



AEROSPACE & DEFENSE COMPETITIVENESS

Background: The aerospace and defense (A&D) industry is the nation's largest manufacturing exporter. Technology drives over half of the U.S. Gross Domestic Product. To keep our technology edge, we must continue to invest in research and development in an effort to compete with the growing investment by other nations. Stability of the A&D industrial base is also critical to our economy, national security, infrastructure, and future workforce. As the world's largest aerospace professional society, serving a diverse range of more than 30,000 individual members from 88 countries, and 95 corporate members, the American Institute of Aeronautics and Astronautics (AIAA) urges Congress to enact and sustain policies that will strengthen the long-term viability of the A&D industrial base.

Issue: Reauthorization of the Export-Import Bank. As more foreign companies continue to enter the aerospace market, the Export-Import Bank of the United States (Ex-Im Bank) has helped U.S. aerospace manufacturers export to new markets where commercial lending is scarce to keep up with growing global competition. Currently, the Ex-Im Bank is functioning under a short-term extension that is set to expire on June 30, 2015. Its charter has been renewed with bipartisan support from Congress for over 80 years, having passed both chambers overwhelmingly in 2012. It is important to note that the Ex-Im Bank has not incurred any losses in recent years and it operates at no cost to the American taxpayer. Over the last five years, the bank has actually returned \$2 billion more than it was required to the Treasury to cover operating costs and any bad loans. AIAA calls on Congress to reaffirm its commitment to the Ex-Im Bank and to pass a 5-year reauthorization so U.S. aerospace companies can remain competitive in the global market.

Issue: ITAR Reform. Aerospace systems are becoming increasingly complex, software-intensive and interdependent. Imperfectly executed export controls exacerbate the challenges facing the A&D industry. The current set of regulations was intended to protect technology that could be used for military purposes by our adversaries. However, the implementation of existing regulations has served to prevent American companies from doing business with friendly nations in nonmilitary applications. These policies need to be updated to focus on truly protected technologies.

Issue: R&D Tax Credit. The R&D tax credit was originally introduced in the Economic Recovery Act of 1981 as a way to stimulate research and development by providing a tax credit for companies that are incurring R&D expenses. The R&D tax credit has been renewed on a bipartisan basis 16 times since its inception, and AIAA strongly believes that Congress should make this policy permanent.

AIAA Recommendations:

Pass a 5-year reauthorization of the Export-Import Bank so U.S. aerospace companies can remain competitive in the global market

Congress to modify existing regulations by updating protected technologies and alleviating unintended complications of doing business with friendly nations

Make the R&D tax credit permanent