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Introduction

Chairman Sherman and Ranking Member Royce, thank you for holding this important hearing on export controls on satellite technology. I appreciate the opportunity to submit this testimony for the record.

I represent the Aerospace Industries Association – we are an association of nearly 300 aerospace manufacturing companies and their 660,000 highly-skilled employees who make the satellites, space sensors, space craft, launch vehicles, and the ground support systems employed by NASA, NOAA, and the DoD.

I welcome the opportunity to mention the important contributions our U.S. space industry makes to our national security and the effects our current export control policies have on the current and future competitiveness of this critical industrial sector.

Current U.S. Export Control Policies Threaten U.S. Space Industry

The aerospace industry appreciates and supports the objectives of an effective export control system in regulating access to critical U.S. technologies. However, the unintended consequence of an outdated export control system is that it, in fact, damages U.S. national security by weakening our space industrial base. This in turn weakens our nation's ability to manufacture space systems needed for defense and intelligence operations. These controls are adversely impacting many small or supplier level companies by either becoming a barrier to entry into the industry or causing companies to move outside the space sector altogether.

Without meaningful steps to modernize the U.S. export control system and enhance space trade among our allies, the U.S. faces a real and daunting possibility of losing our leadership in space and our ability to compete in the global space industry.

Our current system, which explicitly controls commercial satellites and their related components as U.S. munitions list items, was implemented in response to transfer of controlled information to the Chinese after a failed launch of a U.S. commercial satellite on a Chinese rocket in 1998. While a response from U.S. lawmakers was wholly justified at the time, regrettably commercial satellites were lumped in with the rocket-related technology in the legislation that resulted. A careful review of the global space marketplace since 1998 demonstrates the need to update these controls for the current global environment.

U.S. firms accounted for 73% of the world market for commercial satellites (COMSATS) in 1998, the year before space restrictions were implemented through the International Traffic in Arms Regulations (ITAR). By 2000, the U.S. market share dropped to 27%. The market is now increasingly dominated by France, Russia, and the European Union, and there is every reason to expect this trend to continue as India seeks to extend its commercial space capabilities and market presence.

More than 60 nations are now engaged in space efforts, and a variety of nations are increasingly developing their own COMSAT technologies that are good enough to compete with U.S. products, even with the U.S. ITAR restrictions in place. These countries place commercial, as opposed to military-level export controls on these technologies. Meanwhile, U.S. firms are forced to navigate a much more challenging pathway to gain export approval even to do business with key allies. Even more troublesome is that all parts of a COMSAT, no matter how innocuous, are restricted as munitions list items – leading to significant compliance costs and requirements and licensing delays imposed on supplier firms.

For many small second- and third-tier U.S. space companies, the restrictions that ITAR imposes are taking a demonstrable toll. According to a recent survey of nearly 200 small U.S. space companies by the National Security Space Office, 70% of the companies surveyed cited ITAR restrictions as inhibiting their ability to compete for foreign business. Costs of compliance with ITAR on second and third-tier companies have increased by 28% since 2003 according to a study by the bipartisan Center for Strategic and International Studies. Furthermore, the same study reports that the U.S. is the only country that classifies commercial communications satellites as a "munitions."

As U.S. market share declines, many U.S. companies, particularly second- and third-tier suppliers, are increasingly reliant on sales to the U.S. government to remain viable or are considering exiting the space business altogether. In the absence of a space industrial base in the U.S. that can remain healthy through export of commercial equipment, our government may no longer be able to find U.S. companies that can produce highly sensitive components for military and intelligence purposes. Instead of protecting U.S. national security interests, outdated ITAR restrictions are threatening these very same interests.

Without ITAR reform, the U.S. faces a real and daunting possibility of losing our leadership in space and our ability to compete in the global commercial space industry. This is particularly worrisome at a time when the U.S. government should be encouraging growth across all sectors of the economy instead of limiting growth in the space sector, particularly among COMSAT component suppliers.

President Obama had it right when he declared in a 2008 campaign space policy document that a review of ITAR should occur. The Aerospace Industries Association fully backs the President's call for such a review, and specifically recommends moving away from one-size-fits-all controls on COMSATS and related components to a more nuanced, performance based evaluation of which COMSAT technologies should be controlled and how they should be controlled.

Of $202.6 billion in aerospace industry sales in 2007, direct space system industry sales topped $39 billion. Our nation's space industry supports just the kind of high-technology, world-class jobs that we need more of, not less. It's not yet too late to take the concrete steps needed to re-evaluate ITAR controls on COMSAT technologies and sharpen the national security and foreign policy controls in the 1998 law to keep our country safe and our industry strong.

AIA Recommendations

AIA recommends the U.S. government undertake a careful review of space technologies – including commercial satellite technology – to re-evaluate which technologies should be controlled and to determine under which jurisdiction control is most appropriate, while keeping our primary focus on national security concerns. The review should examine how current export control policies on space technologies impact the U.S. space industrial base and industry competitiveness – from first-tier companies to the supplier level.

This technology review should be coupled with legislation that provides the Administration with the necessary strength and appropriate flexibility to differentiate between sensitive COMSAT technologies – the export of which would have national security and foreign policy implications – and truly commercial components. Making this distinction will level the playing field for U.S. commercial satellite components manufacturers in the international marketplace.

Conclusion

The U.S. relies on a healthy space industrial base for the development and deployment of critical national security assets. Over the past 50 years, space systems and technologies have increasingly become a critical part of our nation's economic, scientific and national security capabilities. Unfortunately, many U.S. export control policies are ineffective, or worse, counterproductive, and ultimately negatively impact our security interests.

Despite restrictive controls on the transfer of space technologies, and commercial satellites in particular, many other nations are employing their own space capabilities to support their infrastructure, to increase their technological prowess, and to demonstrate that they are a modern space-faring nation. In order to protect our capability to lead in space systems the U.S. needs a modern export control system. A modernized system should continue to keep sensitive technologies out of the wrong hands yet facilitate, in a timely manner, technology trade and cooperation with our friends and allies that support U.S. interests.

Our leadership is space is no longer assured; instead, outdated restrictions on space technologies in the ITAR have resulted in a weakened U.S. space industrial base and must be updated.

Thank you.