House Committee on Foreign Affairs Roundtable
Executing AUKUS Pillar II
Statement by Nicola Johnson
Vice President for Government Affairs and Strategic Communications
General Atomics Aeronautical Systems, Inc. (GA-ASI)
April 17, 2024

Chairman McCaul, Ranking Member Meeks, Distinguished Members of the Committee, and guests,

Good morning and thank you for the opportunity to speak with you today about AUKUS Pillar II. I am Nicola Johnson, Vice President of Government Affairs and Strategic Communications for General Atomics Aeronautical Systems, Inc. (GA-ASI) We're best known for pioneering uncrewed aerial systems (UAS) such as the Predator and Reaper for counterterrorism, and today, for near-peer missions. We are proud of our leadership on autonomy and AI, and our new Gambit Series of advanced UAS.

GA-ASI is a medium-sized defense contractor, with roughly 9,500 employees in San Diego, and with offices and suppliers across all 50 states and in partner countries around the globe. We also have personnel at deployed locations supporting U.S. and partner missions.

As a privately held company, we have the flexibility to lean forward in support of the warfighter and U.S. national security objectives. Our leadership invests a significant amount of internal research and development (IRAD) funding to develop innovative capabilities for U.S. and partner forces in anticipation of demand. These investments foster GA-ASI's culture of continuous innovation and support next-generation UAS capabilities, including collaborative combat aircraft (CCAs) and technologies that will set new records for endurance.

Cooperation with AUKUS and AUKUS-Adjacent Partners

Long before Australia, the United Kingdom, and the United States announced AUKUS, GA-ASI was focused on cooperation with AUKUS and AUKUS-adjacent partners. For example, the UK's Royal Air Force (RAF) served as our launch customer for the MQ-9B aircraft. Development of the MQ-9B, which is a certifiable, large UAS able to fly in airspace alongside civil aircraft, resulted from significant IRAD investments and support from the RAF. The MQ-9B is also our primary export platform, with current and potential customers including America's closest partners, such as Belgium, Canada, India, Japan, Poland, and other partners.

In November, in cooperation with the UK Royal Navy, we conducted a first-of-its-kind demonstration of our Mojave short takeoff and landing UAS from a British aircraft carrier. Though mostly funded by IRAD, this demonstration formed the foundation for a prospective cooperative program with the UK Royal Navy and a larger consortium, including other NATO Allies, Japan, the Republic of Korea, in the development of a carrier-based, large UAS. We hope the U.S. Navy will join this effort as well. This is very much in the spirit of AUKUS.

Additionally, recent agreements with defense companies in partner nations, including India, represent investments that will greatly strengthen the capabilities of the U.S. and its partners

and, if unencumbered by significant export restrictions, are examples of how U.S. industry, with the right government policies, can do more to facilitate AUKUS-like cooperation.

UAS: Critical Enablers in Strategic Competition

Whether for deterrence or use in a conflict with the People's Republic of China, the United States and its partners will need to rely heavily on sophisticated UAS to contend with the vast distances in the Pacific. The endurance of these aircraft allows for traversing long distances and their persistence enables a comprehensive intelligence picture at a relatively low cost.

Each AUKUS member has made UAS a critical component of their force packages. Further, one aspiring AUKUS member, Japan, has clearly stated its intent to replace some of its manned units with UAS. Another, Canada, is acquiring UAS as a part of its larger efforts to modernize the Canadian Armed Forces. And of course, Secretary of the Air Force Frank Kendall has said that he intends to acquire 1,000 collaborative combat aircraft because they are critical to the next generation of air dominance programs. The ability to field adequate numbers of uncrewed systems will be important to deter China, and essential should deterrence fail. There are three critical elements in this pursuit:

- Continued advancement in uncrewed and autonomous technologies
- Ability to produce UAS quickly and in mass quantities
- Dispersed and redundant supply chains to ensure resiliency

Realizing this requires an urgent and comprehensive approach to modernizing U.S. export control regime, policies and processes. They must be simplified and streamlined. They were developed at a time when the U.S. had a near monopoly on UAS technology and its employment but have not kept pace with a shifting technological landscape and are not structured or implemented for today. China, in particular, has eroded the technological advantage and builds relationships with potential U.S. partners through its own security cooperation, in part arguing that U.S. defense export approvals are too unpredictable and slow to meet partner needs.

Modernize the MTCR to Restore Its Original Objective and Advance Cooperation

We applaud the efforts of this Committee and current and past administrations to address the challenges U.S. commitments to the Missile Technology Control Regime (MTCR) present to advancing U.S. objectives and preserving the defense industrial base. Updates to the UAS export policy, authored by the Trump Administration and maintained by the Biden Administration, allowed the U.S. to help improve partner capabilities through UAS exports. This committee's proposed legislation would give the State Department additional latitude when making UAS export decisions.

But there is still more work to be done, particularly to achieve the objectives of AUKUS. The U.S. must continue to press for updates to the MTCR, while also using its own legislative, regulatory, and policy tools to facilitate the use of UAS exports to improve national security.

Crafted in 1987, the MTCR originally sought to prevent the proliferation of missiles as delivery vehicles for weapons of mass destruction (WMD). In 1992, MTCR signatories expanded the scope to include UAS as potential delivery systems, even though UAS technology was in its

infancy. The original intent of the MTCR is still relevant today, but it did not anticipate modern UAS. UAS of all types have proliferated to the point of being ubiquitous. Estimates vary, but experts suggest that at least 36 countries currently possess large military UAS. Moreover, most are conducting the same missions as manned aircraft and are not like single-use cruise missiles. The result is a regime that has captured technology unrelated to WMD, and it must be modernized.

The MTCR-driven imbalance causes the loss of international sales for U.S. companies, reduces funding available for IRAD, and weakens the U.S. industrial base in an area of critical importance for national security. Strategic partners have pivoted away from American UAS and toward those made by foreign competitors, such as Turkey, Israel, and China. Notably China, not a member of the regime, is turning international sales into an engine for revenue that it can use to develop more advanced systems, to the detriment of America's national security. And, as a supplier outside the regime, the more UAS China exports, the less relevant the MTCR will be.

Though GA-ASI has received approval for significant exports in recent years, including 31 aircraft to India, partner militaries often wait years for the approval of an MTCR Category I sale. This frustrates their senior officials and introduces significant uncertainty into our business. But, proposed co-production and co-development of MTCR-controlled technologies is even more difficult, with more significant types of cooperation prohibited by the regime. This presents a significant challenge to many stated U.S. objectives. For instance, as part of several announcements following the meeting between President Biden and Japanese Prime Minister Kishida, the two nations said they are exploring opportunities to cooperate on advanced UAS, like CCAs. Secretary Kendall also made potential cooperation with countries such as the UK, Australia, and Japan a hallmark of the CCA program.

We applaud these UAS partnership plans and stand ready to take part, but believe execution requires clarification and potentially revision of the United States' position on co-production and co-development of MTCR-controlled technologies. Clarity and predictability in these areas is the only way to advance the cooperation envisioned by U.S. leaders and AUKUS.

Aligning Intent with Regulatory Language

The United States' UAS export policy and the MTCR are reflected and implemented in the International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR). This means that, in general these items are ineligible for license exemptions or exceptions. In other words, because of our MTCR commitments, the transfers of MTCR-controlled items are, in most cases, unable to take advantage of mechanisms specifically designed to expedite exports of defense articles and services to key allies or for programs. This is true even for many transfers directly to the U.S. government or other U.S. entities abroad.

Simplifying and streamlining these transfers would support the intent of the mechanisms created to enhance cooperation among AUKUS and other close partners. It would also ensure both the U.S. and its partners are provided, in a timely manner, the equipment they urgently require. As part of the upcoming rule making on AUKUS, the U.S. government should align its implementation of license exceptions and exemptions with the intent of AUKUS.

Embrace Non-Program of Record Programs

Increasingly our partners are seeking technologies not currently adopted by DoD. There are many reasons why these technologies are not in the DoD inventory, including cost, redundancies with existing systems, competing strategic priorities and more. U.S. partners may need platforms outside of the DoD inventory because of their different circumstances, whether tactical, strategic, or budgetary. These programs, also known as non-programs of record (non-POR), strain the security cooperation infrastructure as they introduce capabilities and technologies that DoD has not yet processed through its rigorous acquisition system and thus there is no resident U.S. service element expert.

The negative impact on the defense industrial base is multiplied when the United States declines to purchase a technology, but also fails to expeditiously support its export. This results in a potential opening for China when partners' needs are not met, stresses a company's human and financial resources – a detractor from innovation – and prevents the maturation of technology that could one day be helpful to DoD.

DoD recognized this problem and sought to address many of the challenges inherent in non-PORs, but more should be done. This may include greater transparency between the U.S. government and industry to address unknowns and provide clarity into the maturity of certain programs. DoD could also consider recalibrating or shifting risk assessments to allow for efficiency in both cost and schedule. Perhaps most useful would be to allow for direct commercial sales of *any* non-POR technology to AUKUS countries. This would reinforce trust by acknowledging that the UK and Australia have mature and sophisticated acquisition systems capable of absorbing and protecting U.S. technology.

Breaking Barriers Through Modernization, Simplification and Evolution

AUKUS provides an opportunity to make meaningful and significant change that could affect the geopolitical landscape in the near-term and for decades to come. Harnessing the diverse and innovative defense industrial base will be essential as the U.S. and its allies seek to improve capabilities in the strategic competition with China. But closing the gap between international cooperation aspirations and implementation requires a collaborative approach between the U.S. government and industry. Breaking down barriers through modernization, simplification, and evolution will facilitate the predictability required to make critical capital investments, activate innovation, and support emergent requirements.

More specifically, if implemented fully and with few constraints, AUKUS Pillar II has the potential to accelerate important advances in emerging technologies, to include autonomy and UAS. This could offer the U.S. and its partners a decisive advantage in the competition with China and galvanize efforts to strengthen our respective industrial bases.

We are eager to support the U.S. government in its efforts to achieve the intent of AUKUS. We believe it is critical to U.S. national security and to the vast network of partners the U.S. has built. What we do in the coming months and years to advance these efforts will have a generational impact and drive the strategic position of U.S. leadership globally.

We hope to work with all U.S. government stakeholders to create the conditions necessary for AUKUS to succeed. Thank you for your time and I look forward to your questions.