

Q. What is the Department's position on the new reporting requirements of the Security Assistance Act?

Background:

Under this legislation (conference report imminent) the American supplier would be required to report to the Secretary of State on payments promised or made in order to secure certain arms sales under either the Foreign Military Sales Program or through commercial channels, and would be required to maintain records on such payments in accordance with regulations prescribed by the Secretary.

The Secretary of State, in turn, would have to make such information available to U.S. law enforcement agencies such as the Securities and Exchange Commission and the Internal Revenue Service, and to Congress. The legislation recognizes that companies may regard some information concerning agents' fees to be confidential business information.

Payments made for improper influence would be excluded from contract prices, and the President would have authority to prohibit agents' fees on covered transactions, for example, where purchasers oppose them.

A. The Department recognizes that the arms trade presents special risks and concerns. This trade is carried out or controlled by the U.S. Government, and we have a direct responsibility to ensure that it is not exploited for illicit purposes. We believe that procedures for

dealing with agents' fees in connection with military sales can be improved and we can support more systematic reporting requirements on the lines of the Security Assistance Act. The bill is not perfect but it should be helpful. We will have the difficult task of developing regulations that are effective, practicable, and that make adequate provision for confidentiality of business information in cases which could give rise to competitive injury.