

Four Defense Export Reforms for the United States

Jordan Embree and Jim Fein

KEY TAKEAWAYS

As America rearms to deter its adversaries and win the fights ahead, streamlining arms-export procedures and expanding coproduction will be key tools.

Four central reforms are vital to address the current inadequacy of the U.S. domestic defense industrial base in today's severe threat environment.

The U.S. should create a TRUST bubble with allies, reduce export restrictions, update arms-export regulations, and maintain control over arms-export architecture.

The global threat environment that the United States and its allies face in 2026 is darker than at any point since the Cold War, with military conflicts on three continents and menacing operations by Russia and the increasingly capable Chinese military. But it is the major munitions expenditure in these current conflicts that is perhaps most concerning. Insufficient magazine depth is forcing the United States and its allies to confront the consequences of severely limited defense industrial production and the arcane rules that govern American arms sales and U.S.-origin equipment transfers. The White House, recognizing the vulnerability these conditions exacerbate, has modeled a bias toward action in two executive orders: “Establishing an America First Arms Transfer Strategy”¹ and “Reforming Foreign Defense Sales to Improve Speed and Accountability,”² which reiterate the importance of export reforms.

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In response to the current inadequacy of the U.S. domestic defense industrial base and the severe threat environment, Congress should amend the Arms Export Control Act (AECA) to improve the speed and ease of arms sales,³ reduce the Excluded Technology List (ETL) in AUKUS and potential follow-on agreements, request that the executive branch establish regular update cadences of outdated arms-export-control mechanisms, and increase and retain control and sovereignty over arms sales, including the Missile Technology Control Regime (MTCR).

Four Central Reforms

Four main principles should guide American policymakers approaching this expansive and complicated challenge. The U.S. government should (1) create a Trusted Regulatory and Unified Security Transfer (TRUST) bubble with close allies, (2) expand technological export permissions, (3) regularly update outdated arms-export regulations, and (4) maintain American optionality under revised arms-export approaches by discarding outdated understandings that no longer serve American interests.

The U.S. Should Create a Trusted Regulatory and Unified Security Transfer (TRUST) Bubble. Despite mutual defense treaties and extensive political cooperation, many American allies continue to face daunting challenges to cooperating with America on defense industrial matters—but there is a better way. In 2021, Australia, the United States, and the United Kingdom initiated and gradually implemented AUKUS, a trilateral agreement that created a pathway for the Australian acquisition of nuclear submarines (Pillar I) and a pathway to remove weapon system co-development barriers (Pillar II).

Broadly, Pillar II required that the U.K. and Australia enact legislation similar to the U.S. AECA, in exchange for creating a “bubble” under which most AECA requirements do not apply, with the aim of removing barriers to cooperation, reducing duplicative effort, and maximizing comparative advantages. Since its implementation, Pillar II has facilitated development of drone and military AI applications,⁴ among other areas.

Although implementation has required significant time, efforts are now accelerating. The initiative has garnered strong bipartisan support in the United States and broad backing from major political parties in Australia and the United Kingdom. This momentum was reflected in the May 2026 launch of the first signature project to develop undersea attack drones.⁵

The trust among the Five Eyes nations (Australia, Canada, New Zealand, the United Kingdom, and the United States) for sharing sensitive national security

information⁶ was a significant foundation from which to build greater defense production collaboration. Established trust through Five Eyes made Australia and the United Kingdom ideal partners with whom to first expand cooperation, creating a model for future efforts.⁷ Next, the United States should work with other trusted allies and partners to minimize barriers to co-development and a co-production ecosystem by creating a TRUST bubble with more allies who are willing to demonstrate a high level of buy-in and effort.

The TRUST bubble at its core would be a U.S.-controlled and -managed reciprocity-based tiered architecture, with participants granted different levels of exemptions from U.S. export-control architecture and privileges for co-development, co-production, and defense-relevant trade based on their positive defense industrial contributions to the U.S., alignment on export controls, and consideration for the risks of inclusion. Historical examples, such as the U.S.-led collaborative development of anti-aircraft munition fuses in World War II,⁸ show that this regulatory latitude could even extend to extraordinarily sensitive technologies.

Just as the U.S. security clearance system has different levels, so would the TRUST bubble. Close partners with significant defense industrial capacity and comparable policies to those of the United States, such as Australia and the United Kingdom, could be thought of in an upper tier (similar to a Top Secret clearance), with other countries included in a middle tier (similar to Secret), and a third tier (similar to Confidential Unclassified Information).

Their level of inclusion should be based on six core criteria: (1) comparable arms export controls, (2) well-managed security clearance systems, (3) positive impact on the U.S. defense ecosystem, (4) strength of alliance, (5) robust cyber defenses, and (6) seriousness about defense spending.

1. **Comparable Arms Export Controls.** Allies must adopt export-control standards similar to those in the AECA and pass a legal architecture that creates reciprocity for participation without caveats for individual countries.
2. **Well-Managed Security Clearance Systems.** Allies must establish protocols with equivalencies to the U.S. security clearance system with demonstrated rigor and regular review of cleared individuals and secure information-exchange protocols at a minimum level of NATO standard. Defining and overcoming the security clearance hurdle can also be modeled on the AUKUS approach in which the Department of War will certify compatibility.⁹

3. **Positive Impact on the U.S. Defense Ecosystem.** This criterion includes the strength of an ally's defense industry: primes, such as BAE Systems, as well as sub-tier and material suppliers. It also includes any potential negative impact they could have on U.S. arms sales volume and general commercial risks of any shared intellectual property providing unfair advantages to foreign enterprises. Current widespread production shortfalls render this a lower priority concern at this time.
4. **Strength of Alliance.** This criterion includes other legal arrangements that the partner country has with the United States, such as NATO membership or other mutual defense agreements, as well as proven willingness to collaborate.
5. **Robust Cyber Defenses.** A country's ability to protect itself and the information in its possession against adversarial penetration of computing and digital information systems—indigenously and with allied assistance—is crucial.
6. **Seriousness about Defense Spending.** Current defense spending levels and clear progress toward meeting 3.5 percent of gross domestic product (GDP) defense spending by 2035 are crucial. In Secretary of War Pete Hegseth's words at the 2026 Shangri-La Dialogue:

We demand 3.5% from our allies and partners.... As our strategy states, we will prioritize working with model allies, those nations who are most capable, clear-eyed and ready to defend their national interests. For those nations, we are moving them to the front of the line [with] expedited arms sales, deep industrial base collaboration, expanded intelligence sharing, the list goes on that benefits many.¹⁰

In addition to these positive weighted factors, some other factors should be disqualifying. These include any defense-relevant trade with American adversaries, such as Russia, China, and Iran, including the facilitation of defense-related trade; inclusion of adversary-sourced components in weapon systems that may compromise them, thereby violating U.S. export controls or sanctions; history of industrial espionage; critical infrastructure investment by adversaries, such as Huawei telecommunications networks or ongoing Belt and Road Initiative projects; or levels of trade with China that provide China with meaningful coercive leverage, without efforts to

mitigate this weakness, such as by developing alternative sourcing for critical supply chains. Finally, any participation is predicated on reciprocity within given tiers of the TRUST bubble: agreed upon exceptions must be reciprocal in order to facilitate defense trade.

Like security clearances, countries should be subject to continuous vetting with renewal dates. Should the executive branch find that a country is no longer fulfilling its obligations, it should revoke that country's privileges.

The U.S. Should Expand Technological Export Permissions. For good reason, AUKUS does not allow the unrestricted transfer of all technologies. The prohibition on nuclear weapons-related technology does not serve as a burden on cooperation and serves U.S. nuclear non-proliferation interests. But many other technologies that AUKUS does not encompass create an unnecessary burden without providing any benefit.

Among the most pressing U.S. and allied needs are increased production capacity and production of critical munitions. However, missile-related technologies are almost exclusively outside the AUKUS framework, because the ETL includes almost everything subject to the MTCR.

When weighing the time and monetary costs of excluding MTCR technologies from AUKUS against the potential harms of including the MTCR technologies in AUKUS, the logical outcome is that the MTCR items should not be automatically added to the ETL.

Developed in 1987 among G7 partners, and eventually expanded to 35 partner countries, the MTCR attempted to reduce weapons of mass destruction risks by sharply curtailing arms exports of delivery systems including missile and drone technology.¹¹ While curtailing the proliferation of missiles was a worthy goal, the MTCR has not achieved that goal. Instead, China, Iran, and Russia have proliferated items covered by the MTCR¹² while the United States and responsible countries sat back and watched. The end result is that the MTCR limitations embedded in statute¹³ have reduced Washington's ability to support partners around the globe and reinforce deterrence, while irresponsible adversaries disregard the MTCR's principles and act as agents of proliferation. This mismatch makes clear that MTCR controls are outdated, benefiting only the adversaries flouting them, and U.S. legislators should largely remove them.¹⁴

MTCR items are not the only items that should be removed from the ETL. Categorical restrictions on man-portable air-defense systems (MANPADS) technologies, cluster munitions, and other entries on the ETL also likely do not make sense and should be revisited in light of adversarial proliferation, demonstrated military use cases, and allied production capability.

The U.S. Should Update Outdated Arms Export Regulations. America's Cold War defense production not only led the world but also developed numerous capabilities across multiple domains that were unique, or relatively unique, technological advances. U.S. diplomats and lawmakers attempted to capitalize on this advantage to reduce drone and missile proliferation through the MTCR and the addition of many technologies to prohibitive export lists, such as the U.S. Munitions List and the Commerce Control List.

U.S. Munitions List and Commerce Control List. One-time updates are only part of the solution to resolve defense export bottlenecks; a consistent update cycle is required when it comes to key lists established by legislation and managed by the executive branch, particularly the U.S. Munitions List and the Commerce Control List (CCL). Overseen by the U.S. Department of State and the Commerce Department, respectively, these lists too often act as a one-way valve limiting American defense exports in sensitive areas and then continuing to limit them long past global market availability. As a result, Congress has repeatedly passed legislation amending the AECA to require reviews of the U.S. Munitions List for suitability with the most recent action in the FY 2024 National Defense Authorization Act mandating "such reviews not less frequently than every 3 years."¹⁵

The CCL has no required review timeline but is subject to more frequent, ongoing adjustments by the Commerce Department. The CCL is independent of the U.S. Munitions List, which avoids dual or overlapping controls, but it includes many dual-use goods that are relevant to defense production. Lately, the Commerce Department has rightly tightened export controls on adversaries through actions like expanding ownership rules under the Entity List to catch adversarial companies' subsidiaries,¹⁶ but the CCL and other lists deserve consistent timelines for review of included items and entities to ensure that they remain up to date. Allied support and capabilities are critical to deterring adversaries.

The U.S. Should Maintain Control of the New Export Architecture. A core lesson from all the reforms contemplated here is that geopolitical conditions are subject to change, so flexibility must be maintained in arms-export regulations. At a time when adversarial threats facing the United States were lower and the technological barriers wider, it made sense to maintain tighter restrictions on arms exports. But over several generations, the United States watched as arms-export regulations created for the competition with the Soviet Union, such as the Intermediate-Range Nuclear Forces Treaty and MTCR, aged into obsolescence and tied America to past commitments no longer honored by U.S. adversaries, while

bureaucratic barriers intended to protect U.S. defense technology no longer strike a balance among security, defense cooperation, and rearmament.

Therefore, it is critical that America rebuild its arms export–control regime for the 21st century, while maintaining control over arms export decision-making without offshoring rules to international regimes. This flexibility will be key to enhancing allied defense industrial resilience by building on current successes, such as National Advanced Surface-to-Air Missile System (NASAMS) coproduction with Norway¹⁷ and PAC-2 GEM-T interceptor coproduction with Germany.¹⁸

Not only does this flexibility entail the United States removing itself from arrangements that are no longer in the U.S. interest, but it also is directly relevant to any new arms export–control framework. Any new framework should concentrate on benefiting American national security with standards and membership subject to U.S. control to adapt as circumstances warrant.

Conclusion

As America rearms to deter its adversaries and win the fights ahead, streamlining arms-export procedures and expanding coproduction will be key tools in reclaiming the mantle of the arsenal of freedom. Working together in this way will only make the United States and its allies stronger. As Secretary Hegseth remarked at the 2026 Shangri-La Dialogue: “We take very seriously our responsibility as the foundation for Western defense, but the more [that] rich countries who have robust manufacturing capabilities get into the defense business because of the reality of the moment, the more options we’re all going to have.”¹⁹ That could not be more true—and reforming export controls is the way to get there.

Jordan Embree is Research Associate in the Margaret Thatcher Center for Freedom at The Heritage Foundation. **Jim Fein** is Senior Research Associate for National Security and the Defense Industrial Base in the Douglas and Sarah Allison Center for National Security at The Heritage Foundation.

Endnotes

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