Defense bill lifts barrier on satellite exports

Irene Klotz, Reuters

(Reuters [1]) - Tucked into the annual U.S. defense budget bill making its way through Congress this week is a long-fought and potentially lucrative reprieve for U.S. satellite manufactures and suppliers to export their products, officials said on Wednesday.

Since 1999, spacecraft and their components have been grouped with ammunitions, fighter jets and other defense technologies and subject to the nation's most stringent export controls.

The restriction followed a 1996 Chinese rocket launch accident that claimed a U.S.-manufactured satellite. In the course of the investigation, the company was accused of inadvertently transferring restricted technology to China [2].

Before 1999, the State Department had the option of processing satellite and spacecraft component export requests under more lenient commerce control guidelines.

"We are going to give the president [3] back that power," space attorney Michael Gold, who headed a Federal Aviation Administration export control advisory group, told Reuters.

Under the bill, satellite sales to China [4] will remain sanctioned, a key compromise that paved the way for the provision easing export controls to be included in the National [5] Defense Authorization Act of 2012, a $633.3 billion spending plan for the fiscal year that began October 1.

The bill, which this week passed a conference committee of lawmakers from the Senate and the House of Representatives, is slated for final vote by both chambers before it passes to President Barack Obama [6] for signing.

"My expectation is that this legislation will return us to a pre-1999 state of affairs," said Gold, who oversees business [7] operations for Bigelow Aerospace. "This is a critical step."

Bigelow, which is developing inflatable space stations for lease by companies, research institutes and international agencies, has been at the forefront of spacecraft export reform for more than a decade.

Gold tells a story about how the one-size-fits-all export regulations required Bigelow Aerospace to post guards and pay for government observers to keep tabs on a metal stand for its prototype space habitat sent to Russia [8] for launch in 2007.

"The stand was simply intended to prevent our spacecraft from sitting on the

ground," he said. "If you turned it upside-down, put a tablecloth on it and some nice cutlery, it's indistinguishable from a metal coffee table."

"Due to the overbreadth of the regulations, we had to have two guards watching this coffee table on a 24/7 basis in Russia [9] and then pay two government monitors to watch our guards watching the coffee table," Gold said.

"I can only imagine the national [5] security repercussions of this table technology leaking out from the Russians to the Iranians, where they can learn to serve coffee, or in a worst-case scenario, even tea," he quipped.

The restrictions, intended to protect defense technology, also have had the unintended consequence of driving some U.S. satellite component suppliers, unable to supplement domestic contracts with foreign sales, out of business.

"It's had the effect of weakening the supply chain," said Patricia Cooper, president [3] of the Satellite Industry Association (SIA), a Washington D.C.-based trade organization.

Since the 1999 restriction went into effect, the U.S. share of the worldwide satellite manufacturing industry, now valued at about $12 billion, has been eroding from a peak of about 75 percent of the market to as low as about 30 percent in recent years, an SIA study shows.

The bill also is expected to loosen restrictions on other products currently on the U.S. munitions control list.

Implementation will take at least several months to a year as specific technologies are reviewed for possible re-designation.

"The administration will have an opportunity to actually conduct export control with a scalpel rather than a chain saw," Gold said.

(Reporting by Irene Klotz; Editing by Kevin Gray and Tim Dobbyn)

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