



Modernize Space System Trade Policies to Enhance U.S. National Security

AIA RECOMMENDATIONS

- **Outdated restrictions on space technologies in the International Traffic in Arms Regulations (ITAR) have resulted in a weakened U.S. space industrial base and must be updated.**
- **AIA recommends that the U.S. government undergo a careful review of space technologies – including commercial satellite technology – to re-evaluate which technologies should be controlled and to determine 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 1st tier companies to the supplier level.**
- **The review should determine what actions, including legislation, are needed to modernize ITAR, to ensure the right technologies are controlled the right way.**
- **The U.S. government should also strengthen international partnerships and diplomacy with Europe, India, and other key allies to grow space trade opportunities for U.S. businesses.**

BACKGROUND

The U.S. relies on a healthy space industrial base for the development and deployment of critical national security assets. Unfortunately, many U.S. export control policies are ineffective, or worse counterproductive, to U.S. industry and ultimately negatively impact our security interests. 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 supports U.S. interests.

Instead of preventing foreign space capabilities, barriers to U.S. products have prompted numerous countries to develop their own indigenous aerospace capabilities and leverage their growing market share to support their own R&D and innovation. Today, components such as radiation hardened bolts, connectors, power cables, and others remain restricted, but have become widely available through global competitors leveraging their own "ITAR-free" products. 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 exclusively or are considering exiting the space business altogether. In the absence of a healthy, cutting-edge, space industrial base in the U.S., our government may be forced into relying on foreign suppliers for key components.

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 preeminence in space and our ability to compete in the global space industry.

KEY POINTS

- **Current U.S. Export Control Policies Threaten U.S. Space Industry.** U.S. firms accounted for 73% of the world market for commercial satellites in 1998, the year before current ITAR space restrictions were implemented. By 2000, the U.S. market share dropped to 27%. In the launch industry, U.S. firms earned over \$300 million in revenues from launch services in 2003, but by 2007 this was down to \$150 million. In the same period revenues from European launches increased from \$178 million to \$840 million. There is every reason to expect this trend to continue as India seeks to extend its commercial space capabilities and market presence.
- **Barrier to Entry for Non-Traditional and Small Space Companies.** Due to the high costs imposed on space companies by current export control policies, a variety of U.S. firms are finding these controls pose a barrier to entry into the space industry. A recent survey by the National Security Space Office of nearly 200 small U.S. space companies found that 70% of those companies surveyed cited ITAR restrictions as inhibiting their ability to compete for foreign business. At a time when the U.S. government should be encouraging growth across all sectors of the economy, export controls are limiting growth in the space sector, particularly among component suppliers.
- **Erosion of U.S. Space Industrial Base.** Recent studies, including a 2008 report by CSIS, have highlighted the negative impacts of space export control policies on the health of the U.S. space industrial base. According to CSIS, the U.S. is the only country that classifies commercial communications satellites as a "munition" and costs of compliance to 2nd and 3rd tier companies have increased 28% since 2003.