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**Congressman Brad Sherman**  
**Chairman**  
**Subcommittee on Terrorism, Nonproliferation and Trade**  
**Committee on Foreign Affairs, U.S. House of Representatives**

**13<sup>th</sup> Annual Satellite Industry Association (SIA) Leadership Dinner**  
**Keynote Address**  
**Delivered Monday, March 15, 2010**

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The Satellite Industry Association and I have worked on Export Control Reform for more than a year, and we have made some significant progress that will help our industry, protect national security, and create American jobs.

We have heard from our defense community, which has a strong historic stake in a vibrant U.S. satellite industry as a customer for both space technology and satellite services, and I am pleased to inform you that the same is true of the U.S. Congress.

Three years ago, I became the Chairman of the House Foreign Affairs Subcommittee on Terrorism, Nonproliferation and Trade. My Subcommittee has oversight of the export control system, and I have made export control reform a focus of my work in Congress.

Over the last three years, we have held half a dozen hearings on the subject.<sup>1</sup> One of those, which we held last April, was focused on satellite technology, which reflected the perspective of the very companies here in the room in the valuable testimony delivered to my Subcommittee on SIA's behalf.

For those of you who are not aware, the House of Representatives took an important step last year in improving our export control system for your industry. We passed legislation that finally overturned the decade old legislative requirement that all satellites and all satellite parts and components be placed on the United States Munitions List (USML) and subject to the International Traffic in Arms Regulations (ITAR).<sup>2</sup>

The United States is the only country in the world that controls commercial satellites as though they were armaments. We even go so far as to require anything that goes on a satellite be controlled as well. Under that rationale, Laika, the Soviet dog that rode on Sputnik, would have to – by law – be classified as a weapon.

Out of my hearing emerged a consensus that Congress should act. However, there was not complete agreement on how to address the Chinese market. I understand that there are some rather lively debates on that subject within the industry, as well. Rather than bottling up legislative reform for another decade, I worked with my colleague Rep. Rohrabacher to ensure bipartisan support and a sensible solution to an historically emotional and politically, charged dilemma. The House Foreign Affairs Committee included this change in one of our highest priority bills: the State Department Reauthorization Act. And, just three months later, the House of Representatives approved removing the legislative requirement that all satellites be treated as weapons, even when they are clearly not.<sup>3</sup>

The bill is still being worked on by my colleagues in the Senate, and I am optimistic that they will wrap up their work later this year so we can have it on the President's desk.

While this satellite-specific provision is certainly important, it is not the entire story. Everyone—the commercial satellite industry, nonproliferation experts—says that the overall export control system needs reform.

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<sup>1</sup> “Export Controls: Are We Protecting Security and Facilitating Exports?” held on July 26, 2007; “Export Compliance: Ensuring Safety, Increasing Efficiency” held on May 20, 2008; “Export Controls on Satellite Technology” held on April 2, 2009; “The Export Administration Act: A Review of Outstanding Policy Considerations” held on July 8, 2009; and “A Strategic and Economic Review of Aerospace Exports” held on December 9, 2009

<sup>2</sup> Section 826 of H.R. 2410, the State Department Reauthorization Bill, provided authority to “remove satellites and related components from the United States Munitions List.” It contained an exception that excluded, “any satellite or related component that may, directly or indirectly, be transferred to, or launched into outer space by, the People's Republic of China.” H.R. 2410, the State Department Reauthorization Bill, passed the House of Representatives on June 10, 2009 in a recorded vote of 235 – 187.

<sup>3</sup> H.R. 2410, the State Department Reauthorization Bill was marked up by the House Foreign Affairs Committee on May 20, 2009 and passed by the full House of Representative on June 10, 2009. The bill was referred to the Senate Foreign Relations Committee.



There is now an established buzz around Washington regarding the need to update and improve the entire export control system. President Obama included export control reform in his State of the Union Address<sup>4</sup>, and I have been working with the administration on moving this process forward.

Since becoming Chairman of the Subcommittee on Terrorism, Nonproliferation and Trade, I have held over a dozen hearings on export control reform to examine whether or not current controls protected national security while facilitating legitimate exports.<sup>5</sup>

What we found was a system that was underfunded, understaffed, and outmoded.

In terms of licenses alone, the Directorate of Defense Trade Controls at the State Department had allowed the creation of a backlog encompassing a fifth of all licenses for the year. This situation was clearly detrimental to national security and to industry.

That is why I worked in a bi-partisan manner to introduce “The Defense Trade Controls Improvement Act”.<sup>6</sup> My legislation looked at the problem broadly, including improvements to

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<sup>4</sup> President Obama included in his January 27, 2010 State of the Union Address the following: “Third, we need to export more of our goods. Because the more products we make and sell to other countries, the more jobs we support right here in America. So tonight, we set a new goal: We will double our exports over the next five years, an increase that will support two million jobs in America. To help meet this goal, we're launching a National Export Initiative that will help farmers and small businesses increase their exports, and reform export controls consistent with national security.”

<sup>5</sup> See footnote 2.

average licensing times<sup>7</sup>, adequate staff to review decisions<sup>8</sup>, and mechanisms for greater accountability from the agency<sup>9</sup>. We passed this legislation out of the House of Representatives the first time two years ago, as part of a broader package of reforms<sup>10</sup>, while simultaneously working with the administration to address the licensing backlog.

As we look ahead to further reforms, we need to look at the supply chain. The United States has a national security interest in maintaining a robust, domestic manufacturing base for the intertwined sectors of commercial satellite, military and civil space. Your companies have an interest in innovative, cost-effective and timely space infrastructure for the nation's communications needs. That is why we want to know how ITAR has affected all satellite sectors – satellite operators, their customers, prime manufacturers and their suppliers, all of which maintain that ITAR is a critical problem threatening their competitiveness.<sup>11</sup>

During the 1990's, efforts at reform centered on the Executive Branch. Those same efforts failed to sufficiently involve Congress. I can assure you that these are issues Congress cares deeply about, and many Members are serious about exploring all options for constructive change.

While the U.S. commercial space industry has been the global leader for half of a century, the world has changed greatly since the launch of Explorer 1 in 1958. Five decades later, there are over 900 operational satellites orbiting the Earth. Roughly half of those are American, but the rest of the world is increasingly expanding their commercial satellite capabilities.<sup>12</sup> In the 1950s,

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<sup>6</sup> “The Defense Trade Controls Improvement Act” was originally introduced by Rep. Brad Sherman with Congressman Don Manzullo as H.R. 4246 during the 110<sup>th</sup> Session of Congress. It passed the House of Representatives as incorporated in “The Security Assistance and Arms Export Control Reform Act” of 2008, H.R. 5916, on May 15, 2008. The Senate failed to act. “The Defense Trade Controls Improvement Act” was again incorporated into a larger vehicle in the current session of Congress (111<sup>th</sup>) as part of the State Department Reauthorization Bill, H.R. 2410.

<sup>7</sup> Section 804 of H.R. 2410, the State Department Reauthorization Bill, includes statutory language for “performance goals for processing of applications for license to export items on the United States Munitions List.” This section sets a goal of 60 days for the Directorate of Defense Trade Controls at the State Department to process licenses to export defense hardware to certain U.S. allies, and sets a goal of 30 days for applications to export defense hardware to NATO and major non-NATO allies.

<sup>8</sup> Section 805 of H.R. 2410, “The State Department Reauthorization Act” includes a “requirement to ensure adequate staff and resources for the Directorate of Defense Trade Controls of the State Department.” The bill requires the Directorate of Defense Trade Controls of the State Department to have at least one licensing officer for every 1,250 applications expected for a fiscal year.

<sup>9</sup> Section 806 of H.R. 2410 requires that the Inspector General of the State Department conduct an audit of the Directorate of Defense Trade Controls to determine if it is meeting the licensing goals set out in the State Department Reauthorization Act.

<sup>10</sup> See footnote 8.

<sup>11</sup> Marty Bollinger and Joshua Boehm of Booz Allen Hamilton, “Moving Toward a Faster and More Predictable Process of Licensing Defense Articles and Services for Export: Recommendations for Government and Industry”, 2006.

<sup>12</sup> According to NASA there are over eight thousand artificial objects orbiting Earth, of which over 2,500 are operative and inoperative satellites. According to the Union of Concerned Scientist, as of January 2009, there are 905 operative satellites in orbit.

only two countries had launched rockets into space: the United States and the Soviet Union. As of today, eight more have rocketed satellites into space.<sup>13</sup>

As the global presence in space grows, so does the complex of issues needed to maintain a healthy U.S. space industry. We need to continue to safeguard the most sensitive technology, encourage our competitive ability to export to the growing world satellite market, and foster the innovation and commercial creativity that has been the hallmark.

While some worry that the U.S. satellite industry will be squeezed out by outside competition, I believe that this American industry's greatest accomplishments are still in the future. You now have a Congress and administration that is ready to work with you to make that happen. And, I look forward to working with all of you in the future.

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<sup>13</sup> France, Japan, China, Britain, India, Israel, and the Ukraine have all launched satellites independently. Additionally, satellites have been launched from Russian leased facilities in Kazakhstan.