

For the U.S. satellite industry, strict export controls cost market share

By Steven Overly

When the defense industry makes its case for easing export controls, advocates often cite the satellite industry as an example of why reforms are needed.

In the late 1990s, Congress made satellite technology subject to International Traffic in Arms Regulations, or ITAR, forcing companies to obtain a State Department license before selling products or sharing information with businesses and governments overseas.

The rules were implemented to protect national security and competitiveness, but they also created new regulatory hurdles for companies and made them slower to deliver products. As a result, satellite industry advocates and executives said other nations were able to gain a competitive advantage and build up their own indigenous capabilities.

The Aerospace Industries Association contends that the **U.S. share of the satellite market has fallen from 73 percent in 1998 to less than 30 percent today**. Remy Nathan, assistant vice president for international affairs, said tighter export controls contributed to the lost ground, though other factors also played a role.

Indeed, Barron Beneski, vice president of corporate communications at Dulles-based Orbital Sciences, said some foreign companies have used the controls to sell prospective buyers on products built outside the United States.

“The European companies developed a product that they branded as ITAR-free, so in other words they didn't use any subcomponents built in the United States,” Beneski said. “They did that specifically because they knew they could market that satellite around the world and say to the customer, ‘Well, look, you don't have to put up with those U.S. regulations.’”

The Obama administration has called for a review of federal export controls as part of its effort to double U.S. exports by 2015. A White House statement issued in December said the lists of products that require federal approval before being sold should be consolidated and made more detailed.

Nathan said the government could improve the process by establishing “a line where you can say technology above this certain performance threshold should be treated as military technology.”

“We don't have that line now and we've never really had that line,” he added.

The lack of specificity means some of the technology regulated by the government is now widely available and has applications beyond defense or information technology. Matt Desch, chief executive at Iridium, questions whether the rules as written provide their intended protection.

“The days in which the U.S. controlled everything and it was the rest of the world we worried about isn't really the way things are,” Desch said. “The technology is much more diversified. Many of the things we're protecting are things the rest of the world has already.”

After a decade of grappling with the regulations, several companies said the burden is less than it used to be as all parties have become more adept at dealing with the rules.

“It started out pretty onerous,” Beneski said. “I think over the years two things have happened: one, the government has improved its processes and become . . . easier to work with. They understand we need to compete around the world; and two, companies have just gotten better at navigating the process.”

Nathan said the State Department's license review now takes about three weeks. But when foreign competitors can avoid the process altogether, it still puts U.S. companies at a disadvantage.

“You can go as fast as you want to, but if the other guy doesn't have to travel the route at all, you're going to lose market share,” he said.