard (DES) to encrypt files	State
Hyperbaric Chamber, Hypobaric Chamber, Training Centrifuge, Environmental Stress Chamber (military training equipment related to defense article)	State	STEIN Code Software Package	Commerce
Integrated Circuits, radiation hardened	State	Telephone Set and Manual Switchboard (military adverse environment operation)	State
non-radiation hardened	Commerce	Two-Dimensional (2-D) Diode Laser Arrays	Commerce
Linear Diode Laser Arrays	Commerce	Utilities Software program with DES encryption	State
Microwave Components conforming to MIL Spec	State	without DES encryption	Commerce
Non-Linear Junction Detector	Commerce	Visual Image Generator (with database, image generator, and display subsystem)	Commerce
Oxidation-Resistant Titanium-Base Alloy	Commerce		
Plasmascope and Graphic Display System, TEMPEST	State		
non-TEMPEST	Commerce		
Radiation-hardened Microelectronic Devices for commercial space application	State		
Radio (wireless) Local Area Network (LAN) with DES encryption chip	State		
without DES encryption chip	Commerce		

PERSONNEL UPDATES

More People and More Space

A busy summer of training. As training came to a close for the half-dozen new Office of Defense Trade Controls (DTC) employees who started work prior to the June newsletter, another 16 new, full-time employees joined the Center for Defense Trade. Most of this group are still in training as this edition goes to press.

Sixteen new employees. The new staff added this summer to the Controls Office includes three paralegals (Celeste Lewis, Nancy Meyer, and Eva Tyler), one compliance operations specialist (Wendy Payne), one administrative support specialist (Juanita Holsendorff), and eight licensing officers (Stacy Bernard, Dan Buzby, Calvin Chin, Sue Clark, Sue Norsworthy, Martin O'Mara, Sue Plant, and Sandi Snyder). The Policy Office also added three new officers (Linda Lum, Jackie Shire, and Marlene Urbina).

More space as well. Along with the additional employees, DTC is also adding 12 new offices to its space on the second floor of State Annex 6. The new space will provide DTC with enough room to house its new employees and will provide industry with a large reception room and ample space for meeting with DTC employees.

For late September and early October, however, the growth in floor space also brings with it much construction, changing of phone lines, moving of people, etc. We ask that you please forgive us any inconveniences you may encounter as a result.

Personnel profiles. As a regular feature in each newsletter, the Center profiles several employees. For this edition, we have selected four licensing officers and two paralegals.

Robert B. Groesbeck joined DTC June 14. Groesbeck spent the past year working in the Office of the Assistant Secretary in the Department's European Bureau, and in the Executive Office of the Bureau of Politico-Military Affairs (PM). The experience he accumulated while providing executive support for the PM Bureau formed the foundation for his DTC position, Special Projects Licensing Officer. In this capacity, Groesbeck tracks those items of special interest to DTC management. Currently, he tracks all license applications that require Congressional notification, and initiates any required action to maintain both visibility and timeliness of these specialized licenses. Groesbeck also follows up on all "special" cases assigned by the DTC licensing management team, especially cases over 30 days old and "emergency cases."

Daniel J. Buzby arrived in DTC on July 2 from private industry, where he had just completed a year as marketing and promotional manager for a products business. Following completion of his Political Science undergraduate studies in 1984, he spent the following 2 years in staff assistant positions for both a private university and a presidential campaign. Buzby successfully managed a state house seat campaign in Pennsylvania in 1988, and entered private industry in 1989. Assigned as a licensing officer in the Electronic and Combat Systems Branch of the Arms Licensing Division, he currently handles amendments, DSP-5's for spare parts up to \$500,000, DSP-61s, and DSP-73s for companies beginning in 'N' through 'Z.'

Martin J. O'Mara also arrived July 2, returning to the State Department after 4 years in sales management and executive training in the private sector. His previous 11 years in the State Department included positions in the Bureau of Administration, Bureau of European and Canadian Affairs, Office of Counter-Terrorism, and Bureau of Diplo-

matic Security. O'Mara utilizes his extensive knowledge of State Department organization and structure in his current duties as a licensing officer in the Electronics and Combat Systems Branch of the Arms Licensing Division. O'Mara is currently assigned two categories: Category IX—Military Training Equipment (Simulator Training Devices for all categories); and Category XI—Command, Control, Communication (C3) Equipment; Direction Finding Equipment; Microwave Equipment.

Celeste T. Lewis joined DTC's Compliance Analysis Division as a Paralegal Specialist on July 16. She came to DTC from the State Department's Bureau of Consular Affairs, Passport Services, after 21 years, where she most recently served 7 years as the Chief of the Diplomatic and Congressional Travel Branch. Lewis joined the State Department immediately after attending George Washington University. She is currently completing rotational training in the Compliance Analysis Division before final assignment of duties.

Nancy Meyer came to the Center July 30 as another Paralegal Specialist in the Compliance Analysis Division. She began her government service career as a Passport Examiner in the Chicago Passport Agency,

transferring to a paralegal position in the Washington, D.C. Passport Fraud Office in 1974. Most recently, Meyer served as a Consular Fraud Officer in the Bureau of Consular Affairs Office of Fraud Prevention Program. Her extensive background in case analysis and law enforcement agency coordination will transfer directly to her new duties. Meyer be given a final duty assignment after completing rotational training in the Compliance Analysis Division.

Stacy J. Bernard came to the Center September 10, and began her rotation as a Presidential Management Intern (PMI) in DTC. After completing her undergraduate work at Cornell in 1983, she held several positions in financial public relations and international private banking in New York's financial district. Bernard participated in the State Department's Summer Intern Program in 1989, serving as a political officer at the American Consulate General in Jerusalem. She completed her Master's Degree in International Relations (specializing in trade, Southwest Asia, and U.S. Diplomatic History and Foreign Policies) at The Fletcher School of Law and Diplomacy in May 1990. Bernard began her internship in the Arms Licensing Division, and will rotate throughout the Center for Defense Trade.■

TIPS AND TIDBITS

New Government of Greece Guidelines

The new Greek Alternate Minister of Defense, who is in charge of all Greek governmental military procurement, has issued the following guidelines to all foreign countries wishing to sell military equipment to Greece.

1) Any U.S. firm interested in meeting with the Alternate Minister must submit a request for such a meeting to U.S. Embassy Athens.

2) U.S. Embassy Athens must then submit a request to the military office of the Alternate Minister. The embassy's request will contain the original request of the firm to the embassy asking for a meeting with the Minister, as well as the reasons for the meeting and the names of the representatives who will attend the meeting.

3) If the request is approved by the Alternate Minister's office and the date and time of the meeting decided, then the representatives of the U.S. firm must be accompanied on all

occasions by the Commercial Attache or by another authorized official of U.S. Embassy Athens during the visit.

4) Any requests for a meeting with the Alternate Minister by representatives of any foreign firm not following the above mentioned procedure will not be considered by the Alternate Minister's office.

Customs Modifies Filing Procedures

Effective July 11, 1990, a Department of State DSP-61 or DSP-73 license no longer must be presented at the port of arrival for unclassified defense articles entered for transportation under bond to another United States port. The proper Department of State license must be presented, prior to release, at the destination port.

Previously, presentation of State Department licenses at the first port of arrival for shipments traveling in bond were required. The Office of Defense Trade Controls and U.S. Customs have agreed to the new procedural change.

The importer or their agent is now required to present the DSP-61 or DSP-73 license with the entry documents at the destination port or at the final U.S. port in the case of in-transit shipments for purposes of export.

Any questions regarding this new procedure should be directed to U.S. Customs, either Chuck Davies, (202) 566-2141, or John Rupchis, (202) 566-9464.

New Indian Requirement for Missile Cases

Before licensing the export of materiel, which could help a foreign government develop missiles of a certain size and range, the U.S. Government, under the Missile Technology Control Regime (MTCR), must obtain formal end use assurances. These

assurances must come through diplomatic channels from the government of the end-user and verify that the items will be used for stated purposes and not for prohibited purposes. This process involves an exchange of telegrams with the U.S. Embassy in that country.

According to the U.S. Embassy in New Delhi, there will be long delays in the processing of DTC cases that require the Government of India to provide MTCR assurances unless the requests cite the case number of the Indian Import Certificate (IC/DV). In some instances, that will require the U.S. applicant to have its customer in India obtain an IC/DV and send it to him so that he can forward a copy to the DTC licensing officer.

For the future, if you are planning to apply for a DSP-5 license for India for equipment covered by the MTCR Equipment Annex, you should require your Indian customer to obtain an Indian IC/DV and fax you a copy of it, which you can attach to your application. If you have such an application already pending with DTC, you should obtain a copy of the Indian IC/DV and send a copy to the attention of the DTC licensing officer handling the case, citing the DTC case number. Taking these steps will help all State Department officials involved expedite the review of your license application.

New ITAR Available from GPO

On September 1, 1990, the Office of the Federal Register, National Archives and Records Administration, published *Code of Federal Regulations, Volume 22, Parts 1 to 299, Foreign Relations*. The International Traffic in Arms Regulations (ITAR), updated to include changes up to April 1, 1990, is contained in this 5" x 8" paperbound volume, Subchapter M, Parts 120 through 130.17, pages 340 through 397. This volume is printed and offered for sale by the Superintendent of Documents, U. S. Government Printing Office (GPO), Washington, D.C.,

20402. To order, call (202) 783-3238 and ask for "CFR 22, stock number 869-011-00075-4." The cost is \$24.00, and both Master Card and Visa are accepted for telephonic orders. You may also write and include a check or money order for the purchase price.

As a service to registrants, DTC plans to reprint the applicable sections of this volume in a separate publication entitled "International Traffic in Arms Regulations." The estimated cost of the reprint will be from \$10 to \$15 each. When the individual edition is available, DTC will notify all registrants of ordering information.

Classified Information

When submitting classified information to the Office for Defense Trade Controls (DTC), we ask that you adhere to the following guidelines:

- Ensure that the level of classification is clearly marked on the cover sheet of all copies of the classified information submitted with a request.
- Do not use permanent metal fastening devices on classified documents. After staffing, all copies in excess of the required

file copy are destroyed by shredding and burning. Metal fasteners will damage equipment.

- Copies not needed for file after the staffing process may be mailed to the applicant, if requested. Mark the cover of each copy clearly for return, and include address and special mailing instructions in the marking.

Congressional Defense Trade Estimate

The Javits Report, required annually for Congressional presentation in February, contains the administration's estimate of both commercial defense and foreign military sales to foreign countries in the upcoming year. The Bureau of Politico-Military Affairs is now collecting projected sales data in preparation for the 1991 Javits Report.

Defense Trade News on ELAIN

Defense Trade News is now available electronically to subscribers of the Department of Commerce ELAIN (Electronic License Application and Information Network) system.

The ELAIN vendors are:
OCR: (301) 881-0532
Ibek: (512) 339-7700■

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