Calendar No. 586

111TH CONGRESS 2D SESSION S. 3581

[Report No. 111-302]

To implement certain defense trade treaties.

IN THE SENATE OF THE UNITED STATES

July 14, 2010

Mr. Lugar (for himself, Mr. McCain, Mr. Kyl, and Mr. Webb) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

SEPTEMBER 23, 2010

Reported by Mr. Kerry, with an amendment and an amendment to the title [Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To implement certain defense trade treaties.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "Defense Trade Treaty
- 5 Implementation Act of 2010".

SEC. 2. EXEMPTION FROM REQUIREMENTS FOR BILATERAL 2 AGREEMENTS. 3 Section 38(j)(1) of the Arms Export Control Act (22) 4 U.S.C. 2778(j)(1)) is amended— 5 (1) in the subparagraph heading for subpara-6 graph (B), by inserting "FOR CANADA" after "Ex-7 CEPTION"; and 8 (2) by adding at the end the following new sub-9 paragraph: "(C) EXCEPTION FOR DEFENSE TRADE 10 11 COOPERATION TREATIES.—The requirement to 12 conclude a bilateral agreement in accordance 13 with subparagraph (A) shall not apply with re-14 spect to an exemption from the licensing re-15 quirements of this Act for the export of defense 16 items to give effect to any of the following de-17 fense trade cooperation treaties, provided that 18 the treaty has entered into force pursuant to 19 Article H. Section 2, clause 2 of the Constitution of the United States: 20 21 "(i) The Treaty Between the Govern-22 ment of the United States of America and 23 the Government of the United Kingdom of 24 Great Britain and Northern Ireland Concerning Defense Trade Cooperation, done 25

at Washington and London June 21 and

26

1 26, 2007 (and any implementing arrange-2 ment thereto). 3 "(ii) The Treaty Between the Govern-4 ment of the United States of America and 5 the Government of Australia Concerning 6 Defense Trade Cooperation, done at Syd-7 ney September 23, 2007 (and any imple-8 menting arrangement thereto).".

9 SEC. 3. ENFORCEMENT.

- 10 (a) CRIMINAL VIOLATIONS.—Section 38(c) of such
 11 Act is amended by striking "this section or section 39,
 12 or any rule or regulation issued under either section" and
 13 inserting "this section, section 39, a treaty referred to in
 14 subsection (j)(1)(C), or any rule or regulation issued
 15 under this section or section 39, including any rule or reg16 ulation issued under this section to implement or enforce
 17 a treaty referred to in subsection (j)(1)(C) or an imple18 menting arrangement pursuant to such treaty".
- (b) Enforcement Powers of President.—Sec20 tion 38(e) of such Act is amended by striking "defense
 21 services," and inserting "defense services, including de22 fense articles and defense services exported or imported
 23 pursuant to a treaty referred to in subsection (j)(1)(C),".
- 24 (e) Notification Regarding Exemptions From 25 Licensing Requirements.—Section 38(f) of such Act

- 1 is amended by adding at the end the following new para-
- 2 graph:
- 3 "(4) Paragraph (2) shall not apply with respect to
- 4 an exemption under subsection (j)(1)(A) to give effect to
- 5 a treaty referred to in subsection (j)(1)(C) (and any imple-
- 6 menting arrangements to such treaty), provided that the
- 7 President promulgates regulations to implement and en-
- 8 force such treaty under this section and section 39.".
- 9 SEC. 4. CONGRESSIONAL NOTIFICATION.
- 10 (a) Eligibility for Defense Articles or De-
- 11 FENSE ARTICLES.—Section 3(d)(3)(A) of such Act (22)
- 12 U.S.C. 2753(d)(3)(A)) is amended by inserting after "ap-
- 13 proved under section 38 of this Act" the following: "or
- 14 has been exempted from the licensing requirements of this
- 15 Act pursuant to section 38(j) of this Act".
- 16 (b) Presidential Certifications.—
- 17 (1) EXPORT LICENSES.—Section 36(e) of such
- 18 Act (22 U.S.C. 2776(e)) is amended by adding at
- 19 the end the following new paragraph:
- 20 "(6) An export pursuant to a treaty referred to in
- 21 section 38(j)(1)(C) of this Act to which the provisions of
- 22 paragraph (1) would apply absent an exemption granted
- 23 under section 38(j)(1) of this Act shall not take place until
- 24 15 days after the President has submitted a certification
- 25 with respect to such export in a similar manner, and con-

- 1 taining comparable information, as required under para-
- 2 graph (1).".
- 3 (2) Commercial technical assistance or
- 4 MANUFACTURING LICENSING AGREEMENTS.—Sec-
- 5 tion 36(d) of such Act (22 U.S.C. 2776(d)) is
- 6 amended by adding at the end the following new
- 7 paragraph:
- 8 "(6) An export pursuant to a treaty referred to in
- 9 section 38(j)(1)(C) of this Act to which the provisions of
- 10 paragraph (1) would apply absent an exemption granted
- 11 under section 38(j)(1) of this Act shall not take place until
- 12 45 days after the President has submitted a certification
- 13 with respect to such export in a similar manner, and con-
- 14 taining comparable information, as required under para-
- 15 graph (1).".
- 16 SEC. 5. IMPLEMENTING REGULATIONS.
- 17 The President is authorized to issue regulations pur-
- 18 suant to the Arms Export Control Act (22 U.S.C. 2751
- 19 et seq.) to implement and enforce the Treaty Between the
- 20 Government of the United States of America and the Gov-
- 21 ernment of the United Kingdom of Great Britain and
- 22 Northern Ireland Concerning Defense Trade Cooperation,
- 23 done at Washington and London June 21 and 26, 2007
- 24 (and any implementing arrangement thereto), and the
- 25 Treaty Between the Government of the United States of

- 1 America and the Government of Australia Concerning De-
- 2 fense Trade Cooperation, done at Sydney September 23,
- 3 2007 (and any implementing arrangement thereto), con-
- 4 sistent with other applicable provisions of the Arms Ex-
- 5 port Control Act, as amended by this Act, and with the
- 6 terms of any resolution of advice and consent adopted by
- 7 the Senate with respect to either treaty.

8 SEC. 6. RULE OF CONSTRUCTION.

- 9 Nothing in this Act, or in the Treaty Between the
- 10 Government of the United States of America and the Gov-
- 11 ernment of the United Kingdom of Great Britain and
- 12 Northern Ireland Concerning Defense Trade Cooperation,
- 13 done at Washington and London on June 21 and 26, 2007
- 14 (and any implementing arrangement thereto), or in the
- 15 Treaty Between the Government of the United States of
- 16 America and the Government of Australia Concerning De-
- 17 fense Trade Cooperation, done at Sydney, September 23,
- 18 2007 (and any implementing arrangement thereto), or in
- 19 any regulation issued to implement either treaty, shall be
- 20 construed to modify or supersede any provision of law or
- 21 regulation other than the Arms Export Control Act (22)
- 22 U.S.C. 2751 et seq.), as amended by this Act, and regula-
- 23 tions issued pursuant to such Act.

1 SECTION 1. SHORT TITLE.

2	This Act may be cited as the "Defense Trade Coopera-
3	tion Treaties Implementation Act of 2010".
4	SEC. 2. EXEMPTIONS FROM REQUIREMENTS.
5	(a) Retransfer Requirements.—Section 3(b) of
6	the Arms Export Control Act (22 U.S.C. 2753(b)) is amend-
7	ed by inserting "a treaty referred to in section
8	38(j)(1)(C)(i) of this Act permits such transfer without
9	prior consent of the President, or if" after "if".
10	(b) Bilateral Agreement Requirements.—Sec-
11	tion 38(j)(1) of such Act (22 U.S.C. 2778(j)(1)) is amend-
12	ed—
13	(1) in the subparagraph heading for subpara-
14	graph (B), by inserting "FOR CANADA" after "EXCEP-
15	TION"; and
16	(2) by adding at the end the following new sub-
17	paragraph:
18	"(C) Exception for defense trade co-
19	OPERATION TREATIES.—
20	"(i) In general.—The requirement to
21	conclude a bilateral agreement in accord-
22	ance with subparagraph (A) shall not apply
23	with respect to an exemption from the li-
24	censing requirements of this Act for the ex-
25	port of defense items to give effect to any of
26	the following defense trade cooperation trea-

1	ties, provided that the treaty has entered
2	into force pursuant to article II, section 2,
3	clause 2 of the Constitution of the United
4	States:
5	"(I) The Treaty Between the Gov-
6	ernment of the United States of Amer-
7	ica and the Government of the United
8	Kingdom of Great Britain and North-
9	ern Ireland Concerning Defense Trade
10	Cooperation, done at Washington and
11	London on June 21 and 26, 2007 (and
12	any implementing arrangement there-
13	to).
14	"(II) The Treaty Between the
15	Government of the United States of
16	America and the Government of Aus-
17	tralia Concerning Defense Trade Co-
18	operation, done at Sydney September
19	5, 2007 (and any implementing ar-
20	rangement thereto).
21	"(ii) Limitation of scope.—The
22	United States shall exempt from the scope of
23	a treaty referred to in clause (i)—
24	"(I) complete rocket systems (in-
25	cluding ballistic missile systems, space

1	launch vehicles, and sounding rockets)
2	or complete unmanned aerial vehicle
3	systems (including cruise missile sys-
4	tems, target drones, and reconnaissance
5	drones) capable of delivering at least a
6	500 kilogram payload to a range of
7	300 kilometers, and associated produc-
8	tion facilities, software, or technology
9	for these systems, as defined in the
10	Missile Technology Control Regime
11	Annex Category I, Item 1;
12	"(II) individual rocket stages, re-
13	entry vehicles and equipment, solid or
14	liquid propellant motors or engines,
15	guidance sets, thrust vector control sys-
16	tems, and associated production facili-
17	ties, software, and technology, as de-
18	fined in the Missile Technology Control
19	Regime Annex Category I, Item 2;
20	"(III) defense articles and defense
21	services listed in the Missile Tech-
22	nology Control Regime Annex Category
23	II that are for use in rocket systems, as
24	that term is used in such Annex, in-

1	cluding associated production facilities,
2	$software,\ or\ technology;$
3	"(IV) toxicological agents, biologi-
4	cal agents, and associated equipment,
5	as listed in the United States Muni-
6	tions List (part 121.1 of chapter I of
7	title 22, Code of Federal Regulations),
8	Category XIV, subcategories (a), (b),
9	(f)(1), (i), (j) as it pertains to (f)(1),
10	(1) as it pertains to (f)(1), and (m) as
11	it pertains to all of the subcategories
12	cited in this paragraph;
13	"(V) defense articles and defense
14	services specific to the design and test-
15	ing of nuclear weapons which are con-
16	trolled under United States Munitions
17	List Category XVI(a) and (b), along
18	with associated defense articles in Cat-
19	egory XVI(d) and technology in Cat-
20	$egory\ XVI(e);$
21	"(VI) with regard to the treaty
22	cited in clause (i)(I), defense articles
23	and defense services that the United
24	States controls under the United States
25	Munitions List that are not controlled

1 by the United Kingdom, as defined in 2 the United Kingdom Military List or 3 Annex 4 to the United Kingdom Dual 4 Use List, or any successor lists thereto; 5 and 6 "(VII) with regard to the treaty 7 cited in clause (i)(II), defense articles 8 for which Australian laws, regulations, 9 or other commitments would prevent 10 Australia from enforcing the control 11 measures specified in such treaty.".

12 SEC. 3. ENFORCEMENT.

- (a) CRIMINAL VIOLATIONS.—Section 38(c) of such Act

 (22 U.S.C. 2778(c)) is amended by striking "this section

 or section 39, or any rule or regulation issued under either

 section" and inserting "this section, section 39, a treaty re
 ferred to in subsection (j)(1)(C)(i), or any rule or regulation

 issued under this section or section 39, including any rule

 or regulation issued to implement or enforce a treaty re
 ferred to in subsection (j)(1)(C)(i) or an implementing ar
 rangement pursuant to such treaty".
- 22 (b) Enforcement Powers of President.—Section 23 38(e) of such Act (22 U.S.C. 2278(e)) is amended by strik-24 ing "defense services," and inserting "defense services, in-25 cluding defense articles and defense services exported or im-

- 1 ported pursuant to a treaty referred to in subsection
- 2 (j)(1)(C)(i),".
- 3 (c) Notification Regarding Exemptions From Li-
- 4 CENSING REQUIREMENTS.—Section 38(f) of such Act (22
- 5 U.S.C. 2778(f)) is amended by adding at the end the fol-
- 6 lowing new paragraph:
- 7 "(4) Paragraph (2) shall not apply with respect
- 8 to an exemption under subsection (j)(1) to give effect
- 9 to a treaty referred to in subsection (j)(1)(C)(i) (and
- any implementing arrangements to such treaty), pro-
- 11 vided that the President promulgates regulations to
- implement and enforce such treaty under this section
- and section 39.".
- 14 (d) Incentive Payments.—Section 39A(a) of such
- 15 Act (22 U.S.C. 2779a(a)) is amended by inserting "or ex-
- 16 ported pursuant to a treaty referred to in section
- 17 38(j)(1)(C)(i) of this Act" after "under this Act".
- 18 SEC. 4. CONGRESSIONAL NOTIFICATION.
- 19 (a) RETRANSFERS AND REEXPORTS.—Section
- 20 3(d)(3)(A) of such Act (22 U.S.C. 2753(d)(3)(A)) is amend-
- 21 ed by inserting "or has been exempted from the licensing
- 22 requirements of this Act pursuant to a treaty referred to
- 23 in section 38(j)(1)(C)(i) of this Act where such treaty does
- 24 not authorize the transfer without prior United States Gov-

1 ernment approval" after "approved under section 38 of this 2 *Act*". 3 (b) DISCRIMINATION.—Section 5(c) of such Act (22) $U.S.C.\ 2755(c)$) is amended by inserting "or any import or export under a treaty referred to in section 38(i)(1)(C)(i)of this Act" after "under this Act". 7 (c) Annual Estimate of Sales.—Section 25(a) of such Act (22 U.S.C. 2765(a)) is amended— 9 (1) in paragraph (1), by inserting ", as well as 10 exports pursuant to a treaty referred to in section 11 38(j)(1)(C)(i) of this Act," after "commercial exports 12 under this Act"; and 13 (2) in paragraph (2), by inserting ", as well as 14 exports pursuant to a treaty referred to in section 38(j)(1)(C)(i) of this Act," after "commercial ex-15 16 ports". 17 (d) Presidential Certifications.— 18 (1) Exports.—Section 36(c) of such Act (22) 19 $U.S.C.\ 2776(c)$) is amended by adding at the end the 20 following new paragraph: 21 "(6) The President shall notify the Speaker of 22 the House of Representatives and the Chairman of the 23 Committee on Foreign Relations of the Senate at least 24 15 days prior to an export pursuant to a treaty re-25 ferred to in section 38(i)(1)(C)(i) of this Act to which

- the provisions of paragraph (1) of this subsection would apply absent an exemption granted under section 38(j)(1) of this Act, for which purpose such notification shall contain information comparable to that specified in paragraph (1) of this subsection."
 - (2) Commercial technical assistance or Manufacturing licensing agreements.—Section 36(d) of such Act (22 U.S.C. 2776(d)) is amended by adding at the end the following new paragraph:
 - "(6) The President shall notify the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate at least 15 days prior to an export pursuant to a treaty referred to in section 38(j)(1)(C)(i) of this Act to which the provisions of paragraph (1) of this subsection would apply absent an exemption granted under section 38(j)(1) of this Act, for which purpose such notification shall contain information comparable to that specified in paragraph (1) of this subsection."
- 20 (e) FEES AND POLITICAL CONTRIBUTIONS.—Section 21 39(a) of such Act (22 U.S.C. 2779(a)) is amended—
- 22 (1) in paragraph (1), by striking "; or" and in-23 serting a semicolon;
- 24 (2) in paragraph (2), by inserting "or" after the 25 semicolon; and

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1	(3) by adding at the end the following new para-				
2	graph:				
3	"(3) exports of defense articles or defense services				
4	pursuant to a treaty referenced in section				
5	38(j)(1)(C)(i) of this Act ;".				
6	SEC. 5. LIMITATION ON IMPLEMENTING ARRANGEMENTS.				
7	(a) In General.—No amendment to an implementing				
8	arrangement concluded pursuant to a treaty referred to in				
9	section $38(j)(1)(C)(i)$ of the Arms Export Control Act, as				
10	added by this Act, shall enter into effect for the United				
11	States unless the Congress adopts, and there is enacted, leg-				
12	islation approving the entry into effect of that amendment				
13	for the United States.				
14	(b) Covered Amendments.—				
15	(1) In General.—The requirements specified in				
16	subsection (a) shall apply to any amendment other				
17	than an amendment that addresses an administrative				
18	or technical matter. The requirements in subsection				
19	(a) shall not apply to any amendment that solely ad-				
20	dresses an administrative or technical matter.				
21	(2) U.SUK implementing arrangement.—In				
22	the case of the Implementing Arrangement Pursuant				
23	to the Treaty Between the Government of the United				
24	States of America and the Government of the United				
25	Kingdom of Great Britain and Northern Ireland Con-				

1	cerning Defense Trade Cooperation, signed at Wash-
2	ington February 14, 2008, amendments to which the
3	requirements specified in subsection (a) apply shall
4	include—
5	(A) any amendment to section 2, para-
6	graphs (1), (2), or (3) that modifies the criteria
7	governing operations, programs, and projects to
8	which the treaty applies;
9	(B) any amendment to section 3, para-
10	graphs (1) or (2) that modifies the criteria gov-
11	erning end-use requirements and the require-
12	ments for approved community members re-
13	sponding to United States Government solicita-
14	tions;
15	(C) any amendment to section 4, paragraph
16	(4) that modifies the criteria for including items
17	on the list of defense articles exempt from the
18	treaty;
19	(D) any amendment to section 4, paragraph
20	(7) that modifies licensing and other applicable
21	requirements relating to items added to the list
22	of defense articles exempt from the scope of the
23	treaty;
24	(E) any amendment to section 7, paragraph
25	(4) that modifies the criteria for eligibility in the

1	approved community under the treaty for non-
2	governmental United Kingdom entities and fa-
3	cilities;
4	(F) any amendment to section 7, paragraph
5	(9) that modifies the conditions for suspending
6	or removing a United Kingdom entity from the
7	approved community under the treaty;
8	(G) any amendment to section 7, para-
9	graphs (11) or (12) that modifies the conditions
10	under which individuals may be granted access
11	to defense articles exported under the treaty;
12	(H) any amendment to section 9, para-
13	graphs (1), (3), (7), (8), (9), (12), or (13) that
14	modifies the circumstances under which United
15	States Government approval is required for the
16	re-transfer or re-export of a defense article, or to
17	exceptions to such requirement; and
18	(I) any amendment to section 11, para-
19	graph (4)(b) that modifies conditions of entry to
20	the United Kingdom community under the trea-
21	ty.
22	(3) U.SAustralia implementing arrange-
23	MENT.—In the case of the Implementing Arrangement
24	Pursuant to the Treaty Between the Government of
25	the United States of America and the Government of

1	the Australia Concerning Defense Trade Cooperation,
2	signed at Washington March 14, 2008, amendments
3	to which the requirements specified in subsection (a)
4	apply shall include—
5	(A) any amendment to section 2, para-
6	graphs (1), (2), or (3) that modifies the criteria
7	governing operations, programs, and projects to
8	which the treaty applies;
9	(B) any amendment to section 3, para-
10	graphs (1) or (2) that modifies the criteria gov-
11	erning end-use requirements and the require-
12	ments for approved community members re-
13	sponding to United States Government solicita-
14	tions;
15	(C) any amendment to section 4, paragraph
16	(4) that modifies criteria for including items on
17	the list of defense articles exempt from the scope
18	of the treaty;
19	(D) any amendment to section 4, paragraph
20	(7) that modifies licensing and other applicable
21	requirements relating to items added to the list
22	of defense articles exempt from the scope of the
23	treaty;
24	(E) any amendment to section 6, paragraph
25	(4) that modifies the criteria for eliaibility in the

1	approved community under the treaty for non-
2	governmental Australian entities and facilities;
3	(F) any amendment to section 6, paragraph
4	(9) that modifies the conditions for suspending
5	or removing an Australian entity from the Aus-
6	tralia community under the treaty;
7	(G) any amendment to section 6, para-
8	graphs (11), (12), (13), or (14) that modifies the
9	conditions under which individuals may be
10	granted access to defense articles exported under
11	$the \ treaty;$
12	(H) any amendment to section 9, para-
13	graphs (1), (2), (4), (7), or (8) that modifies the
14	circumstances under which United States Gov-
15	ernment approval is required for the re-transfer
16	or re-export of a defense article, or to exceptions
17	to such requirement; and
18	(I) any amendment to section 11, para-
19	graph (6) that modifies conditions of entry to the
20	Australian community under the treaty.
21	(c) Congressional Notification for Other
22	Amendments to Implementing Arrangements.—
23	(1) In general.—Except as noted under para-
24	graph (2), not later than 15 days before any amend-
25	ment to an implementing arrangement to which sub-

section (a) does not apply shall take effect, the President shall provide to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives a report containing—

- (A) the text of the amendment; and
- (B) an analysis of the amendment's effect, including an analysis regarding why subsection (a) does not apply.
- CIRCUMSTANCES.—If (2)EXCEPTIONAL President determines that it is important to maintaining the viability and effectiveness of a treaty referred to in section 38(j)(1)(C)(i) of the Arms Export Control Act, as added by this Act, to immediately bring into effect an amendment to an implementing arrangement to which subsection (a) does not apply, then no later than 5 days after such amendment shall come into effect, the President shall provide to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives a certification to that effect and the reasons for making the determination, as well as the report required under paragraph (1).

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1 SEC. 6. IMPLEMENTING REGULATIONS.

- 2 The President is authorized to issue regulations pursu-
- 3 ant to the Arms Export Control Act (22 U.S.C. 2751 et
- 4 seq.) to implement and enforce the Treaty Between the Gov-
- 5 ernment of the United States of America and the Govern-
- 6 ment of the United Kingdom of Great Britain and Northern
- 7 Ireland Concerning Defense Trade Cooperation, done at
- 8 Washington and London on June 21 and 26, 2007 (and
- 9 any implementing arrangement thereto) and the Treaty Be-
- 10 tween the Government of the United States of America and
- 11 the Government of Australia Concerning Defense Trade Co-
- 12 operation, done at Sydney, September 5, 2007 (and any
- 13 implementing arrangement thereto), consistent with other
- 14 applicable provisions of the Arms Export Control Act, as
- 15 amended by this Act, and with the terms of any resolution
- 16 of advice and consent adopted by the Senate with respect
- 17 to either treaty.

18 SEC. 7. RULE OF CONSTRUCTION.

- Nothing in this Act, the Treaty Between the Govern-
- 20 ment of the United States of America and the Government
- 21 of the United Kingdom of Great Britain and Northern Ire-
- 22 land Concerning Defense Trade Cooperation, done at Wash-
- 23 ington and London on June 21 and 26, 2007 (and any
- 24 implementing arrangement thereto), the Treaty Between the
- 25 Government of the United States of America and the Gov-
- 26 ernment of Australia Concerning Defense Trade Coopera-

- 1 tion, done at Sydney, September 5, 2007 (and any imple-
- 2 menting arrangement thereto), or in any regulation issued
- 3 to implement either treaty, shall be construed to modify or
- 4 supersede any provision of law or regulation other than the
- 5 Arms Export Control Act (22 U.S.C. 2751 et seq.), as
- 6 amended by this Act, and the International Traffic in Arms
- 7 Regulations (subchapter M of chapter I of title 22, Code
- 8 of Federal Regulations).

Amend the title so as to read: "To implement certain defense trade cooperation treaties.".

Calendar No. 586

111 TH CONGRESS **S. 3581**2D SESSION **S. 3581**[Report No. 111-302]

A BILL

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SEPTEMBER 23, 2010

Reported with an amendment and an amendment to the title $% \left(\mathbf{r}\right) =\mathbf{r}^{\prime }$