



CANADA: U.S. Aerospace Exports to Canada & U.S. Export Controls (ITAR): What You Need to Know

SUMMARY

U.S.-based companies exporting to Canada must be aware of Canada-specific realities that carry U.S. export control implications. This report provides short answers to questions that U.S. aerospace companies face when exporting controlled items to Canada, and particularly those governed by the International Traffic in Arms Regulations (ITAR). It also identifies government resources available.

WHY EXPORT AEROSPACE GOODS & SERVICES TO CANADA?

Canada is an excellent market for U.S. companies exporting aerospace goods and services; it is the world's fifth largest aerospace market valued at approximately \$22.8 billion in 2012. Many original equipment manufacturers (OEMs) such as Bombardier, Pratt & Whitney, Bell Helicopter Textron, Boeing and Lockheed Martin, to name a few, are headquartered or have a major presence in Canada.

The U.S. aerospace industry has become highly integrated with Canada's; our aerospace supply chains seamlessly operate across our common border. Canadian companies regularly work on U.S. aerospace platforms such as the Boeing 787 and CH-47 and Lockheed Martin's F-35. In fact, over the decades, numerous U.S. and Canadian aerospace companies have set up facilities on both sides of the border.

Canadian-American ties of close collaboration date back to the First and Second World War, both in the production of defense equipment and in combat. Today, Canada and the United States continue to share a long-standing relationship; they jointly administer NORAD and belong to NATO. Moreover, the United States has more extensive [defense arrangements with Canada](#) than any other country; the Canada-U.S. Defense Production Sharing Act, the Defense Development Sharing Act, and the [North American Technology and Industrial Base Organization \(NATIBO\)](#). These agreements have created great business opportunities for American and Canadian aerospace companies alike.

WHAT ARE U.S. EXPORT CONTROLS?

U.S. export controls are laws that protect specific U.S. technologies related to the defense and security of the United States from being internationally diverted into the hands of potential adversaries or proliferators. In most instances, U.S. aerospace companies produce research, goods and services that have been designated as "controlled"; that is, the U.S. government wants to monitor and control access to them. Consequently, U.S. aerospace companies must seek approval and appropriate licenses from the U.S. government before exporting such items.

The U.S. export controls regime is jointly administered by the Department of Defense, Department of State and Department of Commerce. Depending on whether the aerospace

item is governed by the Department of State's International Traffic in Arms Regulations (ITAR) and is listed on its U.S. Munitions List (USML), or is governed by the Department of Commerce's Export Administration Regulations (EAR) and is on its Commerce Controlled Goods List, different protocols need to be followed and different rules will apply.

IMPLICATIONS OF EXPORTING “CONTROLLED” ITEMS TO CANADA

The Canadian ITAR Exemption – 126.5

The United States created the [Canadian ITAR Exemption \(2001 Amendment\)](#) granting U.S. exports to Canada more lenience than those destined to any other country due to the unique relationship with Canada. Note that this “exemption” is a misnomer as ITAR rules are still applicable to U.S. exports to Canada of controlled goods, but it does extend exemptions from licenses to a substantial list of items and offers other privileges that make it easier for U.S. industry to collaborate with Canadians. This exemption presents a great opportunity for U.S. aerospace companies seeking to export to take advantage of global opportunities by making Canada an export destination of choice.

While many U.S. companies have taken advantage of this “exemption,” it is reported that it is often underused, either due to the U.S. industry's lack of awareness, or industry's preference to “play it safe” and thus abide by traditional ITAR rules. Notwithstanding, this exemption was meant to save U.S. industry time, paperwork, and ease the development of business relationships with the Canadian government and industry. It was also meant to allow for joint collaboration on the research and development of new aircraft platforms and technologies, thereby creating additional business opportunities for U.S. firms north of the border.

Canada is an Exporting Nation: Get Ready for Re-Exporting Licenses

U.S. aerospace companies need to keep in mind that when exporting aerospace goods and services to Canada, a great portion of them are likely to be re-exported to a third country. In general, Canada exports approximately 80% of its aerospace production; since 2007, approximately 54% of Canadian aerospace exports have gone to the U.S., 24% to Europe, 11% to Asia, 3% to the Middle East, and 8% to the rest of the world. In other words, over the last 5 years, 46% of all Canadian aerospace exports have been going to a non-U.S. destination.

U.S. aerospace companies need to have adequate internal compliance mechanisms to support the re-exporting of their products and services worldwide. The aerospace industry is truly globalized with aircraft customers residing in all part of the world. With the increase in the number of international players seeking a piece of this highly sought-after industry's pie, this trend is likely to continue.

CANADA'S CONTROLLED GOODS PROGRAM (CCG)

U.S. companies should be aware that in 2001 Canada established its own [controlled goods program](#). These controlled articles and technology are in most cases similar to those articles

that are controlled by the ITAR regulation. As a matter of fact, the establishment of this Canadian program was a condition for Canada to benefit from the export license exemption under the ITAR. The program was enhanced in 2011 to meet the requirements of the new ITAR dual rule and Canada's own threat assessments. The CCG program requires companies handling controlled goods to register with the Controlled Goods Directorate and comply with specific requirements. Furthermore, all Canadian companies exporting items on the export control list (which includes U.S. origin goods) need export permits from the [Canadian Department of Foreign Affairs and International Trade](#).

AVAILABLE U.S. GOVERNMENT ASSISTANCE

Given the complexity of U.S. export controls rules and the considerable penalties for breaking these laws, below is a listing of U.S. government offices providing assistance and upcoming training sessions.

U.S. Department of State: Directorate of Defense Trade Controls (DDTC)

Website: <http://pmddtc.state.gov/index.html>

Response Team: please call them first with questions at (202) 663-1282 /

DDTCResponseTeam@state.gov

[Directory of Key Personnel](#)

[Basic Guide to Getting Started](#)

[Upcoming Training Seminars \(ITAR\)](#) : November 1, 2013 / Washington D.C

U.S. Department of Commerce: Bureau of Industry and Security (BIS)

Website: <http://www.bis.doc.gov>

BIS Export Counselor: Phone: (202) 482-4811 / [General Email Inquiries](#)

[BIS Online Training](#)

[International Trade Administration Online Training](#)

Upcoming Training Seminars (EAR)

October 29-30, 2013 VA	Complying with U.S. Export Controls	Alexandria,
October 31, 2013	Export Control Reform	Alexandria, VA
November 5-6, 2013 PA	Complying with U.S. Export Controls	Pittsburgh,
November 7, 2013	Export Control Reform	Pittsburgh, PA
November 13, 2013 AL	Technology Controls	Huntsville,
November 14, 2013	Export Control Reform	Huntsville, AL
December 3-5, 2013 Dallas, TX	Export Control Reform/Technology Controls/Encryption Controls	

NON-GOVERNMENT RESOURCES

There are numerous consulting companies and law firms nation-wide that offer U.S. export controls advice and training. We recommend companies contact their local export assistance center, search online, or contact a local trade association or chamber of commerce. In order

not to give preferential exposure to one such service provider over another, we have refrained from providing a listing.

CONTACT

Gina Rebelo Bento

Commercial Specialist - Aerospace

International Trade Administration / U.S. Commercial Service in Canada

Contact: 514-908-3660 / Gina.Bento@trade.gov / www.export.gov/Canada