

# **“Center For Strategic and International Studies”**

## *Technology Leadership and National Security*

### **Keynote Address**

**The Honorable Mario Mancuso  
Under Secretary of Commerce**

**Bureau of Industry and Security  
U.S. Department of Commerce**

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Thank you for that kind introduction, David.

I'm delighted to be with you today on this important occasion, and here on Capitol Hill with our stakeholders from Congress, the private sector and the policy community.

It's especially rewarding to see this project come to fruition.

I saw this project start as an idea when I was still at the Department of Defense, where I was lucky enough to play a small part in helping get this study off the ground. Did it ever. I want to thank and commend CSIS, and the entire Defense-Industrial Initiatives Group, for their terrific work on this project, and over the years in this area.

Quite apart from the impressive analytics, the completion of this study also vindicates three important principles:

- I. Open minds and good faith collaboration can bridge great divides and work wonders;
- II. Big ideas matter and are worth thinking through, even if progress isn't always apparent or immediate; and lastly,
- III. Leadership counts.

For this, I want to especially thank Deputy Secretary England, Deputy Secretary Negroponte, and the many others from the Congress, the private sector, and the executive branch who took the time to participate in this project.

As a national security bureau within an economic agency, the Bureau of Industry and Security's most solemn obligation is to protect the security of the nation.

As a result, when we approach export controls, we don't "balance" trade and security. That's not our job; it's not what we do. There's nothing of comparable worth against which we "trade-off" U.S. security.

Instead, our export control policy is designed to enhance U.S. national security by (i) denying the acquisition of sensitive technologies to actual or potential adversaries, and (ii) by promoting continued U.S. strategic technology leadership.

During my time at BIS, a few thoughts have occurred to me that I'd like to share with you.

First, I'm convinced that we need - as a government - to engage the real policy issues, and not just the regulatory issues that export controls raise. My sincere hope is that this study will spark genuine interest in the big question of how our nation can - and should - sift risk from opportunity in a world which has more of both, and at the same time is faster and more connected.

The export control system is a tool intended to promote our particular policy objectives. It is not an end in itself. For this reason, the stakeholders in this debate include *everyone* in our country, and not only those who are familiar with or subject to the controls themselves.

We also need to stop, look and listen. We need to put in the effort to understand the world *as it exists* today to ensure that the controls we would propose to apply are actually suited for the task, that they actually further our policy ends.

We're very fortunate to have exceptionally talented civil servants in our government. Nonetheless, we need to build in our departments and agencies deeper reservoirs of *institutional* understanding of how our world has changed since the end of the Cold War—and how it is changing still. Globalization is reordering our world, and we need to better understand how the many facets of globalization—economic, social, technological, and political— are affecting our nation's security profile and interests, and shaping the contours and exercise of our instruments of national power.

Today's national security threats are more numerous and varied than ever before. They include state-based threats and threats from non-state actors; threats arising from disruptive technologies and, of course, the specter of catastrophic terrorism.

At the same time, the international economic landscape has changed profoundly. The very success of our post-war economic diplomacy, the end of the Cold War, and globalization generally, has increased the pool of world-class competitors and altered the dynamics of global economic competition. Technology, talent and capital are now ubiquitous, and the U.S. must now compete economically and technologically with the rest of the world, including not only Europe and Japan, but also China and India, as well as Brazil, Korea, Indonesia—and the list goes on.

Consider this:

- This past year a research university opened its doors in Saudi Arabia. On the day it opened it had an endowment roughly equal to that of MIT-- except it took MIT 142 years to get there.
- By 2010, if current trends continue, more than 90% of all scientists and engineers will be living in Asia.
- Today, a third of the world's R&D staff are already located in India and China.
- And a recent study by Booz Allen and INSEAD, a leading business school in Europe, estimated that 75% of the new R&D sites planned to be established over the next couple of years will be in India and China.

But there's more. The very alchemy of our military's technological superiority has also changed. In the past, approximately 2/3rds of our nation's military technologies were developed in a defense R&D setting, with the remaining third coming from adaptations of commercial, off-the-shelf technologies. Today, those proportions have been almost exactly reversed.

In the aggregate, these changes are not altogether a bad thing. In fact, the U.S. welcomes the integration of developing countries into a rules-based global economy.

But these changes have (i) challenged the core assumption of our export controls— i.e., that we have something that others do not, (ii) complicated the political economy of our national security, and (iii) further elevated the salience of U.S. technology and economic leadership.

In this strategic environment, one which is altering the structure of our industrial and innovation base and reshaping the technological environment in which our military must compete, we can no longer rely exclusively on export controls to maintain our strategic technology leadership. We need to complement smart and effective export controls with an affirmative strategy to “outdistance” our competitors, to remain the most innovative and competitive economy in the world.

While more needs to be done, real progress is being made.

First, the dual-use directive signed by the President on January 22nd did more than enumerate specific initiatives for the executive branch to accomplish. It reframed the larger policy context to account for the sweeping changes I described. This is a historic change because it memorializes the fact that we live in a new world, and it directs the departments and agencies to pivot accordingly.

Within the Department of Commerce itself, we are pursuing a focused policy agenda to implement, and build upon, the President's reform vision.

***First, we are strengthening our enforcement architecture and refocusing our enforcement activities.***

We firmly believe that enforcement reform is inextricably linked to export control reform. And an important part of this effort is the renewal of our bedrock dual-use export control law, the Export Administration Act (EAA), which this Administration recently proposed and which Senator Dodd introduced. Foreign locations increasingly serve as the venues for commercial activities that could threaten U.S. and international security, and we are committed to enhancing our law enforcement capabilities to investigate, uncover, and stop these activities *wherever* they may occur.

Passing the EAA would also have another important benefit: it will bolster our diplomatic efforts around the world to encourage other countries to adopt and fully enforce their own export control laws. This is especially important to us in our efforts with respect to terrorists, proliferators, and nations of transshipment concern. It is very difficult to make a credible and persuasive case to other nations to enact effective export control laws when our own country does not have a permanent law on the books.

Once again, I want to take this public opportunity to urge Congress to pass this legislation as soon as possible to provide the legislative foundation that enables BIS to do its job in the most effective manner possible.

***Second, we're updating our controls to reflect the global economic landscape.***

We have developed a regular process for systematic review of the list on controlled dual-use items, including controls for encryption products, re-exports, and deemed exports. We're also moving towards an end-user based system by establishing VEU for China and India, and by evaluating the contours of an intra-company transfer license exception which would better account for how cutting-edge R&D occurs today.

***Finally, we're also accelerating our engagement with the most innovative markets in the world to facilitate vibrant, cross-border, people-people networks to anchor important technology relationships for the future.***

One such important relationship already exists with India. In late February, I was in New Delhi to co-chair with Foreign Secretary Menon the *U.S.-India High Technology Cooperation Group*. At this event, our governments agreed to work with each other to proactively revisit our respective regulatory regimes to find appropriate and constructive ways to expand bilateral opportunities and collaboration across a number of industries, including nanotechnology, biotechnology, information technology, and strategic and defense trade. Our meetings resulted in a road map of discrete actions, which our governments have begun to implement over the next 9 months.

Another such dialogue was recently established with the government of Israel. This past August, the U.S. and Israel agreed to establish the *U.S.-Israel High Technology Forum* (HTF) to facilitate secure bilateral high technology trade and investment.

Each of these dialogues has a strategic rationale of its own. But both create real linkages with exciting technology markets and critical foreign policy partners for the long-term.

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Of course, more work needs to be done, and with your help, more will be done in the months and years ahead.

In closing, I would like to end where I started: by saying thank you to all of you who put time, effort, and brainpower behind a project that has the ability to fundamentally reshape the national security enterprise of the future.

Thank you for your kind attention. I would be happy to take a few of your questions.