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Aerospace States Association
Mock Hearing on Export Controls
Rayburn House Office Building

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- Good afternoon, and thank you for inviting me to take part in this important event today. I'm Marion Blakey, president and CEO of the Aerospace Industries Association.
- It is great to follow Congressman Manzullo in addressing export controls since he has shown such great vision and energy in pushing for modernization of the system in Congress. I would like to thank him publicly for all he has done.
- Let me also thank Lt. Governor Dubie and the other lieutenant governors of the Aerospace States Association for organizing this important hearing.
- I'm glad to be here with Pete Bunce of GAMA and David Logsdon of the Space Enterprise Council -- excellent partners and allies in our Coalition for Security and Competitiveness.
- As you might know, AIA represents the nation's aerospace and defense manufacturers, with members in every high-technology manufacturing segment. These include everything from commercial aviation and avionics; manned, unmanned and network-centric defense systems, to space technologies and satellite communications.
- Our companies represent the cutting edge of high technology, and sustaining it in your states is what brings us here today.

- As we have heard from the congressman, export control modernization is a critical issue for our country that requires the attention of more of our key policymakers.
- I would like to focus on the big picture of why export control modernization matters, and why it is especially important to you at the state level.
- When our industry talks about export controls, we are always mindful of their important role in protecting our most sensitive technology. It is vitally important to our companies that we never do anything that might be detrimental to national security.
- Our defense and economic strength rely more than ever on efficient and effective regulation of the exchange of hardware, technology and technical data between U.S. and our international partners.
- Importantly:
 - Defense trade builds military interoperability, trust, and advanced capabilities with our allies that are vital to keeping our nation secure.
 - It also maintains U.S. influence globally and advances America's interests abroad.
 - U.S. high technology industries employ millions of Americans and account for a \$57 billion positive foreign trade balance – the largest of any U.S. manufacturing sector.
 - The aerospace sector alone employs 642,000 people in high-paying jobs, while it exports up to 40 percent of its production each year.
- Unfortunately, in recent years there have been serious delays by the State Department in processing military export authorizations. There

have also been inconsistencies in decisions granting or denying these requests. Both of these have damaged our relationships with allies and trading partners, and impeded efforts to strengthen military and economic cooperation.

- Many export licenses take months to secure, even though more than 95 percent of applications that are filed properly are eventually approved.
 - In 2006, the State Department caseload grew to 70,000 licenses, with a backlog of 10,000, according to Acting Undersecretary of State John Rood. In FY 2008 they expect 85,000 licenses worth \$96 billion, and annual growth into the future should be between 8 and 10 percent.
 - Companies in other countries have increasingly “designed out” U.S.-made goods, particularly in the commercial satellite arena. This is done to avoid the processing burdens associated with our export licensing system.
 - These problems particularly hurt small businesses in your states. Your companies not only face delays and unpredictability in the licensing process, but they are also confused by the rules, terrified of making a mistake and paying high costs to get help figuring out the system.
- AIA appreciates the administration’s daunting responsibility to both protect our country’s security and maintain our technological leadership and economic competitiveness through high-technology exports.
 - We believe these objectives are complementary, and we can achieve both with the right approach to export licensing.
 - The administration agreed, releasing just a few weeks ago a series of directives based on industry recommendations to make the U.S. export control system more predictable, efficient, and transparent.
 - We believe these directives are significant in their commitment to process all munitions list export licenses within 60 days barring

national security or congressional notification requirements. Also important are newly created dispute resolution mechanisms to clarify export control policies and rules that industry needs to follow.

- Congressman Manzullo and his colleague and subcommittee Chairman Brad Sherman are going even further to modernize the U.S. export control system with their Defense Trade Controls Performance Improvement Act.
- We have made progress on other critical, short-term industry priorities, including a soon-to-be-released clarification of controls on civil aircraft components.
 - This is important so civil aircraft component manufacturers in your states will be able to assure their customers they are purchasing only clearly designated commercial components that can't be confused with military parts.
- We also need Senate ratification of the Defense Trade Cooperation Treaties with the United Kingdom and Australia.
 - These treaties will improve our military interoperability and technology cooperation with two of our closest allies, and remove from the backlog a large number of licenses that will ultimately be granted.
- It is our hope that this growing recognition of the need to modernize the export control system will lead to long-needed adjustments to one-size fits all controls.
 - This old approach has been particularly troublesome to our commercial satellite industry in the United States.
 - In 1998, Congress moved control of commercial satellites and related components from Commerce Department to State Department jurisdiction.
 - The goal was to keep sensitive technology out of the hands of our adversaries.

- According to a recent CSIS report, the change damaged our space industrial base in general, and our commercial satellite components sector in particular.
 - U.S. companies lost market share to foreign competitors that did not exist before the jurisdiction shift.
 - The American military is finding it either more expensive or more difficult to access U.S. sources of critical technologies and R&D that support our national security.
 - I hope that the same common-sense approach that is starting to take hold in the administration and Congress on how to control the right technologies the right way will provide relief to our space industrial base.
- I want to thank the members of the Aerospace States Association for familiarizing yourselves with this issue and with the changes that are in progress. That way you can both monitor their impact as well as demand more improvements on behalf of the aerospace companies and employees in your states.
 - For too long, we have allowed this issue to remain an inside-the-beltway problem when it affects our aerospace companies and their employees all across the country.

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