



Los Angeles Area
Chamber of Commerce



Obama Administration To Reform U.S. Export Controls

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The Obama Administration has begun work on reforming the U.S. export control system, currently based on two different control lists administered by two different departments, three different licensing agencies, and several enforcement agencies with overlapping and duplicative authorities. This is welcome news for U.S. exporters which have been burdened by onerous rules and shut out of foreign markets by what Defense Secretary Gates calls a “Byzantine” export control system.

The current system – born out of Cold War-era policies -- is considered to be too complex and outdated. Current regulations fill over 2,000 pages and require export licenses for items on two separate control lists: one for arms and munitions and one for dual-use technology items. This fragmented system and extensive lists of controlled items resulted in almost 130,000 licenses last year. The export license must be obtained before the product/technology is exported and can be a time-consuming and burdensome in large part because different agencies are responsible for issuing licenses under each control list, and separate IT systems (which are not easily compatible) are utilized to apply for and issue the licenses.

As industries in other countries catch up to U.S. technologies and manufacturing capabilities, the current export controls have made U.S. products and technology less competitive due to the time and effort foreign companies must endure in cooperating with the U.S. exporter’s compliance with the export controls. In addition, the outdated and expansive nature of the current export controls are needlessly restricting U.S. companies from selling items in foreign markets that are readily available from companies in other allied countries. According to U.S. Commerce Secretary Gary Locke, “our control rules are so onerous that some foreign businesses are now engineering U.S. components out of their products altogether.”

The Administration has prepared a three-phase approach to implement the following reforms:

- A single Control List
- A single Primary Enforcement Coordination Agency
- A single Information Technology System, and
- A single Licensing Agency

The administration intends to issue executive orders to begin work on the control lists and IT system over the next few weeks. According to Secretary Gates, the White House will propose legislation for a new agency by the end of the year.

Streamlining U.S. export controls will allow U.S. companies to significantly increase exports and would play a key role in achieving the goal of President Obama’s National Export Initiative to double U.S. exports in the next five years. According to a Milken Institute report that was

sponsored by the National Association of Manufacturers, updating U.S. export control laws would increase U.S. exports and could boost the U.S. GDP by \$64 billion by 2019, as well as create 160,000 manufacturing jobs.

The Global Initiatives Council of the Los Angeles Area Chamber of Commerce supports reform efforts to modernize and streamline current U.S. export controls in a way that will continue to protect U.S. security interests, support defense cooperation with our allies, and at the same time, will allow our U.S. exporters to compete again on a level playing field in foreign markets.