



Billing Code: 5001-06

**DEPARTMENT OF DEFENSE**

**Office of the Secretary**

**[Transmittal No. 16-68]**

**36(b)(1) Arms Sales Notification**

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

**ACTION:** Notice.

**SUMMARY:** The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification.

**FOR FURTHER INFORMATION CONTACT:** Kathy Valadez, (703) 697-9217 or Pamela Young, (703) 697-9107; DSCA/DSA-RAN.

**SUPPLEMENTARY INFORMATION:** This 36(b)(1) arms sales notification is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996. The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 16-68 with attached Policy Justification.

Dated: July 13, 2017.

**Aaron Siegel,**

*Alternate OSD Federal Register Liaison Officer,*

*Department of Defense.*



**DEFENSE SECURITY COOPERATION AGENCY**

201 12TH STREET SOUTH, 91E 203  
ARLINGTON, VA 22202-6408

JUN 29 2017

The Honorable Paul D. Ryan  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 16-68, concerning the Department of the Navy's proposed Letter(s) of Acceptance to the Taipei Economic and Cultural Representative Office in the United States for defense articles and services estimated to cost \$175 million. After this letter is delivered to our office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,

  
J. W. Rixey  
Vice Admiral, USN  
Director

**Enclosures:**

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology



Transmittal No. 16-68

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  
(TECRO) in the United States

(ii) Total Estimated Value:

Major Defense Equipment*	\$100 million
Other	\$75 million
TOTAL	<u>\$175 million</u>

(iii) Description and Quantity or Quantities of Articles or Services under Consideration  
for Purchase:

Major Defense Equipment (MDE):

One hundred sixty-eight (168) MK-54 Lightweight Torpedo (LWT) Conversion Kits

Non-MDE includes:

Shipping containers, operator manuals and technical documentation, U.S.

Government and contractor engineering, technical and logistics support services.

(iv) Military Department: Navy

(v) Prior Related Cases, if any: FMS Cases TW-P-AJX and TW-P-AKB

(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 Attached annex

(viii) Date Report Delivered to Congress: 29 JUN 2017

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

## POLICY JUSTIFICATION

### Taipei Economic and Cultural Representative Office (TECRO) in the United States— MK-54 Lightweight Torpedo (LWT) Conversion Kits

TECRO has requested a possible sale of MK-54 Lightweight Torpedo (LWT) Conversion Kits. This request provides the recipient with MK-54 LWTs in support of their LWT program. This sale will include LWT containers, torpedo support, torpedo spare parts, publications, training, weapon system support, engineering and technical assistance for the upgrade and conversion of one hundred sixty eight (168) MK-46 Mod 5 Torpedoes to the MK-54 Lightweight Torpedo (LWT) configuration. The total estimated program cost is \$175 million.

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

This proposed sale serves U.S. national, economic and security interests by supporting the recipient's continuing efforts to modernize its armed forces and enhance its defensive capabilities. The proposed sale will help improve the security of the recipient and assist in maintaining political stability, military balance and economic progress in the region.

The proposed sale will improve the recipient's capability in current and future defensive efforts. The recipient will use the enhanced capability as a deterrent to regional threats and to strengthen homeland defense. The recipient will have no difficulty absorbing this equipment into its armed forces.

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

There will be various contractors involved in this case.

There are no known offset agreements proposed in connection with this potential sale.

It is estimated that during implementation of this proposed sale, a number of U.S. Government and contractor representatives will be assigned to the recipient or travel there intermittently during the program.

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

Annex Item No vii

(vii) Sensitivity of Technology:

1. The MK 54 Lightweight Torpedo (LWT) has been in service in the U.S. Navy (USN) since 2004. The version offered in this sale is the MK54 Mod 0 of the system. The purchaser currently does not have this weapon system in its inventory. The proposed sale consists 168 MK-54 Mod 0 LWT conversion kits, containers, spare and repair parts, weapon system support and integration, personnel training, training equipment, test equipment, U.S Government and contractor engineering, technical and logistical support services and other related elements of logistical support.

a. Although the MK 54 Mod 0 LWT is considered state-of-the-art-technology, there is no Critical Program Information associated with the MK 54 Mod 0 LWT hardware, technical documentation or software. The highest classification of the hardware to be exported is SECRET. The highest classification of the technical manual that will be exported is CONFIDENTIAL. The technical manual is required for operation of the MK 54 Mod 0 LWT. The highest classification of the software to be exported is SECRET.

2. Loss of hardware, software, publications or other items associated with the proposed sale to a technologically advanced or competent adversary, poses the risk of the destruction of the countermeasures or replication and/or improvements to the adversary's Undersea Weapon Systems, weakening U.S. defense capabilities.

3. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures which might reduce weapon system effectiveness or be used in development of a system with similar or advanced capabilities.

4. A determination has been made that the recipient country 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 in the Policy justification.

5. All defense articles and services listed in this transmittal have been authorized for release and export to the government of Taipei Economic and Cultural Representative Office (TECRO) in the United States.

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