U.S. Satellite Export Control Policy

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CSIS, the Chamber of Commerce's Space Enterprise Council and the Satellite Industry Association recently hosted an off-the-record event on the state of satellite export controls and how these controls are affecting U.S. satellite firms. There was a clear consensus among speakers and participants that these controls are damaging U.S. firms' global competitiveness. There was also faint optimism that the next Congress may address the problem.

Background

The International Traffic in Arms Regulations (ITAR) governs the control of export and import of defense-related material and services and is enforced by the Department of State. In 1999, Congress directed that technologies pertaining to commercial satellites return to the list.

Issues with ITAR Controls

Both prime- and sub- contractors, as well as satellite operators and consulting services, find that the ITAR process is too slow. The State Department's backlog of applications places U.S. firms at a comparative disadvantage when negotiating with customers. There are now annually 60,000 applications at the State Department, with approval taking more than 70 days. If a customer changes its name, the process to change the name on the license with State is cumbersome and causes delays. Multiple licenses are usually required for a single transaction. The ITAR approval process even delayed NASA when a prime contractor had a European subcontractor and fell under the export controls rules.

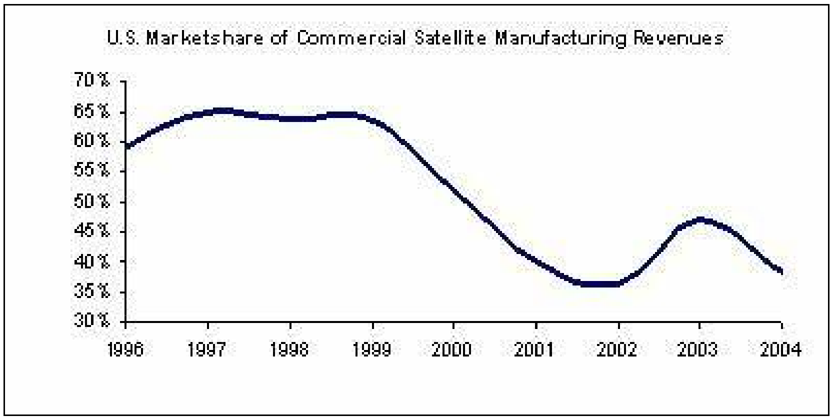
ITAR's Effect on Global Satellite Market

The current export control regime has diminished U.S. firms' market share and increased foreign firms' entry. Foreign firms are leveraging the "ITAR-free" advantage to offer customers faster delivery of products. European satellite companies have been designing satellites without U.S. components; France launched the first ITAR-free satellite in April 2005.

Customers can look to European or Japanese manufacturers to provide the equipment more rapidly because their governments do not regulate satellite exports as munitions. U.S. firms report that governments favor non-U.S. firms in a contracting process by setting deadlines and goals that cannot be met if ITAR approval is required, effectively creating a non-tariff barrier and shutting the door on U.S. firms.

The figure below shows the decline in the U.S. market share in commercial satellites. Prior to the change in export controls in 1999, the U.S. dominated the commercial satellite-manufacturing field with an average market share of 83 percent. Since that time, market share has declined to 50 percent. The French firm Alcatel Alenia Space has excelled since the change to ITAR. Alcatel doubled its share of the market from around

10% in 1998 to over 20% in 2004.[1] There are, of course, other sources of decline as well, including a general overcapacity in the market space, with too many manufacturers chasing after too few contracts. However, in this competitive environment, regulation has become a competitive differentiating factor.



Source: Space Review, January 2006

Possibilities for Improvement

The next Congress will be forming a new agenda after the elections, particularly if the House changes party majorities. There is, therefore, some possibility of some or any of the following beneficial changes:

- More licensing officers at the State Department to reduce the backlog
- Streamlining of the list of technologies required under ITAR
- Wholesale review of satellite export control policy to reconsider Commerce Department oversight instead of State
- Consideration of a "certified exporter" program which would approve companies to export satellite technologies rather than individual transactions
- Loosening of the restrictions for export to NATO allies.

See also:
Representative Tauscher's Remarks at CSIS on September 21, 2006

[1] http://www.thespacereview.com/article/528/1