

THE WHITE HOUSE  
WASHINGTON

DECLASSIFIED  
PER E.O. 13526  
2010-1227-M(230)  
912519 KDE

December 15, 1993

PRESIDENTIAL REVIEW DIRECTIVE-41

MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF THE TREASURY  
THE SECRETARY OF DEFENSE  
THE SECRETARY OF COMMERCE  
THE SECRETARY OF ENERGY  
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET  
THE UNITED STATES TRADE REPRESENTATIVE  
CHIEF OF STAFF TO THE PRESIDENT  
THE DIRECTOR OF CENTRAL INTELLIGENCE  
THE ASSISTANT TO THE PRESIDENT FOR  
ECONOMIC POLICY  
THE CHAIRMAN, JOINT CHIEFS OF STAFF  
THE DIRECTOR, ARMS CONTROL AND DISARMAMENT AGENCY

SUBJECT: Conventional Arms Transfer Policy (U)

The PDD on nonproliferation and export controls (PDD-13) calls for a review of our policy on conventional arms transfers, taking into account national security, foreign policy, arms control, trade, budgetary and economic competitiveness considerations. Few issues bring to bear as divergent a set of policy concerns.  
(U)

On one hand, regional violence and instability in the post-Cold War world prompts us to consider unilateral or multilateral limits on conventional arms exports. The potential for U.S. military involvement in regional conflicts has also raised concerns that our forces might someday face advanced weapons previously exported from the U.S. or its allies. These concerns have stimulated interest in countermeasures. (C)

On the other hand, strengthening the ability of friendly countries to defend themselves can reduce the need for direct U.S. military support. In a world of declining defense budgets, export markets are increasingly important for our defense industry. Other countries -- including former Soviet and Warsaw Pact states -- face similar incentives to export. (C)

While conventional arms build-ups may be prompted by some of the same insecurities that have contributed to efforts to acquire non-conventional weapons, we cannot treat the conventional arms transfer issue as simply another form of proliferation. Some arms sales undercut regional stability or damage U.S. interests.

They can erode U.S. military superiority or increase the risk of U.S. casualties in regional conflict. Others help friendly countries meet legitimate security concerns and thereby play a stabilizing role. We should therefore avoid automatically extending to conventional arms transfers the stigma attached to the proliferation of weapons of mass destruction and ballistic missiles. (C)

As PDD-13 notes, we will need to integrate a very broad array of U.S. policy objectives in tackling this issue. Our policy review should address the following subjects.

I. Analytical Background

Assessments on the following subjects should be prepared.

- A. For each of the following regions, describe the potential impact of likely arms imports (including from the U.S.) on the regional military balance, the level of tension among key regional actors, and the economies of the importing states:

Middle East/Persian Gulf  
Northeast Asia  
Southeast Asia  
South Asia  
Latin America  
Eastern Europe/Former Soviet Union  
North Africa and Southern Africa

To what extent will recipients be able to assimilate advanced weapons systems and technology? To what extent does the acquisition of more advanced weapons or transfer of large quantities of arms aggravate (or alternatively, reduce) regional instability? Are potential adversaries acquiring capabilities that would erode U.S. or allied military advantages in a future conflict? (C)

- B. What pressures and objectives will influence the actions and policies of other major arms suppliers, including Russia, China, North Korea, Eastern European and former Soviet countries and our allies? How important are exports to the Russian, Chinese, and Western European defense industries? (C)
- C. What pressures and constraints will influence the policies of major arms importers? Where are the most important potential markets for arms imports? (C)
- D. What are the legal and policy mechanisms by which the leading suppliers (including the U.S.) control their own arms exports? What do we know about Russian and Chinese practices? What are the arms transfer policies of the leading exporters and how do they view negotiated restraints? (C)

- E. What multilateral regimes or arrangements currently exist to enhance transparency or promote appropriate restraint on conventional arms transfers? How effective have they been? (C)
- F. Identify specific technologies/weapons systems meriting special consideration because they provide capabilities:
- Whose transfer would erode future U.S. military dominance. (C)
  - Against which our forces will require specific countermeasures. (C)
  - Producing rapid changes in the strategic environment or regional military contexts. (C)
  - Whose transfer would erode future U.S. industrial competitiveness. (C)
  - Which if misused would cause indiscriminate civilian casualties or unnecessary suffering or which would raise other human rights issues. (C)
- G. What are the major trends in the international market for major conventional weapons systems, related technology and production capabilities, upgrades to existing systems/platforms and other arms exports? What are our best projections of demand (broken down by countries and major weapons types) over the next five to ten years? What portion of this market is currently or potentially open to the U.S.? What is the impact of the end of the Cold War? (C)
- H. How important are exports to the viability of our defense industry, including specific sectors, and to our overall national economy? Specifically, what role do exports play in making possible the down-sizing or diversification of the U.S. defense industry in the near-to-medium term? How important are they in determining the availability or price of equipment for our own armed forces and the development of new defense technology? (C)
- I. What are the recent trends in the internationalization of manufacturing and technology in the arms industry (both platform and component manufacture)? To what degree have U.S. companies been involved in such trends? To what extent are U.S. military systems dependent on components or sub-components manufactured offshore? (C)

- J. What opportunities exist for the U.S. and others to upgrade existing U.S. and foreign-supplied systems rather than supply new platforms? Can significant improvements in military capabilities be achieved? To what extent could such upgrades be accomplished with dual-use technology? (C)

## II. Policy Considerations

In developing our policy, agencies should be mindful of the need to integrate a broad range of policy objectives, including the following.

- A. Avoiding shifts in military capabilities that create opportunities for aggression or preemption or erode regional U.S. military advantages. Preventing conventional force build-up by unfriendly states; constraining potential adversary access to technology that confers significant military advantage. (C)
- B. Reducing defense expenditures of others and U.S. foreign assistance obligations; avoiding wasteful military expenditure by friends or aid recipients; helping militaries downsize and reducing undue military influence in domestic politics. (C)
- C. Avoiding harm to civilians or human rights violations. (C)
- D. Promoting responsible arms export policies by others. (C)
- E. Fostering global and regional arms control and nonproliferation efforts, particularly in regions of tension, and the peaceful resolution of conflicts. (C)
- F. Maintaining regional stability and security of our friends; maintaining regional military balances in the face of arms sales by others; reducing incentives for the acquisition of weapons of mass destruction. (C)
- G. Building or maintaining U.S. influence; demonstrating U.S. commitment to the security of friends; supporting peacekeeping operations. (C)
- H. Generating export earnings for U.S. companies; maintaining the U.S. defense industrial and R&D base; reducing the cost of our own defense procurement; ensuring that the U.S. is successful in a diversified, interdependent market for high technology and is not cut off from offshore manufacture and supply of defense-related technologies. (C)
- I. Reducing unit procurement costs for the U.S. military; reducing U.S. military force requirements by enhancing

the capabilities of friendly states; ensuring interoperability of friendly military forces. (C)

### III. Policy Options

The policy review should identify and develop for decision options for U.S. policy, including options that address the following issues.

- A. Should the U.S. pursue additional multilateral agreements, seek to expand existing regimes or undertake unilateral action to achieve a greater degree of restraint or greater coordination between regimes on conventional arms transfers? If so, what are the prospects others would take comparable action? The following options should be considered.
1. Increasing transparency
    - a. Expanding the UN registry.
    - b. Reviving the P-5 process.
    - c. U.S. post-COCOM proposal for prior notification of arms transfers.
    - d. Bilateral or multilateral diplomacy to advocate greater transparency and public accountability; U.S. public diplomacy. (C)
  2. Constraints on arms transfers
    - a. Agreements with other suppliers on qualitative or quantitative limits on transfers, e.g., efforts in the CD.
    - b. Informal agreements against supply to particular destinations (e.g., Iran, Iraq, Libya, North Korea).
    - c. Agreements in CSCE or other regional multilateral bodies on restraints, standards for transfers or transparency. (C)
  3. Cooperative efforts or international contributions to address defense conversion/defense industry downsizing, particularly in Russia and other former Soviet and Eastern European countries; collaboration to manage global overcapacity in the face of a shrinking market. (C)
  4. Voluntary regional regimes/limits on overall force limits (e.g., through the CSCE, the Madrid process or other settings); collective security arrangements, peacekeeping efforts or security commitments to reduce motivations for arms acquisition. (C)
  5. Unilateral U.S. action; restraint or moratorium on U.S. sales globally or to specified regions or types of regimes. (C)

6. U.S. efforts to promote higher standards in national export control/arms transfer regulatory systems or the adoption of "rules of the road."  
(S)
- B. To what extent should the U.S. actively promote arms exports by U.S. firms? Options:
1. Support defense requirements of friendly countries by exporting needed military articles. Actively advocate U.S. defense industry interests overseas.  
(S)
  2. Provide export credits or other USG financial assistance in support of defense exports. Specifically, defense export financing could be included in the FY 95 budget request. (S)
  3. Continue case-by-case review of export requests taking into account regional stability, U.S. national security and economic interests, but refrain from actively assisting U.S. exporters.  
(S)
  4. Encourage internationalization of U.S. and allied defense procurement where it will enhance interoperability, promote U.S. technology, ensure the continued flow of defense-relevant technology developed overseas, and lower U.S. defense procurement costs. (S)
- C. What criteria should govern U.S. arms export decisions in specific cases? Areas requiring specific policy review include:
1. Special consideration or prohibition on transfers of certain types of weapons:
    - a. Antipersonnel landmines or other weapons that cause grave damage to the civilian population.
    - b. Non-WMD strategic systems, e.g., long-range strike aircraft, submarines, aerial tankers.
    - c. Certain technologically advanced systems with implications for U.S. military advantage, e.g., stealth capabilities, night vision. (S)
    - d. In particular countries or regions, small arms and automatic weapons.
  2. What should be U.S. policy regarding transfers of equipment or technology to upgrade existing systems/platforms, particularly Soviet-designed equipment? Is it possible to control dual-use technology transfers for this purpose? Should we permit

upgrade existing systems/platforms, particularly Soviet-designed equipment? Is it possible to control dual-use technology transfers for this purpose? Should we permit cooperation or technology with arms industries in the former Soviet Union, Eastern Europe or China to produce high-performance systems based on upgrading Soviet designs? (C)

- D. Should we encourage cooperation between U.S. defense firms and the arms industry in the former Soviet Union and Eastern Europe? Are there areas for cooperation that enhance stability? (C)

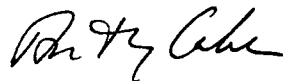
#### IV. Tasking

The NSC Senior Director for Nonproliferation and Export Control should convene an Interagency Working Group to conduct this review, task specific drafting responsibilities and set deadlines. (U)

The review should provide a basis for resolution of concrete issues currently requiring decision. It should include analysis and recommendations across the full range of options for dealing with these issues. Any differences of view between agencies should be noted. (U)

Each option presented should include an outline of an implementing strategy and a brief statement of arguments pro and con. (U)

This review is due to the NSC Executive Secretary no later than January 31, 1994. (U)



Anthony Lake  
Assistant to the President  
for National Security Affairs