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Committee for National Security Meeting, 07/23/99

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**EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SCIENCE AND TECHNOLOGY COUNCIL
WASHINGTON, D.C. 20502**

**NSTC COMMITTEE ON NATIONAL SECURITY
Minutes of the July 23, 1999, Meeting**

The Committee on National Security (CNS) held its nineteenth meeting on July 23, 1999. The principals who attended the meeting are listed below:

Dr. Hans Mark, Co-Chair	Director, Defense Research and Engineering
Mr. Bruce MacDonald, Co-Chair	Assistant Director for National Security, White House Office of Science and Technology Policy
Mr. William Reinsch	Under Secretary of Commerce for Export Administration
Mr. Gary Bachula	Acting Under Secretary of Commerce for Technology Administration
Dr. James Burris	Deputy Chief, Research and Development, Veterans Affairs
Mr. James Devine	Senior Advisor for Science Applications, U.S. Geological Survey, Department of the Interior
Dr. Peter Zimmerman	Science Advisor to the Arms Control Bureau, Department of State
Dr. Gary Smith	Deputy Director for Science and Technology, CIA

The primary purpose of the meeting was to receive status reports from the Critical Infrastructure Protection (CIP) R&D Interagency Working Group (IWG), the International Technology Transfer Issues and Policy (ITTIP) Interagency Working Group, the Weapons of Mass Destruction Preparedness (WMDP) Research and Development Subgroup, and the Nonproliferation and Arms Control Technology Working Group (NPAC TWG). The meeting agenda is included in the Attachment.

I. INTRODUCTION

Mr. Bruce MacDonald, co-chair of the CNS, opened the meeting.

II. CURRENT EFFORTS

A. Critical Infrastructure Protection R&D—Overview of Annual Report and FY2001 Plans

Mr. MacDonald introduced Dr. Steven Rinaldi from the CIP R&D IWG. Dr. Rinaldi provided an overview of the accomplishments, ongoing activities, and near-term plans of the CIP R&D IWG.

Presidential Decision Directive (PDD) 63 tasks the Office of Science and Technology Policy (OSTP) to coordinate CIP research and development agendas and programs for the government through the National Science and Technology Council. The CIP R&D IWG has seven subgroups: five subgroups address R&D plans and issues for the critical infrastructures identified in PDD-63, and the other two subgroups address interdependencies among infrastructures and partnership issues.

The first step in creating the proposed FY2001 CIP R&D agenda was to complete a baseline of ongoing federal critical infrastructure R&D and related programs. A review of the FY2000 budget submission indicated that approximately 33 percent of the overall CIP funding is devoted to CIP R&D, with the Department of Defense providing the majority of the R&D funds. The IWG found that many of last year's programmatic recommendations were included in the FY 2000 budget.

The IWG next examined infrastructure vulnerabilities and gaps and shortfalls in the baseline R&D program. The IWG developed a list of proposed new start R&D programs for FY2001 that address the vulnerabilities, gaps, and shortfalls. The IWG has prepared four funding options: the "Status Quo" option, which includes only ongoing programs at a cost of \$484 million; the "Plus Up" option, which adds a modest increase of \$92 million in new starts, for a total of \$582 million; the "Robust" option, which adds \$204 million in new starts, for a total of \$688 million; and the "Comprehensive" option, which addresses all of the IWG-identified vulnerabilities, gaps and shortfalls at a cost of about \$1 billion.

The IWG proposed five R&D initiatives that include all ongoing and new start R&D for FY2001:

- Threat/vulnerability/risk assessment
- System protection
- Intrusion monitoring and response
- Reconstitution
- Laboratory for National Information Infrastructure Protection (LNIIP), proposed by the President's Committee of Advisors on Science and Technology, if recommended by OSTP and the National Security Council. (The Institute for Defense Analyses is conducting a study to examine the issues associated with the LNIIP concept.)

The IWG sought private sector inputs on its proposed R&D agenda. Among others, the IWG contacted the Electric Power Research Institute (EPRI), the National Security Telecommunications Advisory Committee, and the Banking and Finance Sector Coordinator group. In particular, EPRI provided strong support of the FY2001 R&D agenda programs related to electrical power, and offered a number of good inputs to the agenda.

Dr. Rinaldi noted that the IWG is not making funding recommendations at this time. The funding option ultimately selected would be based on the availability of funds. He noted that several individual program recommendations have been incorporated into agency budgets.

Dr. Rinaldi presented three key issues for consideration by the CNS:

- Are these the right initiatives?
- Are the funding wedges appropriate?
- What level of R&D should be supported for FY 2001?

Mr. MacDonald noted that another issue frequently raised in IWG meetings is the possible shortage of qualified R&D personnel in these areas. This problem could become acute, if additional funding were provided. He suggested that a sixth initiative could address educating the researchers of tomorrow. After some discussion, the CNS principals agreed that the IWG should examine the education issue and offer options for CNS consideration. The CNS principals had no objections to the proposed initiatives and funding options. Mr. MacDonald noted that a decision document is forthcoming on the initiatives and funding options.

B. International Technology Transfer Issues and Policy—Case Studies and Recommendations

Mr. MacDonald introduced Dr. Gerald Hane, the OSTP chair of the ITTIP IWG. Dr. Hane provided an update on two ITTWG case studies: international technology transfer and the internationalization of SEMATECH (SEmiconductor MANufacturing TECHNOlogy). The purpose of the case studies is to examine processes in place for treating national security and economic competitiveness concerns related to foreign participation. The IWG looked at processes followed in the cases with resultant lessons learned and best practices, but did not assess the outcomes of the either case.

International Technology Transfer. Although there are many methods of technology transfer, the ITTIP IWG focused on four specific modes: cooperative research and development agreements (CRADAs), similar cooperative agreements, licenses, and work-for-others. The IWG reviewed CRADAs at DOE, DoD, and DOC to determine the fraction involving foreign partners. Only a small percentage of CRADAs had foreign partners, with percentages ranging from 1.5% in DOE to 6.2% in DOC. Executive Order 12591, issued on April 10, 1987, provides criteria to be considered when entering into CRADAs and licensing agreements with foreign persons or companies controlled directly or indirectly by foreign companies or governments. E.O. 12591 was promulgated when the technology transfer process was just starting, and much has been learned about the process since then. The IWG found substantial variability in the internal review processes at laboratories and agencies, and inconsistent use of interagency expertise.

As a result of its analyses, the IWG recommended developing a new executive order that will improve the review process for CRADAs, similar cooperative agreements, licenses, and work-for-others. The IWG proposed that it work with the DOC-chaired Interagency Technology Transfer Working Group during the next six months to define a terms of reference for the executive order. The IWG also recommended the development of checklists for routine and priority agency internal reviews that consider national and economic security concerns. The executive order and checklists would not infringe on agency authorities, but rather would improve internal review processes and interagency coordination. The principals concurred with the recommendation to draft an executive order for their review.

Internationalization of SEMATECH. SEMATECH, a consortium composed of the U.S. government and the major U.S. semiconductor manufacturers, was formed in 1987. Since termination of U.S. funding in 1996, SEMATECH has become more international, which has presented two dilemmas:

- Treatment of data developed with government funding, and
- Conditions for international participation in public-private partnerships or consortia supported by government funds.

The IWG recommended that (1) guidance be provided to agencies requiring partnership agreements that protect data and other intellectual property with national security and economic competitiveness concerns, and (2) conditions for participation by foreign entities in public-private partnerships reflect these concerns. The principals endorsed the recommendations of the IWG.

C. Weapons of Mass Destruction Preparedness (WMDP) R&D: Status Update

Mr. MacDonald introduced Dr. Gerald Epstein, from the WMDP R&D Subgroup. Mr. MacDonald noted that PDD-62 created the WMDP R&D Subgroup. Although the subgroup is not chartered under the CNS, the CNS principals had requested an update on the subgroup's progress. Dr. Epstein stated that the WMDP R&D Subgroup includes national security agencies, civilian law enforcement agencies, and civilian research agencies. DoD, HHS, DOE, and DOJ perform the majority of the weapons of mass destruction (WMD) Preparedness R&D.

The WMDP has tasked its R&D subgroup to develop a WMD R&D strategic plan. In preparing this plan, the subgroup identified 38 overall vulnerabilities which additional R&D can help to mitigate. The subgroup next developed specific R&D objectives to address the shortfalls, and it is currently analyzing ongoing, planned, and unfunded R&D to meet the shortfalls. It will next develop budget options for R&D programs to address the shortfalls. Unfortunately, agencies have been reluctant to provide budget data on which to base options to fill the R&D gaps. Dr. Mark

recommended that the subgroup use last year's budget as a baseline. He did not believe that funding levels and categories would change significantly in the FY2001 budget; however, this will not be known until the budget is finalized.

D. Nonproliferation and Arms Control Technology Working Group (NPAC TWG)—Status and Update

Mr. MacDonald introduced Ms. Sarah Mullen of the Department of State. Ms. Mullen provided an update of the activities of the NPAC TWG. She noted that the NPAC TWG was formed by PDD-27 in 1994. It is co-chaired by DOS (originally ACDA), DoD, and DOE. The TWG has 14 focus groups and coordinates R&D programs totaling approximately \$700 million. Ms. Mullen noted that there has been a problem with the management of the chemical and biological focus groups due to their emphasis on counterproliferation rather than nonproliferation and arms control. As a result, there will be a shift in the leadership of the groups to the arms control and intelligence communities. Ms. Mullen stated that the recently released Deutch Commission report recommended abolishing the NPAC TWG, and that its role be subsumed in the proposed National Director for Combating Proliferation. In discussions, the Commission noted the NPAC TWG does not have sufficient authority to influence acquisition decisions across government, but acknowledged the TWG provides a valuable function within the limits of its charter. The NPAC TWG plans to continue its work and to consider addressing Deutch Commission concerns within the current structure.

Ms. Mullen noted the NPAC TWG will reorganize its reporting cycle to ease the burden on the group and to align better with the budget cycle. The NPAC TWG will submit its report in the spring of 2000 and hold its next symposium in the spring of 2001. Thenceforth, the report submission and symposium will occur in alternate years, with the symposium proceedings fulfilling the reporting requirement in odd years.

III. OTHER BUSINESS

Mr. MacDonald stated that the United Kingdom is considering privatizing the Defence Evaluation and Research Agency (DERA). DERA currently has 12,000 government employees. Under the planned privatization, the U.K. government would reduce the number of government employees to 600 and privatize the remaining positions. The U.K. government is concerned that this action could disrupt cooperative R&D programs with U.S. government laboratories. There are indications that the British are willing to negotiate the degree of privatization in order to minimize difficulties with cooperative R&D programs. The U.S. government is concerned that privatization could change the commitment of the individuals involved and could result in possible conflicts of interest. The U.K. plans to begin the privatization process next year.

Mr. MacDonald will distribute documents describing the proposed plan to the CNS principals. An informal meeting will then be scheduled for those persons interested in further discussing this issue.

IV. ACTION ITEMS

- The CIP IWG will examine the problem of insufficient number of qualified personnel and offer options for consideration by the CNS.
- The ITTIP IWG will work on defining the terms of reference for a new executive order and will also develop checklists on national security and economic security issues to be used in interagency reviews of CRADAs.

V. CLOSING REMARKS

The principals agreed that the next meeting should be scheduled during the period from mid-October to mid-November. (The next meeting has since been scheduled for November 19.) Mr. MacDonald adjourned the meeting.

Hans Mark 10/17/99
Dr. Hans Mark, Co-Chair (date)

Bruce W. MacDonald 9/17/99
Mr. Bruce MacDonald, Co-Chair (date)

Attachment:
Meeting Agenda

**Agenda for the Meeting of the
National Science and Technology Council
COMMITTEE ON NATIONAL SECURITY
July 23, 1999
1330-1500 (1:30 p.m. – 3:00 p.m.)
Pentagon, Room 3D1019**

I. INTRODUCTION

II. STATUS OF CURRENT EFFORTS

- Critical Infrastructure Protection R&D- Overview of Annual Report & FY00 Plans
- International Technology Transfer Issues & Policy- Case Studies Report & Recommendations
- Weapons of Mass Destruction Research & Development Subgroup- Status & Update
- Non-Proliferation & Arms Control Technology- Status & Update

III. OTHER BUSINESS

IV. CLOSING REMARKS

- Set next meeting date and agenda priorities