

Interview

**BETH McCORMICK**

Acting Director, US DTSA

**AGENCY PROFILE**

- Mission: Create and enforce Department of Defense technology security policies on international transfers of defense-related goods, services and technologies.
- Headquarters: Alexandria, Va.
- 2008 budget: \$23.3 million
- Personnel: 252

Source: DSTA

In her dual-hatted role as head of the Defense Technology Security Administration (DTSA) and deputy undersecretary for technology security policy, Beth McCormick plays a key part in deciding who gets access to U.S. military technology or purchases American companies.

While the State Department has the final say on arms and technology exports, McCormick's office coordinates the Pentagon's verdict on licenses. In her technology policy role, she's the Defense Department's point person on the interagency Committee on Foreign Investment in the United States (CFIUS), which decides the national security implications of foreign acquisitions of U.S. companies.

While it remains unclear when the administration will formalize McCormick's appointment — she has served in an acting capacity for two years, before which she was DTSA's deputy director for one year — she has drawn high marks for her reform efforts.

**Q. Two administrations have sought U.S. export-control reform. Where are we on this process?**

**A.** There is a sense for the necessity for change, and I think it's coming from all facets. It's coming from the industry, from the administration, and from the Congress. I have colleagues in my sister agencies, particularly in the departments of State and Commerce, who really are interested in making change as well.

We are having a more open dialogue than we have had in a number of years about the necessity of our system being much more responsive to the security environment that we face today. We can't just have a system that makes blanket decisions for particular countries. We have got to drill down and have that more focused on the end users in those countries that are going to get technology.

We have also had some excellent suggestions from industry.

**Q. What are some of the suggestions?**

A. I think what industry is looking for is a system that is predictable, and obviously an element of that predictability is timeliness. Time is money and they are out there and they want to sell their defense articles and services overseas, and in fact I want them to because I want our coalition partners to benefit from good technology. They don't want to have an unlevel playing field because our process isn't timely enough.

They want to know when we are going to get them an answer. The other thing is that we just need a process that is transparent to industry, other U.S. agencies and our international partners.

**Q. For months there was an expectation that the White House would issue an export reform National Security Presidential Directive. It appears there won't be one, but new guidance. Your view?**

A. State and Commerce are heading that process and it's best they address it. We have made our inputs, and any new guidance would take into account the concerns of Congress, industry and the security needs of the nation.

**Q. Where do the tech transfer treaties with Britain and Australia stand?**

A. They have both been submitted to the Senate for ratification, but it's very clear to those of us who have been involved in the last couple of months in their development that the Senate will not take them up for ratification until we can provide them some additional details on the implementing arrangements.

**Q. How close are we?**

A. I would say the next couple of weeks or so. We are a little behind where we wanted to be. But given the complexity of the issues we are discussing and the number of organizations in our respective three governments that need to be involved, it's going pretty quickly.

**Q. Will this kind of arrangement be extended to other countries?**

A. I don't envision us doing it with other countries because we don't see many other countries supporting us on the global war on terrorism and having the kind of military relationship that we have with Britain and Australia. But are we going to try to facilitate enhanced licensing for other countries? Absolutely. We are discussing those kinds of things with the State and Commerce departments. And we already extend preferential treatment to our coalition allies in Iraq and Afghanistan by expediting export licenses within 48 hours.

**Q. How good is the interagency review process for proposed foreign purchases of U.S. companies?**

**A.** CFIUS is working well. We all collectively changed the way we approach the consideration of transactions post the Dubai Ports World case.

I recognized that we needed to have greater visibility on these transactions by senior DoD management, so I have put in place a variety of procedures, including sending up weekly memos. We have put in place a standing DoD steering group where I have got all the key organizations that decide on these transactions: the acquisition, technology and logistics office; networks and information integration; the undersecretary for intelligence; and then the general counsel office.

What actually is national security and how is that defined raises different issues, depending on the transaction. We have got in place, I think, a well-honed process that is very effective. Within the committee, when we say, “We believe this transaction raises national security concerns,” people listen. I think that that is because we don’t raise them for every transaction.

As the number of transactions grow, we have to be careful that we don’t get hung up and get too transaction-based and we don’t look at some of the broader issues such as, is a particular country targeting a particular part of our defense industrial base?

**Q. Do you expect to see more foreign investment by overseas firms?**

**A.** Certain countries are going to have an approach which is not going to be outright acquisition, but is going to be much more focused on equity. They are very clever; it’s done under percentages in terms of “they are going to own less than 20 percent of the stock of this company, and, oh, by the way, they only get one member of the board of directors and they don’t have a lot of voting rights.” Then the question is, “Do we care?” So I think we are going to have some very interesting issues within the committee about the thresholds of foreign control.

**Q. What of the new French president’s promise to try to lift the EU arms embargo on China?**

**A.** It kind of fell off the radar a couple years ago. I’ve started a dialogue with my counterparts in the French Ministry of Defense. When you look at the countries from which China might acquire advanced technology, the French, ourselves and the Israelis tend to be the best places to get it.

So far, the French have been open about talking about the decision-making process for selling things to China. You have to talk to them about how China goes about acquiring military technology. We had some pretty open discussions. We’re ready to talk to other European countries about the implications and how the Chinese were going to take and use the technology. I don’t know what the French will do. It’s on my agenda to go back to Paris this year for more discussions.

**Q. Is Israel doing enough to halt improper tech transfers to China?**

**A.** The Israelis did the best thing by creating a director for defense export control that is separate from the part of the Ministry of Defense that's out there doing sales. You can't have the same people trying to sell who are approving the licenses, because they're not going to say no. And that needed to change; it was like the fox guarding the henhouse.

The Israeli industry must sell about three-fourths of what they make to remain viable — it's hard for them to be choosy. Our dialogue with them has been about how they can be a more choosy seller. The Israelis have passed all the necessary legislation to make export controls part of their permanent law. They've updated their munitions list and their dual-use list. We have an open and honest discussion about China, and I think they've put in a system where there aren't improper transfers.

**Q. U.S. companies competing for India's fighter contract worry Pentagon limitations on tech transfers could keep them from winning. Where is the line between working with a strategic partner and safeguarding U.S. technologies?**

**A.** We've had to look at India more closely because we don't have a long record of working with India, since we're just now getting back to knowing each other. We have to go into these kinds of activities understanding that they have a certain expectation relating to the sharing of technology. They want to advance what they are able to do. We've done the kind of analysis we normally do on a country's ability to protect what we provide them. We are having a candid discussion with them that when we share advanced technology, we expect it to be protected. We aren't asking them to do anything that we aren't asking others to do.

**Q. Will the U.S. bids be competitive, given India's broad demands?**

**A.** They are going to have to look at three factors. The first is capability — what are they asking for and who's going to be able to address that? And I think we have that one locked, hands down, on the fighter competition.

Second, this technology transfer issue. They want the sun, moon and stars; we will probably give them a few constellations. We probably won't give them everything, but I'm not sure everyone else will either. I think it's important they think about how much of that technology they will be able to absorb and use in their facilities.

The final factor is cost. Their RfP actually speaks to a concept of life-cycle costs, and having a capability that needs to be maintained for the long run is significant. We collectively have been good at this in the United States. I can tell you there's no mention of life-cycle costs when they buy Russian equipment.

By John T. Bennett and Vago Muradian.  
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