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Export Controls, Arms Sales, and Reforms: Balancing U.S. Interests
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Madame Chairman, Ranking Member Berman, and members of the House Committee on Foreign Affairs: the Aerospace Industries Association of America appreciates the opportunity to testify at today's hearing. Our industry consistently generates America's largest manufacturing trade surplus (projected to be more than \$57.4 billion in 2011), but continuing this track record of success cannot be taken for granted.

Aerospace and defense exports create and sustain high-skill, high-wage manufacturing jobs. These exports also preserve and increase the capacity for cutting-edge innovation and a robust industrial base that enables critical U.S. military capability on the battlefield. With such uncertainty surrounding the U.S. federal budget, exports can be an important part of how we maintain our nation's critical defense and aerospace industrial base.

I would therefore like to particularly emphasize that the reauthorization of the U.S. Export Import Bank prior to May 31st is of paramount importance to the ability of many exporters to compete on a level playing field in a commercial market where current and future competitors continue to enjoy support from their countries' export credit agencies.

I would particularly like to thank you, Madame Chairman, and Ranking Member Berman for your leadership over the years in trying to modernize our export control system.

Another example of bipartisan leadership is H.R. 3288, a bill being championed by a number of Members, including Ranking Member Berman and Congressmen Connolly and Manzullo. H.R. 3288 aims to initiate practical, common sense legislative reforms to address the issues outlined in AIA's new report: *Competing for Space: Satellite Export Policy and U.S. National Security*. With your permission, I would like to include this report as part of my submitted written testimony today.

The report surveys manufacturers of U.S. satellite systems and components about the challenges the space industrial base faces as a result of U.S. export policies, in particular the legislative mandate to treat commercial satellites and related components as military technology even though the rest of the world does not.

We calculate a cumulative loss of \$20.8 billion in U.S. satellite manufacturing revenue from 1999, the year COMSATS were moved to the U.S. Munitions List, to 2009. According to Dr. Stephen Fuller of George Mason University, the direct job loss totals 8,710 jobs annually and 19,183 in the indirect and induced jobs losses for a combined job loss of 27,893 jobs lost annually, in part because of export control policies that need to change.

We urge the timely completion of the U.S. Munitions and Commerce Control List reviews, including returning the authority to determine jurisdiction of COMSATS to the Administration. This process should not change currently “denied” exports to “approved” exports. Instead transactions that would be approved in the current system would be processed faster by deciding in advance that less sensitive items do not require ITAR-level scrutiny. Export licensing would also be cheaper, since companies that manufacture USML technologies must pay an annual \$2,250 a year registration fee plus \$250 charge per export license.

On that latter point, 68% of companies that have to register with the State Department because they make a product that is captured on the USML never export. I suspect many of them make the kinds of parts and components we can all agree should be moved to Commerce control. Those parts and components manufacturers that do export have to incorporate the license charge of \$250 per export license into their pricing. For small and medium sized companies, there would be significant benefits in helping them minimize these regulatory burdens of the existing system.

But this should be the first of many critical steps for reform, not the last. We need to move beyond ‘rationalizing’ the lists of controlled technologies, and put in place new management models for licensing – in particular, workable frameworks for managing licensing and for sharing controlled technologies more effectively in the context of the U.S. Government’s own programs.

Previous reform efforts have met with varying degrees of success. Experience suggests that critical factors in enabling meaningful reform include sustained oversight by senior Administration officials, as well as effective consultation with Congress and the private sector. We stand ready to work with you and the Administration to ensure that we continue to make meaningful progress towards a predictable, efficient, and transparent export control regime.