

**SUPPORTING STATEMENT FOR
PAPERWORK REDUCTION ACT SUBMISSION**

**Request for Approval of Manufacturing License Agreements, Technical
Assistance Agreements, and Other Agreements
OMB No. 1405-0093**

A. Justification

1. The Directorate of Defense Trade Controls (DDTC), Bureau of Political-Military Affairs, U.S. Department of State, in accordance with the Arms Export Control Act (AECA) (22 U.S.C. 2751 et seq.), the International Traffic in Arms Regulations (ITAR) (22 CFR Parts 120-130), and associated delegations of authority, has the principal missions of promulgating regulations for the import and export of defense articles and defense services; taking final action on license applications and other requests for defense trade transactions via commercial channels, ensuring compliance with the statute and regulations, and collecting information for various types of reports that are submitted to Congress. By statute, Executive Order, regulation, and delegation of authority, DDTC is charged with controlling the export and temporary import of defense articles, the provision of defense services and the brokering thereof which are covered by the U.S. Munitions List (USML).

The statutory authority of the President to promulgate regulations with respect to the export and the temporary import of defense articles and the provision of defense services was delegated to the Secretary of State by Executive Order 13637, as amended. These regulations are primarily administered by the Deputy Assistant Secretary of State for Defense Trade and DDTC.

DDTC reviews license applications and technical assistance and manufacturing license agreement requests to determine, inter alia:

- Whether the transactions further U.S. foreign policy objectives, national security interests, and world peace;
- Eligibility of parties (*e.g.*, applicants, consignees, end-users) to participate in U.S. defense trade;

- Appropriate end-use of commodities subject to U. S. Government approval of munitions exports and transfers;
- Whether law enforcement concerns have been adequately addressed; and
- Whether appropriate offers or payment of political contributions, gifts, commissions, and fees, have been adequately addressed.

In accordance with Part 124.1 of the ITAR, any person who intends to furnish defense services or technical data to a foreign person must submit a proposed technical assistance or manufacturing license agreement and obtain prior authorization from DDTC for such agreement. Amendments to existing agreements must also be submitted for approval.

2. DDTC uses the information provided by applicants to meet the mandate described in item 1 above. The request for approval of an agreement is used initially by DDTC to analyze the proposed agreement for foreign policy and national security considerations. Depending upon its complexity, it is sometimes necessary to coordinate further evaluation of the proposed agreement with other Federal Government agencies. The information is also used to monitor and control transfer of sensitive U.S. technology. Without such information, effective control of the proliferation of sensitive military technology would not be possible.

3. Currently, respondents are instructed to use form DSP-5 as the vehicle for submitting an agreement. The DSP-5 must be submitted electronically, this is accomplished via the electronic licensing subsystem (D-Trade) of the Defense Trade Application System, DDTC's Web-based electronic form system. The required documentation comprising an agreement is appended to the DSP-5 as attachments. DDTC is assessing options for a permanent electronic agreements form.

4. The Department of State is unaware of any other U.S. Government requirements that would cause U.S. industry to duplicate this reporting requirement.

5. Export control laws and regulations are designed to safeguard U.S. Government foreign policy and national security interests and to further world peace. The laws and regulations are applicable equally to large and small businesses or entities. Only registered exporters are required to submit proposed

agreements for approval, and only when intending to furnish defense services or technical data to a foreign person.

6. The AECA and the ITAR established the frequency of information collection. The information required for the proper assessment of an agreement request is reviewed on a case-by-case basis and is specific to the transaction under consideration. Absent this reporting requirement, it would be extremely difficult for DDTC to meet its legally mandated responsibilities to ensure oversight of defense trade exports in furtherance of foreign policy objectives, national security interests, and world peace.

7. Respondents may have to report information to the Department more often than quarterly because they need approval on a case-by-case basis when seeking to furnish defense services or technical data to a foreign person. Also, registrants are required to maintain records for longer than three years. The ITAR requires maintenance of records for a minimum period of five years from the expiration of the license or written approval.

8. The Department published a 60 day notice in the Federal Register soliciting public comment on February 27, 2018. **83 FR 8563**. No comments were received.

9. No payment or gift has been or will be provided to any respondent.

10. Respondents are engaged in the business of exporting or temporarily importing defense articles/services or brokering thereof, have registered with DDTC pursuant to the ITAR (22 CFR Subchapter M), and correspondingly use the ITAR in the regular course of business. Thus, respondents would be familiar with §126.10 of the ITAR, which outlines limitations on, and requirements to, disclose licensing information. No promises of confidentiality have been made to the respondent.

11. The agreement guidelines do not solicit any information regarding questions of a sensitive nature or matters commonly considered private.

12. The Department of State has reason to believe that the information that is required for the agreement assessment process is already available to respondents in some form due to other needs and requirements (e.g., business transactional records, tax records, quality assurance and productivity, and legal issues posed by other federal laws). An estimated 4,430 annual responses are expected from 580 respondents. Frequency of response is on occasion. The estimated time that the

respondent devotes to each submission is approximately two hours. The estimated annual hour burden is 8,860 hours. According to the U.S. Department of Labor Bureau of Labor Statistics website (www.bls.gov), the weighted wage rate category for a “Compliance Officer” is estimated to be \$44.94 per hour (\$32.10 average wage x 1.4 multiplier). Therefore, the estimated annual burden hour cost to respondents is \$398,168 (8,860 annual burden hours x \$44.94).

13. There are no anticipated additional costs to respondents.

14. Processing the 4,430 responses received by DDTC during CY 2017 accounted for approximately 12.1% of its \$8.9 million licensing budget. The estimated annual cost to the Federal Government was \$1,076,900 for reviewing these agreement applications. This estimated figure was determined by identifying the percentage constituted by these submissions of the overall DDTC licensing caseload.

15. The number of respondents has been adjusted from 885, the previously estimated number of registrants who seek to furnish defense services or defense technical data to foreign persons, to 580, the most recent estimate, adjusting total annual responses from 7,274 to 4,430. As a result, the total annual hours requested for this collection has been adjusted from 14,548 to 8,860. The revised respondent number is a more accurate figure taken directly from the DDTC database, while the reduced number of license applications accords with the decrease in defense trade licensing.

16. DDTC will not publish relevant information.

17. The Department of State proposes that an expiration date for OMB approval of the agreement information collection not be displayed, as there is currently no form uniquely associated with this information collection. DDTC intends to display the expiration date for OMB approval of the information collection when an agreements form is available to respondents.

18. The Department of State does not seek any exception to the statement, “Certification for Paperwork Reduction Act Submissions,” of DS-83-I.

B. Collections of Information Employing Statistical Methods

This collection of information does not employ statistical methods.