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Good afternoon. I'd like to thank CSIS, Pierre Chao and David Berteau for organizing this excellent event and highlighting this important issue. When I look at the list of who has spoken today it certainly reads like an export control All-Star team! We just heard from two of those All-Stars in Norm Augustine and Bob Bell – it's a pleasure sitting on this panel with them.

We have covered a lot of ground regarding export controls today. In addition to Pierre's excellent presentation on his new study, we have heard from esteemed leaders like Deputy Secretary England and Deputy Secretary Negroonte as well as Undersecretary Mancuso. This signals to me that this issue is on the front-burner – a very welcome development considering where we were just a few years ago.

Today I am not only wearing my AIA hat, but representing the Coalition for Security and Competitiveness. I think many of you are familiar with the coalition and our work over the last year pushing for modernization of the export control system. We have seen some excellent results, and we look forward to building upon them in the future.

The experience we've had within the coalition is important for several reasons. It is an extraordinary case study of what is possible when associations and other advocacy groups from across the business spectrum come together for an important common goal. The coalition also shows that it is possible for several large and influential groups to work together in an extremely cooperative and collaborative manner. There were a lot of people in Washington who didn't think it could be done!

But before I get into the specifics of what happened with the coalition, I want to take a broader view of the issue. Today I'm going to talk about the past, present and future of export controls.

Let's state a fact very clearly. Export controls are absolutely necessary and vital to preserving U.S. national security. I'm reminded of a situation soon after World War II that that really underscores the issue. At that time, relations between the UK and Soviet Union were changing rapidly, as the Soviets were undergoing a quick transition from ally to foe.

The Soviets had a program developing the jet aircraft technology they gleaned from captured German engineers, but the engines they copied from German plans were not very powerful. So they were very interested in the most powerful jet engine available at the time, which was British. Not realizing Soviet intentions, the British not only invited them to tour the factory, but gave them 25 of the finished product! Stalin was quoted as remarking about how foolish it was to send him the latest jet engine!

Granted, this is an extreme example with obvious extenuating circumstances. But it's a good warning that advanced technology must be closely safeguarded.

Let's talk about the past of export controls in our country. The system was developed to deal with the Cold War international dynamic that emerged after World War II. When the Soviet Union disintegrated in the early 1990s, taking old paradigms with it, our export control system did not change to reflect the new reality. The new reality coincided with a growing wave of globalization. This expanded the possibilities – and in many ways the necessity – to collaborate with our foreign partners to develop cutting-edge technology.

So we were left with an outdated system right when the export control caseload was becoming larger and more complex. But even worse, this important national security and foreign policy tool was not made a priority. This led to a lack of needed manpower, resources and policy guidance to move to address the basic changes of history. All this was happening as new security threats demanded even greater cooperation with our key allies and partners.

It's great that Deputy Secretary England is a part of this conference because he was one of the first government leaders who began to link modernizing our export control system with enhancing national security. To be quite honest, we in industry were focused on articulating how the outdated system affected business, but not as adept at pointing out the negative impacts to our national defense. So the issue was sometimes falsely framed as a choice between economic and security interests.

AIA pushed for export control reform for many years. Previously much of our argument was a general call for higher walls around fewer things and focused on relatively major changes that had to be made through Congress.

But in 2006 we developed a new approach centered on specific recommendations possible under existing legislation to make the system more predictable, efficient and transparent.

Which brings us to the present day in export controls. After crafting our new approach and having it reviewed by the State Department's defense licensing system, AIA began working with other advocacy organizations in Washington that also had reason to support a modernized system. We joined forces with the U.S. Chamber of Commerce as well as the National Association of Manufacturers and expanded our focus to include recommendations for improvement in the Commerce Department system overseeing dual-use items. As this effort coalesced, we realized many other groups were interested in the direction we were going, so it became a clear we needed to expand.

As a result, the Coalition for Security and Competitiveness formed in late 2006. It came to include no less than 18 organizations representing a broad cross-section of high-technology manufacturing. Members ranged

from the American Electronics Association to the Industrial Fasteners Institute to the Information Technology Industry Council to the Satellite Industries Association.

As many of you know, the administration adopted most of the coalition's recommendations, releasing presidential directives on the matter on Jan. 22. These changes are being implemented as we speak, and we are very excited and optimistic about the good they will do.

Now, I would be remiss if I didn't say a few words about the problems surrounding section 17C of the Export Administration Act as an example of this progress. This legislative provision was an attempt to confirm the rules for aircraft suppliers that determined whether their parts were commercial or military. As we know, this makes all the difference on whether they are controlled by Commerce or State, and whether they are acceptable for commercial use.

Given our industry's strong commitment to complying with export control regulations, our supplier base increasingly found itself erring on the side of caution. This impacted production and delivery schedules, and has been particularly bad for small and medium-sized companies. We are thrilled that we now seem to be close to a resolution to the problem – and I'd like to thank the administration and congressmen Don Manzullo and Brad Sherman for their leadership on this issue.

Last year the administration took another positive export control step when it signed defense trade treaties with the United Kingdom and Australia. AIA has endorsed these treaties and we are encouraging the Senate to approve them as soon as possible. There are significant benefits to improving defense trade and technology cooperation with two of our closest allies. It is equally important for the government to apply the principles of licensing caseload management to support critical defense and security programs.

Before we move on the future of export controls, I wanted to talk about some examples of how the old rules created some extraordinary, if sometimes comical, situations. But behind the humor is a frustration at the old way these cases were handled. The hope going forward is that the improvements we're seeing now will go a long way to avoiding the types of situations I'm going to describe.

One example involves a historic Romanian Navy tall sailing ship that was on a promotional tour of the United States. The ship developed a problem with one of its depth finders.

Romanian Navy officials asked a U.S. company to repair the depth finder – a widely available commercial model. Since the ship was technically a military vessel, the company contacted the U.S. State Department.

Officials told the company it would need a Technical Assistance Agreement to make the repair since it was on a “military ship” and would constitute a defense service to a foreign government. The Romanians got around the problem by removing the depth finder from the ship, getting it repaired as a stand-alone item at a commercial facility, and then re-installing the equipment.

Last year, EADS CEO Tom Enders related another example to the World Politics Review. EADS exported U.S.-made parts for inclusion in a radar system for the Malaysians. That deal became sidetracked, and U.S. Navy officials decided it could use the parts. So EADS asked the State Department for permission to re-import them back to the United States. That permission – to bring U.S.-made parts back into the country for the U.S. Navy – took 11 months, and only then came after it was brought to the attention of senior officials in the State Department.

And, finally, a member of Congress relayed a story to Aviation Week last year about a U.S. firm that had to expend more than 2,200 worker hours to justify a waiver for \$14,000 worth of parts for a missile. You can bet those hours cost a lot more than \$14,000! We expect stories like these to be few and far between as modernization measures are instituted.

Which brings us to the future of export controls. The changes that are being implemented are a huge step forward, but there is more work to be done. The directives from the president must be fully implemented and sustained, and the concepts should be expanded. And we must take the opportunity to maximize the positive effects of the steps now being taken.

Talking about the future of export controls naturally leads to discussion of the CSIS study we heard about earlier today. I would say we are very supportive of the study and its recommendations. For example, the

proposal to have different departments ultimately responsible for interagency coordination, increased communication and cooperation is long overdue.

This proposal also demonstrates that we should continue to find ways of making the existing structure better, even as we find more far-reaching ways to improve it.

The recommendation for a National Technology Assessment Group will go a long way to helping ensure we have a robust and rigorous system. It helps move us from “one-size-fits-all” controls to the right controls for the right technologies. We saw an example of this principle with the proposed 17C fix.

The other ideas in the CSIS report – building on trusted communities and international dialogue – are being put into practice in a sense within the context of the UK and Australia defense trade treaties.

The main point I’d like to make today is that we should give industry the export control tools we need to support our warfighters. We in industry have identical goals to our government partners – make our fighting men and women the best equipped, by far, in the world.

As battlefield experiences have shown, another extremely important part of boots-on-the-ground success is true interoperability with those who fight with us shoulder-to-shoulder.

In closing, I just want to repeat how refreshing it is to be a part of a conference of this stature on export controls. We really appreciate all the work that has gone into organizing this event, and the interest from government, industry, our think-tank colleagues and everyone else involved.

AIA is committed to export control modernization. We will continue to work with the next Congress and the next administration to press for meaningful change. Let me say this to all of the community here today – we’ve come a long way. Let’s finish the job we started.

Thank you, and I’m happy to answer any questions you might have.

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