AIA members on their way to meetings with members and staff of Congress during National Aerospace Week 2012.
In our turbulent political environment, one would be hard pressed to find an issue where both parties find agreement. Fortunately, export control reform is one of them. Leaders of both parties have welcomed the administration’s initiative to implement common sense reforms to streamline and improve the nation’s export control system. And Congress has also begun to act on needed reforms. In May, the House of Representatives passed an amendment to the fiscal year 2013 Defense Authorization Act that would modernize U.S. satellite export controls by returning authority to the Executive Branch to determine whether these items should be tightly controlled on the U.S. Munitions List (USML) or be on the more export friendly Commerce Control List (CCL). Senator Michael Bennet (D-Colo.) has proposed similar legislation in the upper chamber, which has yet to act on the defense bill.

Hopefully, before Congress adjourns, our lawmakers will put into law a more efficient and transparent regulatory system for satellite exports, reversing the 1998 congressional mandate that categorizes all commercial U.S. satellites, technology and components as weapons subject to the strictest export controls. Real reform to this outdated export law will drive increased economic activity, create more jobs for American aerospace workers, and strengthen our national security.

The possibility of long-awaited regulatory relief became real this spring with the release of the Defense and State Departments’ report to Congress on the implication of normalizing export controls on satellites and related components. The report, required under section 1248 of the fiscal year 2010 National Defense Authorization Act, had long been sought by AIA and its member companies because satellites are the only widely available commercial technology singled out for restrictive export controls under current law. The report calls for U.S. export controls on satellite systems, subsystems, components and related technologies that are widely used in commercial markets to be enforced by the Commerce Department rather than State Department. Direct broadcast television, satellite communications, commercial remote sensing systems and some satellite components are examples of technologies proposed to be moved to Commerce control.

National Security,” outlines the significant negative impact our existing control regime has had on the space industrial base. AIA estimates that our outdated policies and regulations have cost U.S. manufacturers $21 billion in satellite revenue, resulting in an average annual loss of 27,893 direct and indirect jobs. In 1999, the U.S. share of global satellite manufacturing revenue was nearly 65 percent. Following the imposition of military export controls, that share dropped to between 30 and 50 percent. The AIA report was part of a major effort conducted this year to advocate for changes in satellite export law and policy, and I am proud that it has played – and continues to play – an influential role within government agencies and the halls of Congress.

Reforming satellite export controls is tied to a broader bipartisan effort, embraced by both the Obama and the George W. Bush administrations to focus export control efforts on the most critical products and technologies we don’t want to fall into the wrong hands. Or as the White House stated two years ago, “The goal of the reform effort is ‘to build high walls around a smaller yard’ by focusing our enforcement efforts” on our most critical advanced technologies. The new approach toward export controls attempts to distinguish between export items that need stricter levels of control and those that should be allowed more permissive levels of control depending on the destination, end-use and end-user of the item. The administration has made progress on efforts to have a single control list, single primary enforcement coordination agency and single information technology system, while the goal of having a single licensing agency remains to be implemented in the future.

We have made clear in our interactions with the administration and Congress that we must continue to compete effectively in the international marketplace to foster America’s economic recovery and set a trajectory for even greater future economic growth while preserving U.S. national security and foreign policy interests. Such a reform will stop what some European experts have called a “Space Marshall Plan” that has created a rich market opportunity for other nations’ industries by hobbling American companies in the competitive commercial marketplace.

Having a more rational export control system will enable the aerospace and defense industry to continue to create and sustain high-skill, high-wage manufacturing jobs. Our ability to export will also preserve and increase the capacity of industry to conduct cutting-edge innovation which enables the United States to maintain our essential superiority on the battlefield. And with uncertainty surrounding the federal budget, exports can be an important part of how we maintain our nation’s critical defense and aerospace industrial base. For all these reasons, I am hopeful government and industry can continue to work in partnership to create an export control system that advances the long-term security and economic interests of our nation.

Marion C. Blakey
President & Chief Executive Officer
Michael Froman has served as the Obama Administration’s Deputy National Security Advisor for International Economic Affairs since 2009. Froman, who has a Ph.D. in International Relations from Oxford University and a J.D. from Harvard Law School, has played a leading role in helping to shape and implement the Administration’s Export Control Reform initiative. He recently shared his views on the progress of the initiative with the Executive Report.

**Q&A**

*With Michael Froman, White House Aide*

Michael Froman has served as the Obama Administration’s Deputy National Security Advisor for International Economic Affairs since 2009. Froman, who has a Ph.D. in International Relations from Oxford University and a J.D. from Harvard Law School, has played a leading role in helping to shape and implement the Administration’s Export Control Reform initiative. He recently shared his views on the progress of the initiative with the Executive Report.

**AIA:** What has the administration accomplished in export control reform, and where is the process headed?

**Froman:** President Obama launched this initiative almost three years ago to focus our efforts on the most critical technologies and to do what Defense Secretary Gates at the time suggested…to build a higher wall around a smaller yard. This involved looking hard at the U.S. Munitions List (USML) and the Commerce Control List (CCL) and redefining which items should require individual licenses and which could go under more flexible licensing schemes to which countries. And we set out four ultimate goals—of having a single list, a single licensing agency, a single IT system and a single primary enforcement agency.

Through an interagency effort led by DOD and coordinated by the White House we are redefining each of the 19 USML categories to determine what needs to stay on that list and what items could go to the CCL. We’ve received an enormous amount of helpful input from all sorts of stakeholders including the aerospace industry and other key industries and we’re preparing to issue rules in final form.

On the licensing policy we’ve made significant progress in looking at which countries could benefit from more flexible licensing policies and which countries require more stringent licensing policies and making sure those two sets of countries are consistent across our system. We’re also solving some outstanding issues like how to define specially designed military uses which affects a lot of different licensing requirements.

The IT system—significant progress. We now have all of our licensing agencies being transitioned to DOD’s USXPORTS so that different licensing agencies can see each others’ licensing requests and decisions.

With regard to a single licensing agency, that requires legislation. We have drafted legislation that has not been finalized. In the meantime we’ve created an Export Enforcement Coordination Center which brings together all the relevant export enforcement capabilities from the Departments of Justice, Homeland Security and Commerce and helps to de-conflict how enforcement activities are done.

**AIA:** What advantages will the U.S. gain from export control reform?

**Froman:** Fundamentally, this is about enhancing national security and making sure that we are focusing our resources on the technologies that are critically important to our national security. As Ellen Tauscher (former Undersecretary of State for Arms Control and International Security Affairs) would describe it, “If you are looking for a needle in a haystack, the first thing you want to do is shrink the haystack.” Secondly, this is about enhancing the economic competitiveness of U.S. firms. We’ve seen multiple examples where a U.S. input has been designed out of products because it was subject to ITAR. We want a strong industrial base with the strongest technology, the cutting edge technology being produced here because you can’t have a strong national security without a strong industrial base.
AIA:  
When you discuss this issue with members of Congress, is there more agreement or disagreement that export control reform will enhance national security?

Froman:  
I think there is more agreement than disagreement. Those members of Congress that have really focused on this understand that our export control system has layered on requirements and reflects in many respects a view of how technology develops and a view of how the U.S. industrial base relates to the rest of the world that is outdated. They recognize on both sides of the aisle the fact that you have members of the military – both current and former – who believe that export control reform is critical to interoperability with our allies. You have instances in Afghanistan where we cannot give a spare part to a NATO ally without going back to Washington for a license. Some of the strongest proponents of this export control reform have been the uniformed military and the DOD. We see great support also from the Department of State and the Departments of Commerce, Energy and Treasury and the others who see this as a way of ensuring our national security, and I think that gets reflected on the Hill as well.

AIA:  
Are there any major obstacles to moving forward on reform?

Froman:  
The major gating issue to moving ahead with reform is the fact that this is extremely technical and detail-oriented work. Our biggest bottleneck is the fact that the people qualified to do this are already stretched very thin. I think looking ahead, as we finalize the rules redefining these categories we will need to go to Congress for a 38(f) notification which is necessary for moving an item from the USML to the CCL. We will need to work with Congress to lay out a way of doing that in an efficient manner. The statutory requirements are only 30 days. We have had instances in the past where it has taken substantially longer. We need a better system for working with Congress to facilitate those transfers that address their legitimate interests in this process as well.

AIA:  
Commercial satellites and related components are the only technology mandated by law to be on the USML. The Administration sent the 1248 Report to Congress to explain how these controls could be changed consistent with our national security. Was the input from AIA and the industry helpful in moving the satellite component of export reform along?

Froman:  
Absolutely. The input from AIA and all the other industrial trade associations has been absolutely critical to our ability to do this whole license review and was critical for the 1248 report. I know that up on Capitol Hill there are a number of members of Congress talking about legislation on satellites to give discretion back to the President to determine on which list satellites should sit. It’s obviously up to Congress to act. We can’t make that decision without Congress acting.
Features Industry, Political Leaders

In June, AIA launched its most comprehensive effort in recent history to ensure that we’re continually focused on members’ priorities. With significant challenges facing our industry for the foreseeable future, our goal is to further strengthen our internal communications and advocacy capabilities and continue our Second to None Campaign efforts without having to ask for voluntary contributions year after year.

For this reason, we launched our Membership Value Assessment. We surveyed AIA’s councils, committees and working groups to get their feedback on the perceived value of AIA activities and collect information on the work being done through these bodies. We also surveyed of our member company CEOs on AIA’s priorities. The survey asked the CEOs to make choices about what they believe we should be most focused on as we approach the development of our 2013 budget. We are examining all aspects of AIA’s activities and resources in an effort to be as effective and cost-efficient as possible.

An update on the assessment was provided to the membership at AIA’s 70th Annual Board of Governors and Membership fall meeting in San Diego, November 13-16. Thanks to our members’ continued engagement, AIA is poised to build on our successes in the year ahead.

AIA Welcomes New Members

Member Companies

Aireon LLC
Camcode Division of Horizons Inc.
CPI Aerostructures
Delek, Inc.
Denison Industries
Ernst & Young LLP
Seal Science
W.L. Gore & Associates, Inc.

AdChem Manufacturing Technologies, Inc.
AeroCision, LLC
AeroTurbine, Inc.
Automatic Screw Machine Products Company
Barry Controls Aerospace
Bodycote
Budney Aerospace
Calzone Case Company

Capital Region Education Council (CREC)
Consolidated Industries, Inc.
Crane Aerospace & Electronics
Electralloy, a G.O. Carlson Inc., Co.
Electrospec, Inc.
EP-Team, Inc.
Eergy, LLC
Fairmont Consulting Group

FellFab Corporation
Gage Bilt, Inc.
GPS Inventory Solutions, Inc.
GSE Dynamics, Inc.
Hercules Heat Treating Corporation
Lawrence Holdings, Inc.
Neeme Systems Solutions, Inc.

Pointe Precision, Inc.
Radant Technologies, Inc.
R&J Components Corporation
Sherry Laboratories, LLC
Specialty Ring Products
Starrag USA, Inc.
UEC Electronics
United Precision Products Company, Inc.

Associate Members

Board of Governors and Membership Meeting Features Industry, Political Leaders

AIA’s 70th Annual Board of Governors and Membership fall meeting featured timely sessions on where our country is headed following the presidential and congressional elections, and on the future of the aerospace and defense industry. Held November 13-16 at the Grand Del Mar Hotel in San Diego, the fall meeting brought together aerospace and defense leaders from around the country for substantive meetings and southern California hospitality at its best.

One of the most eventful elections in American history was the focus of a presentation by noted pollster and political advisor Doug Schoen. The following evening, Ed Gillespie, former Chairman of the Republican National Committee and former Counselor to President George W. Bush and Terry McAuliffe, former Chairman of the Democratic National Committee and former Chairman of Hillary Clinton for President led a lively discussion on the meaning of the election and what lies ahead as the lame duck Congress addresses the looming fiscal cliff.

Highlights of the fall meeting were speeches by a number of leading figures in the aerospace and defense sector, including Frank Kendall, Undersecretary of Defense for Acquisition, Technology and Logistics; Heidi Wood, lead aerospace and defense analyst for Morgan Stanley; Paul Kaminiski, Chairman & CEO of Technovation; and Ambassador Duane Woerth, U.S. Representative, Council on the International Civil Aviation Organization. In a special session moderated by Wes Bush, Chairman CEO & President of Northrop Grumman Corporation and Vice Chair of AIA’s Board of Governors, retiring industry leaders James Albaugh (President & CEO, Boeing Company Commercial Airplanes), Robert Stevens (Chairman & CEO Lockheed Martin Corporation), Richard McNeel (Chairman, President and CEO of Lord Corporation) and Robert Brady (Executive Chairman, Moog Inc.) shared their wisdom and lessons learned from a combined century of leadership in our industry, as well as provided their forecasts for the future of aerospace and defense.
Armed with a tremendous sense of urgency, representatives of the aerospace and defense industry took AIA’s message about the need to repeal sequestration to more than 120 congressional offices during the third annual National Aerospace Week, September 16-22. AIA’s President and CEO Marion C. Blakey said following the week’s activities, “we made clear that sequestration must be stopped. I’m very proud of what we accomplished this week.”

National Aerospace Week served as a rallying point for AIA’s Second to None campaign against the severe budget cuts scheduled to go into effect in January. In addition to one-on-one meetings with members of Congress and their staffs, members of AIA’s Supplier Management Council met with and heard remarks from: Deputy NASA Administrator Lori Garver; Commerce Undersecretary for Industry and Security Eric Hirschhorn; Acting FAA Administrator Michael Huerta; Assistant Secretary of Defense for Logistics and Material Readiness Alan Estevez; and Commerce Undersecretary for International Trade Francisco Sánchez.

AIA members turned out in force at high-profile Hill events including the Senate Aerospace Caucus breakfast featuring Frank Kendall, Undersecretary of Defense for Acquisition, Technology and Logistics. Kendall told the audience that the problem with sequestration is twofold: the sheer magnitude of the cuts and the lack of flexibility for setting priorities. AIA also hosted a House Aerospace Caucus luncheon where National Reconnaissance Office Principal Director Frank Calvelli described NRO’s critical role in providing our nation’s leaders with vital intelligence from space.

In remarks to the Air Force Association annual conference, Marion Blakey told participants, “For the companies of AIA….supporting the warfighter first and foremost means designing and building the strongest, safest and most effective military equipment our industry can muster.” And in an address to the Woodrow Wilson Center for International Scholars, Jim Albaugh, Boeing’s President and CEO for Commercial Airplanes and AIA Executive Committee member, stated, “Aerospace is more than an industry. It’s a force for good in the world.”

A National Aerospace Week highlight was AIA’s Wings of Liberty reception honoring Rep. Howard “Buck” McKeon (R-Calif.), Chairman of the House Armed Services Committee. McKeon accepted the industry’s highest honor for his dedication and support of the aerospace and defense industry and in remarks commended AIA on being the first group to battle the automatic defense cuts our military is facing.

A key component of the week was a House Small Business Committee hearing about sequestration. George Mason University economist Stephen Fuller testified that based on an AIA-sponsored study 956,181 small business jobs are at risk in 2013 if sequestration goes forward.

At the Business and Industry STEM Industry Coalition reception, AIA hosted accomplished students who will soon enter the workforce and contribute their talents to an industry that remains a font of innovation and dynamism.

The events in Washington D.C. ran concurrently with other aerospace industry conferences and activities in Iowa, Maryland, Minnesota, New Jersey, North Carolina, Ohio, Oklahoma, Texas, Washington and West Virginia. AIA also promoted National Aerospace Week through an active social media presence with our twitter messages reaching 250,000 people.