

Obstacles to Effective Defense Trade

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Why is Defense Trade Important to America?



U.S. Security Interests

- *Interoperability in coalition operations*
- *Sustain production lines and economies of scale*
- *Best product for the best price for the warfighter*

U.S. Economic Interests

- *Jobs and economic growth*
- *Balance of trade*
- *Innovation and competitiveness*

U.S. Foreign Policy Goals

- *Assist friends and allies*
- *Improve their capabilities*

Challenges to Effective Defense Trade – U.S. Security and Economic Concerns



Globalization

- Security – Purely domestic military supply chains are no longer possible.
- Security - Trade and information/people flow is no longer just bilateral.
- Economic - Technological competitors in many cases are better or at least “good enough” to capture market share.

Technology

- Security - Commercial technology is increasingly sophisticated and AT SOME LEVEL capable of “military uses.”
- Security - Innovation occurs rapidly and can be hard to monitor.

Challenges to Effective Defense Trade – U.S. Security and Economic Concerns



Terrorism/State Level Threats

- Security – Threats are no longer just bilateral or at the state level.
- Security - We no longer enjoy a shared conception of threat or response with our allies and partners.

Politics of Trade

- Security – Threats from trade are difficult to examine and mitigate on a risk management basis.
- Economic – Perceived loss of jobs from trade dovetails well with security concerns about trade.

END RESULT

- Policies advocating self-sufficiency to ensure supply (“Buy American”)
- Unfocused and inefficient level of scrutiny on all defense trade (Export Controls)

Is There Reason to Hope for Policy Change?



There is a growing awareness that:

- Security and economic cooperation in the international arena is the new baseline for both the government and the private sector.
- Compliance challenges with “Buy American” and export control requirements are more complex and delays or failure to conduct business because of meeting compliance requirements have more of a security and economic impact than ever before.
- Compliance is no longer just the concern (challenge) of large companies.

AIA "Buy American" Action Plan



- Support industry compliance with existing requirements
- Support education campaign by the supplier base that faces existing and potential compliance challenges
- Educate/Remind Congressional Leadership of the security and economic value of Defense Trade

AIA Export Control Action Plan – Phase I and II



Phase I Reform Measures

- Must be measurable, attainable and meaningful
- Must make the current system more efficient, transparent, and predictable
- Must not require action by Congress

Phase II Objective

Develop modern export control systems that maximize trade and technology collaboration with foreign partners, while denying sensitive items to real and potential adversaries, to achieve U.S. national and economic security goals.

Phase II End Product

A coherent and comprehensive package of legislative, regulatory, and policy proposals that will establish modern export control (munitions and dual-use) systems, structures, and processes that can achieve Industry's objective.

The Way Forward



- Defense Trade with our foreign partners is important to our national and economic security.
- “Buy American” initiatives and a lack of efficiency, predictability, and transparency in our current export control system frustrate our partners (and U.S. industry).
- The USG should work with industry and allies as true partners to address effectively its security and economic concerns about defense trade.

