



Manufacturers

John Engler

President and CEO

August 9, 2010

The Honorable Michael Froman
Deputy Assistant to the President and
Deputy National Security Advisor for International
Economic Affairs
Executive Office of the President
1650 Pennsylvania Avenue, NW, Room 374
Washington, DC 20504

Dear Mr. Froman:

Thank you for taking time last week to speak with member companies of the National Association of Manufacturers (NAM) regarding the President's export control reform initiative. We are encouraged by the progress made to date and look forward to continuing the dialogue as work continues.

Successful modernization of the U.S. export control system needs to focus not only on "what" is controlled, but also on "how." In our view, these reforms ought not to occur sequentially. As the inter-agency task force continues its work on identifying appropriate levels of control for goods, services, and technologies, we urge the Administration to move forward simultaneously on reforming and streamlining the mechanisms and techniques used to manage licensing.

The current over-reliance on transaction-by-transaction licensing is particularly anachronistic in light of increasing collaboration with allies and partners on defense and security programs, as well as ever-expanding intra-company trade (ICT). I would like to elaborate on these two important NAM priorities, namely: streamlined program licensing and an effective ICT license exception.

The NAM encourages the government to streamline management of licensing for those government-mandated defense and security programs in which success depends on effective collaboration and technology exchanges with allies and partners. In the context of a given program, the government should consider – ideally at program inception – what technologies it wants to share, with whom, and under what conditions. A successful "streamlined" approach to licensing in this context must not be limited to components and spares for completed systems. Rather a "programmatic" framework, or plan, would cover all transactions within a given scope (technologies, parties), other than those involving the most sensitive technologies. Once such an authorization is approved and notified to Congress, no further approvals should be required for transactions covered within the scope of the authorization.

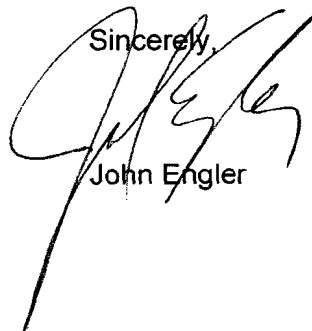
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With regard to the ICT license exception, we believe a framework should be created to facilitate low-risk trade between corporate entities that maintain strong internal controls and technology plans. Such a licensing mechanism need not be contingent upon tier placement, except for a small group of sensitive items, and instead should be based on a risk-management system that will allow the government to focus on truly sensitive items and technologies. Much as program licensing is important to working with our allies, the ICT license exception is critical to enabling U.S. manufacturers to remain atop technological developments and to spurring research and development.

Management reforms such as those described above are essential complements to rationalizing control lists. Both are key to ensuring that the U.S. export control regime effectively supports 21st century security needs. We welcome the opportunity to discuss both of these priorities in greater detail, and appreciate your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Engler', is written over the typed name. The signature is fluid and cursive, with a long, sweeping underline that extends below the name.

John Engler

JE/cr