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THE WHITE HOUSE  
WASHINGTON

21409

February 10, 1995

PRESIDENTIAL DECISION DIRECTIVE/NSC-34

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 REPRESENTATIVE OF THE UNITED STATES  
TO THE UNITED NATIONS  
THE CHIEF OF STAFF TO THE PRESIDENT  
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY  
THE CHAIRMAN, JOINT CHIEFS OF STAFF  
THE DIRECTOR, ARMS CONTROL AND DISARMAMENT AGENCY  
THE ASSISTANT TO THE PRESIDENT FOR SCIENCE AND  
TECHNOLOGY

SUBJECT: U.S. Policy on Conventional Arms Transfer (U)

Conventional weapons, particularly advanced ones, can be expected to play a decisive role in future conflicts, and global conventional arms transfer patterns will, therefore, have significant implications for U.S. national security and foreign policy interests. Given that America possesses the most advanced weapons technology and holds the single largest share of the world arms market, our conventional arms transfer policy will play a very important role in determining the nature of these global patterns. (S)

In an insecure world, conventional weapons are legitimate instruments for self-defense and broader state policy. Not all states can produce the full range of defense equipment necessary for their legitimate defense needs. Therefore, trade in conventional weapons is inevitable. However, conventional weapons can do enormous harm in the hands of hostile states and

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can create or exacerbate tensions in international relationships. Their production, purchase, and maintenance are a serious economic burden in many countries as well. Therefore, trade in conventional weapons cannot be left solely to market forces; regulation and restraint of the conventional arms trade are appropriate and necessary. (S)

The United States transfers conventional arms to support U.S. national security and foreign policy goals, including helping friends and allies deter aggression, promoting regional security goals, and gaining interoperability with friendly forces. Arms sales also contribute to maintaining the U.S. defense industrial base. Because the United States is not the only producer of conventional weapons, ensuring that arms transfer patterns leave its friends adequately armed while restraining the capabilities of its enemies requires the United States to seek multilateral support for restraints on arms sales to hostile states and on sales of especially dangerous weapons and sensitive technologies. Conventional arms transfer policy, therefore, has the dual purpose of guiding decision-making on the sale of U.S. weapons and of designing the goals of multilateral approaches. U.S. policy toward conventional arms transfers should be consistent with, and complement, the Presidential Directive/NSC-13 Document on nonproliferation and export control policy. (S)

The intentions of arms exporters are at least as difficult to assess as their capabilities. Although international support exists for greater transparency and perhaps some regional restraints in arms transfers, economic considerations can be expected to play an increasingly important role in the decision making process of exporters. Governments may not be willing to undertake arms restraint measures if they perceive that such measures will conflict with their economic need to retain or expand market share and support a level of domestic defense production capability that they deem necessary for security. This conflict of interests is particularly acute with respect to the most advanced and costly weapon systems. (S)

Since the demise of the Soviet Union and the spike of sales following the Gulf War, arms trade has declined dramatically, with the market now dominated primarily by recipients friendly to the U.S. and generally prosperous enough to afford their purchases. The principal challenges for arms transfer policy do not arise from the overall market structure, but from transfers to a few pariah states and a handful of areas of regional

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instability that are difficult to stabilize in the context of a global regime. These challenges are amplified by global defense production overcapacity, which generates strong economic pressures to export arms to these states and areas. (S)

This regionally-based set of challenges combined with the end of global bipolarism means that U.S. conventional arms transfer policy must be largely regional in focus, aimed at advancing specific U.S. security interests. The likely endurance of a small number of major suppliers and the increasingly stiff competition for sales in a shrinking market also mean that efforts to limit transfers to pariah states or regions of concern must be multilateral if they are to be effective. (S)

#### Goals of U.S. Conventional Arms Transfer Policy

U.S. conventional arms transfer policy will serve five goals:

- Ensuring that our military forces can continue to enjoy technological advantages over potential adversaries.
- Helping allies and friends deter or defend themselves against aggression while promoting interoperability with U.S. forces when combined operations are required.
- Preserving regional balances of military forces in areas critical to U.S. interests, especially Central Europe, the Persian Gulf, and Northeast Asia while preventing the proliferation of weapons of mass destruction.
- Promoting peaceful conflict resolution and arms control, supporting regional stability, avoiding human rights violations, and promoting other U.S. foreign policy objectives such as the expansion of democracy.
- Supporting the ability of the U.S. defense industrial base to meet U.S. defense requirements and maintain long-term military technological superiority at lower costs. (S)

#### Arms Control and Arms Transfer Restraint

Arms control measures, on both the demand and supply sides, are an essential part of any conventional arms transfer policy. A major goal for U.S. conventional arms transfer policy will be to increase the transparency of arms transfers. Transparency can

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induce greater responsibility in arms transfers, and may be a first step to more formal and farther reaching restraint measures. By increasing participating states' knowledge of each others' transfer policies, transparency can help build confidence regarding a state's military programs. (C)

The UN Register of Conventional Arms is a useful vehicle for building an international norm on transparency. The U.S. will use its diplomacy to encourage increased participation in and expansion of the Register. Additionally, the U.S. will support regional initiatives aimed at transparency such as those being examined by the OAS and ASEAN. Moreover, the U.S. will continue to adhere to existing principles regarding the sale of conventional weapons (e.g., the P-5 London guidelines and the CSCE "Principles Governing Conventional Arms Transfers"), work to ensure adherence of other participants, and encourage others to adopt similar principles. (C)

The U.S. will use the negotiation of the COCOM successor regime as a way to advance transparency in transfers of conventional arms and related technology, establish serious international controls, and promote restraint. The overall goal will be to promote peace and stability through a regional approach to security. For regions where conflict could arise, steps will be taken to exchange information on arms and related dual-use exports, and to enhance transparency. This could include regular meetings, denial notification, the exchange of aggregate information on transfers and, for major weapons systems and sensitive technology, notification of individual transfers. In addition, a key objective is to stem the flow of arms to dangerous states -- Iran, Iraq, North Korea, and Libya -- and to retard development of their military-industrial complexes by also limiting access to sensitive dual-use technologies. The large conventional arms holdings of Russia and other newly independent states present special risks. In our proposal for this regime, we seek agreement from members of the new regime (which could include Russia and Eastern European as well as the 23 current COCOM and cooperating state partners) to refrain from arms exports to dangerous states and to exchanges of information on arms and related dual-use exports to regions of concern. (C)

Given the potential for instability in other areas significant to U.S. interests and the role that arms transfers can play in exacerbating instability, even a successful adoption of a COCOM successor regime will not be sufficient to address U.S. interest

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in fostering multilateral restraint. The U.S. will continue to look for opportunities to develop and pursue: 1) other multilateral restraint measures that could be negotiated to limit arms transfers by weapon type/capability to certain regions, and 2) measures that could be negotiated to foster demand restraint in selected regions. The regions and capabilities to be considered should focus on achieving U.S. regional security goals such as redressing destabilizing imbalances, promoting the nonproliferation of weapons of mass destruction, and supporting democratic institutions and market reforms. Proposals should complement the steps taken in the COCOM successor negotiations. (S)

Additionally, the U.S. should pursue, on a case-by-case informal basis within an inner circle of close allies, a strategy of linking increased arms and technology cooperation, and market access, to greater cooperation in restraining conventional arms transfers to countries outside the circle. This strategy will be implemented on an informal, case-by-case basis with our closest allies (e.g., France, the UK and Germany), in a manner analogous to the informal Four Power process in NATO. (S)

Specific proposals for Inner Circle cooperation will be developed based on countries and candidate technologies identified by the Department of Defense, with full interagency coordination by the Interagency Working Group on Nonproliferation and Export Controls. Decisions on individual transfers and production arrangements will be made in accordance with the relevant statutory authorities and procedures governing arms and dual-use exports. (S)

On the demand side, the U.S. will continue to support ongoing regional arms control and confidence building efforts. These efforts bolster stability in a variety of ways and thereby decrease the demand for arms transfers. The U.S. will continue efforts already underway in the Middle East (the Arms Control and Regional Security talks) and Europe (the Conference On Security and Cooperation in Europe). (S)

Given the multiplicity of suppliers and legitimate U.S. interests served by some transfers, the U.S. should avoid policies of unilateral restraint except in certain narrow areas. Unilateral restraint should be considered on a case-by-case basis and limited to the following conditions:

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-- Cases where the U.S. has a very substantial lead on a weapon technology.

-- Cases of pariah states.

-- Cases where the transfer of weapons raises human rights issues or indiscriminate casualties are an issue, such as anti-personnel landmines.

-- Cases where the U.S. has no fielded countermeasures.

-- Defense technologies and systems whose export the U.S. restricts to preserve its military edge or regional stability.  
(C)

Policies of unilateral restraint beyond those laid out above are of limited use when there are other suppliers that are capable of and willing to fill market demand. (C)

#### Defense Conversion, Cooperation and Export Control Assistance

The global shrinkage in domestic defense budgets and the corresponding overcapacity in the global defense industry has heightened international arms export competition. U.S. policy must support effective means to reduce these supply-side pressures in the global arms market. The difficulties of the transition to market economies, and the limited export potential of non-arms industries, magnify arms export pressures in the nations of the former Soviet Union and Eastern Europe. For these reasons, the U.S. should continue to provide assistance for defense conversion in both the newly independent states and Central and Eastern Europe. The U.S. will also explore other cooperative means to encourage Russia, and as conditions may permit China, to conduct responsible arms exports. (C)

Many small and emerging suppliers lack the administrative structure to regulate arms sales effectively. Carefully targeted export control assistance can help to remedy this problem as well as support efforts to promote sound export policies in these states. Such assistance shall be a high priority element of policies to encourage the adoption and implementation of responsible arms transfer policies among arms supplying nations. Agencies will review FY 1995 and FY 1996 export control assistance programs and coordinate funding proposals for future programs for inclusion in the President's FY 1997 budget. (C)

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Limited armaments cooperation with states in Central and Eastern Europe can help build strong defense relationships, and enhance interoperability with friendly forces. Limited cooperation in Central and Eastern Europe should be extended to democratic, industrialized states possessing effective export controls which adopt responsible arms transfer policies and in which we have a strategic interest. Arms transfers and armaments cooperation should be limited to defensive weapons initially, understanding that this criterion may have to be relaxed as the NATO Partnership for Peace expands and in the event that some of these nations move toward NATO membership. This cooperation should reflect the national security consideration established in PRD-36 and should in no way create concerns about compliance with the treaty on Conventional Forces in Europe (CFE). (C)

#### U.S. Government Support for American Arms Exports

The U.S. government should provide support for U.S. defense exports, where consistent with overall arms transfer policies and legal requirements. Active participation by the U.S. government in supporting or promoting U.S. arms sales can support U.S. national security, defense industrial, or regional interests. Support for U.S. defense exports includes:

- Tasking U.S. mission personnel to support the overseas marketing efforts of American companies bidding on defense contracts.

- Supporting official DOD participation in international air and trade exhibitions when the Secretary of Defense, in accordance with existing law, determines such participation to be in the national security interest and notifies Congress.

- Actively involving senior government officials in promoting arms sales of particular importance to the U.S. (C)

This policy balances the benefits of transfers -- the fact that sales strengthen our security relations with recipients, provide significant earnings for U.S. industry, and in some instances, may help keep critical parts of the U.S. defense industrial base viable -- against the costs -- the possibility that official U.S. promotion could undercut the credibility of our efforts to foster regional arms control and arms transfer restraint. This latter

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concern is particularly valid since U.S. market share has risen dramatically in the last five years. (S)

Measures taken to promote or control U.S. sales should be applied equally to government-to-government (FMS) and direct commercial sales. The Administration will seek legislation to repeal the statutory requirement to recoup nonrecurring costs on government-to-government sales and to align the retransfer restrictions applied to government-to-government sales with those now applicable to commercial sales. (S)

This review has identified no further measures necessary at this time to support U.S. arms exports. Should market conditions or other relevant circumstances change, however, other measures may be considered. (S)

#### Decision Making on U.S. Arms Exports: Criteria and Process

Given the complexities of arms transfer decisions and the multiplicity of U.S. interests involved in each arms transfer decision, decisions will continue to be made on a case-by-case basis. This case-by-case review will be guided by the general criteria below:

- Consistency with international agreements and arms control initiatives.
- Appropriateness of the transfer in responding to legitimate U.S. and recipient security needs.
- Consistency with U.S. regional stability interests, especially when considering transfers involving power projection capability or introduction of a system which may foster increased tension or contribute to an arms race.
- The degree to which the transfer supports U.S. strategic and foreign policy interests through increased access and influence, allied burdensharing, and interoperability.
- The impact of the proposed transfer on U.S. capabilities and technological advantage, particularly in protecting sensitive software and hardware design, development, manufacturing, and integration knowledge.

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- The impact on U.S. industry and the defense industrial base whether the sale is approved or not.
- The degree of protection afforded sensitive technology and potential for unauthorized third-party transfer, as well as in-country diversion to unauthorized uses.
- The risk of revealing system vulnerabilities and adversely impacting U.S. operational capabilities in the event of compromise.
- The risk of adverse economic, political or social impact within the recipient nation and the degree to which security needs can be addressed by other means.
- The human rights, terrorism and proliferation record of the recipient and the potential for misuse of the export in question.
- The availability of comparable systems from foreign suppliers.
- The ability of the recipient effectively to field, support, and appropriately employ the requested system in accordance with its intended end-use. (C)

Upgrades of equipment -- particularly that of former Soviet-bloc manufacture -- is a growing segment of the market. The U.S. government should support U.S. firms' participation in that market segment to the extent consistent with our own national security and foreign policy interests. In addition to the above general criteria, the following guidelines should govern U.S. treatment of upgrades:

- Upgrade programs must be well-defined to be considered for approval.
- Upgrades should be consistent with general conventional arms transfer criteria outlined above.
- There will be a presumption of denial of exports to upgrade program that lead to a capability beyond that which the U.S. would be willing to export directly.
- Careful review of the total scope of proposed upgrade programs is necessary to ensure that U.S. licensing decisions are

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consistent with U.S. policy on transfers of equivalent new systems.

-- U.S. contributions to upgrade programs initiated by foreign prime contractors should be evaluated against the same standard.

-- Protection of U.S. technologies must be ensured because of the inherent risk of technology transfer in the integration efforts that typically accompany an upgrade project.

-- Upgrades will be subject to standard USG written end use and retransfer assurances by both the integrator and final end user, with strong and specific sanctions in place for those who violate these conditions.

-- Benchmarks should be established for upgrades of specific types of systems. (S)

For certain types of systems and levels of technology for particular categories of recipients, benchmarks will be developed to supplement general criteria. Benchmarks translate general criteria into specific guidelines for consideration of specific types of arms transfer proposals. Benchmarks do not substitute for case-by-case review and decision making, but rather provide a policy baseline against which individual arms transfer proposals can be assessed and proposed departures from the policy must be justified. (S)

#### Policy Implementation

The Non-Proliferation and Export Controls Interagency Working Group, chaired by the NSC, is assigned responsibility to provide interagency coordination for implementation of the conventional arms transfers policies set forth in this Presidential Decision Directive and to provide a forum for the discussion of other conventional arms transfer issues. The activities of this IWG shall not in any way derogate from exercise of statutory authorities relating to arms export decisions and procedures. (S)

The NSC will prepare a public statement highlighting the salient features of this policy. (U)

*William P. Clinton*

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