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**Subject:** ALERT - Congressional Committee Hearing, "Export Controls, Arms Sales, and Reform: Balancing U.S. Interests, Part II"  
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**ALERT** - Congressional Committee Hearing, "Export Controls, Arms Sales, and Reform: Balancing U.S. Interests, Part II"

Yesterday, the House Committee on Foreign Affairs held hearings on the export control reform efforts. Below, for your information, is the opening statement from the Committee Chairman, Ileana Ros-Lehtinen, a Republican from Florida. Her statement provides insight into the Congressional resistance to efforts to reform export controls, i.e. removal of defense articles from the U.S. Munitions List to the Commerce Control List. When the Congresswoman Ros-Lehtinen uses words like "unilateral" and "common sense improvements" [always beware of that phrase], and "close Congressional scrutiny," there can be no doubt that any effort to bring the USML into the current century, especially when it comes to firearms and ammunition, will face strong opposition in Congress, from both Democrats and Republicans.

(Source: Committee Press Office, 202-225-5021, <http://foreignaffairs.house.gov/112/ros020712.pdf>)

## **CHAIRMAN ILEANA ROS-LEHTINEN**

### **Opening Statement**

***February 7, 2011***

Today, our Committee continues our examination of the Executive Branch's unilateral proposals to create a new framework for U.S. strategic export controls. Many of us on this Committee want to help make common sense improvements in our export control system that will enhance U.S. national security, protect critical technologies, and make our system easier to navigate for our American businesses. In this regard, there are some constructive elements of the current reforms. One of the most notable is the development of a shared information technology platform across our export control agencies. However, these initiatives have been peripheral to the main focus of the Administration's efforts, which has essentially been a complete re-write of the entire United States Munitions List (USML) and the transfer of large numbers of defense articles to the Department of Commerce. This reform is supposed to lead to the creation of a new single control list and single licensing agency. There are elements of the USML review that have merit. However, its many complexities also demand close Congressional scrutiny. First, a word about process. Under section 38(f) of the Arms Export Control Act, the President is required to give notice to the Congress of any item, or items, that are recommended for removal from the USML and to describe how they would be regulated under any other provision of law. However, because the Administration has focused only on identifying what technologies are to remain on the USML – and not what is to be removed – the Administration has not identified or informed the Congress of the full range of items it seeks to transfer to Commerce. The Ranking Member and I have repeatedly stated that we are ready to work with the Executive Branch to reach an agreement. However, we will not accept unilateral actions that substantially infringe on or ignore Congressional oversight over these important national security matters. I have proposed that the Executive Branch prioritize removal of the least sensitive parts and components – nuts, bolts, cable and the like – which have been treated as defense articles only because they were modified for military end-use. One major defense contractor agrees with this approach stating: "focusing on the numerous low-level parts and components" could "yield significant near-term benefits to U.S. manufactures." I have also introduced legislation, H.R. 2122, the "Export Administration Renewal Act" that would help accomplish this goal of removing the least sensitive items from the USML and provide immediate relief to some of our companies. Provided that manufacturing for such items will not be outsourced to China for later introduction into the U.S. military supply chain, Congress could reach a quick agreement to approve their removal

from the USML. The Administration also proposes transferring to Commerce numerous military end-items, as well as thousands of other, more sensitive, parts and components, including software source code and manufacturing know-how. These items would be regulated on a new “Commerce Munitions List” within the larger Commerce Control List (CCL). This proposed arrangement raises a number of questions, including: the lack of a statutory basis for the proposed CML; the relationship of the CML to U.S. security assistance authorities; and the elimination of Congressional notification and reporting requirements for the export or retransfer of such defense articles. While CML-controlled items would require a license for export and would be denied to countries subject to a U.S. arms embargo, they would also be eligible for a broad new license exception to 36 countries deemed as friendly. To be effective, however, country exemptions for the export of defense articles must incorporate critical safeguards, including agreement on which foreign parties can have access to controlled items and on foreign cooperation in enforcement. These appear to be missing from the process set out by the Administration. History has shown that, without such safeguards, country exemptions for defense articles are vulnerable to exploitation by grey market brokers, foreign intelligence entities, front companies, and even terrorists. China and Iran pose especially grave concerns. Both countries are actively seeking to acquire a wide range of U.S. technology through a myriad of illegal schemes that span the globe. Iran, in particular, is dependent on the illicit acquisition of a vast range of military spare parts for its inventory of U.S.-origin military equipment. These include fighter aircraft, tactical airlift, helicopters, corvettes, patrol ships, tanks, artillery, and trucks. With few exceptions, these spare parts and components will be eligible for the proposed new license exception – with increased risks of diversion. More broadly, as the Congress assesses U.S. controls on commercial satellites, it is crucial to recall that the European Union and China have launched an expansive space technology partnership – one that appears to include the illegal transfer of US-controlled parts and components. We must also heed the lessons of the Loral-China case to avoid another situation where we’ve armed our enemies. Indeed, the reports this morning of the launch of an Iranian satellite using a missile launcher reminds us of the sophistication of their illegal procurement networks and the perils of loose controls on sensitive dual-use and military technologies. Lastly, we also await further details on a number of critical licensing issues, including the preparedness of the Executive Branch to implement and enforce such regulations and plans for outreach to industry. The Committee shares concerns with industry regarding the length and complexity of the process. We look forward to the expert testimony of our distinguished witnesses as we seek to develop legislative action to reform our export control mechanisms to balance security and trade interests. I now recognize the Ranking Member for his opening statement.

The Committee heard testimony from the following witnesses:

- (1) Marion C. Blakey, President and Chief Executive Officer of the Aerospace Industries Association of America (AIA) Testimony: <<http://ls1.gridsouth.com/t/228177/2343920/20431/6/>>
- (2) Mikel Williams, Chairman, Government Relations Committee, IPC - Association Connecting Electronics Industries Testimony: <<http://ls1.gridsouth.com/t/228177/2343920/20432/7/>>
- (3) Patricia A. Cooper, President, Satellite Industry Association Testimony: <<http://ls1.gridsouth.com/t/228177/2343920/20433/10/>>

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