

demonstration of its willingness and ability to administer the required regulatory functions in accordance with the standards established by the Act, the Commission's regulations and orders promulgated thereunder, any supplemental direction established by the Commission or Commission staff, and relevant case law, and to provide the Commission with whatever information, reports, summaries, or records the Commission may determine are necessary for effective oversight of NFA's administration of the functions delegated herein, or for the Commission to fulfill its role of regulatory oversight of the futures markets.

This order does not authorize NFA to accept or act upon requests for exemption from the requirements of Rule 4.7(b)(3) or Rule 4.22(c), except applications for extensions of time filed pursuant to Commission Rule 4.22(f)(1), as discussed in this order. Moreover, NFA is not authorized to issue any interpretations, "no-action" positions, or exemptions with respect to the requirements of Rules 4.7(b)(3) and 4.22(c).

NFA is authorized to perform all functions specified in this order until the Commission orders otherwise. Nothing in this order shall prevent the Commission from exercising the authority delegated herein. NFA may submit to the Commission for decision any specific matter regarding the functions delegated to it by this order. Nothing in this order affects the applicability of any previous orders issued by the Commission.

Issued in Washington, DC on December 11, 2002, by the Commission.

**Jean A. Webb,**

*Secretary of the Commission.*

[FR Doc. 02-31684 Filed 12-17-02; 8:45 am]

**BILLING CODE 6351-01-P**

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## DEPARTMENT OF DEFENSE

### Office of the Secretary

[Transmittal No. 03-03]

### 36(b)(1) Arms Sales Notifications

**AGENCY:** Department of Defense, Defense Security Cooperation Agency.

**ACTION:** Notice.

**SUMMARY:** The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996.

**FOR FURTHER INFORMATION CONTACT:** Ms. J. Hurd, DSCA/COMPT/RM, (703) 604-6575.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 03-03 with attached transmittal, policy justification, and Sensitivity of Technology.

Dated: December 4, 2002.

**Patricia L. Toppings,**

*Alternate OSD Federal Register Liaison Officer, Department of Defense.*

**BILLING CODE 5001-08-M**



## DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

21 November 2002

In reply refer to:  
I-02/010000

The Honorable J. Dennis Hastert  
Speaker of the House of  
Representatives  
Washington, D.C. 20515-6501

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act (AECA), as amended, we are forwarding herewith Transmittal No. 03-03, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance (LOA) to the Taipei Economic and Cultural Representative Office in the United States for defense articles and services estimated to cost \$875 million. Soon after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

A handwritten signature in cursive script, reading "Richard J. Millies", is positioned above the printed name.

Richard J. Millies  
Acting Director

Same ltr to: House Committee on International Relations  
Senate Committee on Foreign Relations  
House Committee on Armed Services  
Senate Committee on Armed Services  
House Committee on Appropriations  
Senate Committee on Appropriations

Attachments

**Transmittal No. 03-03**

**Notice of Proposed Issuance of Letter of Offer  
Pursuant to Section 36(b)(1)  
of the Arms Export Control Act, as amended**

- (i) **Prospective Purchaser:** Taipei Economic and Cultural Representative Office in the United States
- (ii) **Total Estimated Value:**
- |                          |                      |
|--------------------------|----------------------|
| Major Defense Equipment* | \$425 million        |
| Other                    | <u>\$450 million</u> |
| TOTAL                    | \$875 million        |
- (iii) **Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:** 4 KIDD Class Guided Missile Destroyers, 248 SM-2 Block IIIA STANDARD missiles, 32 RGM-84L BLOCK II HARPOON Missiles, shipyard/port support services and post transfer activities relating to "cold ship" turnover of 4 KIDD Class destroyers from the U.S. Navy, U.S. Government and contractor engineering and logistics personnel support services, repair and calibration services for shipboard equipment, design/construction/upgrade of shipyard maintenance and docking facilities, publications and technical data/drawings, personnel training and training equipment, support equipment, spare and repair parts and other elements of logistics necessary to prepare the destroyers for transfer to Taiwan in a "Safe to Steam" condition with all shipboard and weapon systems operational.
- (iv) **Military Department:** Navy (SDV, LGM, LGN, LFV, and TDA)
- (v) **Prior Related Cases, if any:**
- |              |                           |
|--------------|---------------------------|
| FMS Case LGI | - \$109 million - 13Sep01 |
| FMS Case LGB | - \$85 million - 30Sep98  |
| FMS Case LFV | - \$84 million - 18Jun97  |
| FMS Case LEZ | - \$67 million - 3Sep 99  |
| FMS Case LEX | - \$73 million - 30Sep92  |
| FMS Case LEL | - \$41 million - 18Sep89  |
- (vi) **Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid:** none
- (vii) **Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold:** See Annex attached
- (viii) **Date Report Delivered to Congress:** 21 November 2002

as defined in Section 47(6) of the Arms Export Control Act.

## **POLICY JUSTIFICATION**

### **Taipei Economic and Cultural Representative Office in the United States - KIDD Class Guided Missile Destroyers**

Taipei Economic and Cultural Representative Office in the United States has requested a possible sale of 4 KIDD Class Guided Missile Destroyers, 248 SM-2 Block IIIA STANDARD missiles, 32 RGM-84L BLOCK II HARPOON Missiles, shipyard/port support services and post transfer activities relating to "cold ship" turnover of 4 KIDD Class destroyers from the U.S. Navy, U.S. Government and contractor engineering and logistics personnel support services, repair and calibration services for shipboard equipment, design/construction/upgrade of shipyard maintenance and docking facilities, publications and technical data/drawings, personnel training and training equipment, support equipment, spare and repair parts and other elements of logistics necessary to prepare the destroyers for transfer to Taiwan in a "Safe to Steam" condition with all shipboard and weapon systems operational. The estimated cost is \$875 million.

This sale is consistent with United States law and policy as expressed in Public Law 96-8.

The recipient needs these KIDD Class destroyers as well as the weapons and ammunition to continue its naval modernization program and enhance its Anti-Submarine Warfare (ASW) capability. The recipient already has HARPOON missiles and STANDARD missiles in its weapon inventory.

The proposed sale of this equipment and support will not affect the basic military balance in the region.

The principal contractors will be: BAV, Division of VAE in Alexandria, Virginia; Raytheon Surface Navy Air Defense System in Tucson, Arizona; and the Boeing Company in St. Louis, Missouri. There are no offset agreements proposed in connection with this potential sale.

Implementation of this proposed sale will not require the assignment of any additional U.S. Government or contractor representatives for extended periods of time in support of this transfer.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

**Transmittal No. 03-03****Notice of Proposed Issuance of Letter of Offer  
Pursuant to Section 36(b)(1)  
of the Arms Export Control Act, as amended****Annex  
Item No. vii****(vii) Sensitivity of Technology:**

**1. The KIDD Class guided missile destroyers contain sensitive state-of-the-art technology. The classified information that will be provided consists of only that necessary for the recipient to operate, maintain, and repair the ships and their installed systems and related software. The proposed sale provides equipment and services and technical information related to the following classified equipment and documentation:**

**a. The MK 15 PHALANX Close-In Weapon System: Unclassified components with Confidential software.**

**b. AN/SYR-1 Communication Tracking Set: Unclassified hardware with Confidential software.**

**c. AN/SLQ-25A NIXIE Torpedo CM: Secret hardware, software, and documentation requiring sanitization.**

**d. AN/SLQ-32A(V)3 Improved ECM Set: Secret hardware. Due to USN requirements, this system must be removed and replaced with the basic AN/SLQ-32(V)2 system. Removal includes hardware, software, and technical manuals. When replaced with the basic AN/SLQ-32(V)2, the following release considerations apply: (1) hardware is Secret, (2) software is Confidential, (3) U.S. threat libraries are Secret and will not be released, and (4) technical manuals are Confidential and need to be sanitized.**

**e. MK 36 MOD 0 SRBOC Launching System: Confidential components with documentation requiring sanitization from Secret to Confidential.**

**f. AN/UYK-7(V) Computer CDS: Unclassified hardware. After sanitization, software and documentation will be Confidential.**

**g. MK 116 MOD 2 Underwater Fire Control System: Confidential hardware, software, and documentation requiring sanitization.**

**h. MK 14 MOD 5 Weapons Direction System: Secret hardware/documentation and Secret software requiring sanitization, which will downgrade classification to Confidential.**

i. MK 74 MOD 14 Fire Control System GUI: Secret hardware with Secret software/documentation requiring sanitization, which will downgrade classification to Confidential.

j. AN/SQQ-28(V)11 Sonar Signal Processing System: Confidential components and documentation requiring sanitization.

k. AN/SQR-17A(V) Sonar Signal Processing System: Confidential hardware. Secret software/documentation requiring sanitization which will downgrade classification to Confidential.

l. AN/SQS-53A EC-16: Unclassified hardware. Secret software/documentation requiring sanitization which will downgrade classification to Confidential.

m. AN/SQS-53A Sonar Set: Confidential components and documentation.

2. The SM-2 Block IIIA STANDARD missile is a U.S. Navy surface-launched guided missile and is classified Secret. It is operationally deployed on cruisers, destroyers, and frigates for use against air and surface threats (aircraft, missiles and ships). The guidance system employs a continuous-wave or interrupted continuous-wave radar link for homing in on a target. Steering and roll commands from the adaptive auto-pilot system provide flight stability via four aft-mounted control surfaces. Propulsion is provided by a solid-propellant, dual-thrust rocket motor that is an integral part of the missile airframe. The target detecting device (TDD) is a complex fuze with dual radar systems to optimize warhead lethality against a spectrum of target sizes and speeds.

3. The RGM-84L HARPOON Block II missile contains sensitive technology and has the following classified components, including applicable technical and equipment documentation and manuals:

- a. Radar seeker
- b. Missile characteristics and performance data
- c. Global Positioning System/Precise Positioning Service improves mid-course guidance to the target area

4. If a technologically advanced adversary were to obtain knowledge of the specific hardware in this proposed sale, the information could be used to develop countermeasures, which might reduce the effectiveness of the reconnaissance system, or be used in the development of a system with similar capabilities.

5. A determination has been made that the recipient can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.