

EXAMPLES OF INTERNATIONAL COOPERATION

Part 1

Intelsat was preceded by the formation of a domestic company, Comsat. In 1962 the Federal Government, after extensive debate over the proper degree of Federal involvement, chartered Comsat Corp. to provide a commercial communications satellite system "in conjunction and cooperation with other countries . . . which will serve the communication needs of the United States and other countries, and which will contribute to world peace and understanding."¹ Comsat was not directly owned or run by the Government; it issued shares of voting public stock (which were immediately over-subscribed), with 50 percent of these reserved for "common carriers"—AT&T, ITT, Western Union, and others. The Board of Directors consisted of three Presidential appointees, six common carrier representatives, and six elected at large. However, although Comsat was not directly financed by the Government, it received and continued to receive the benefit of extensive NASA-sponsored development of communication satellites and launch-vehicles, free of charge—some several billion dollars worth. (NASA research on communications satellites was cut back under the Nixon administration but reemphasized in the Carter administration's October 1978 White House Fact Sheet, largely as a result of increased competition from Japan and Western Europe.)

Under its charter, Comsat was allowed to enter directly into negotiations with foreign entities with the supervision and assistance of the State Department. In 1963, a U.S. negotiating team proposed a framework for an international telecommunications satellite organization: Intelsat. In a series of meetings details were agreed on: 1) that Comsat would be the consortium manager² and majority owner, with an initial 61 percent of the shares; 2) that ownership and utilization charges, as well as voting, would be in proportion to the use of the system by each participant, readjusted on an annual basis, and that membership would be open to all ITU member nations, with a minimum 15-percent share needed for representation and voting; 3) there would be two levels of agreement, one direct-

ly by nations, the other by designated agencies ("signatories"), one per nation; 4) that Intelsat would be restricted to providing services between countries, not within countries; 5) the interim agreements would last 5 years, at which point permanent arrangements would be agreed on.

One immediate result was the refusal of the Soviet Union and East Europe to participate. The Soviets used only a miniscule amount of global communications traffic, some 1 percent, and would not join an organization dominated by the United States and West Europe. They began developing their own domestic system (Molniya), which later formed the core of their international system, Intersputnik, covering the Soviet Union, East Europe, Cuba, and Mongolia.

When the interim agreements were renegotiated, from 1969 to 1971, the basic structure was retained. However, a number of changes were made, many of them designed to reduce U.S. dominance and to increase the direct role of national governments.³ Comsat was phased-out as the manager, management being turned over to a Director General, responsible to a Board of Governors composed (in 1979) of the 27 largest participants or groups of participants, representing a total of 83 signatories. A new voting structure was established to prevent de facto U.S. veto power. The minimum participation was lowered to 0.05 percent. All signatories and states parties were entitled to receive free, technical information generated by Intel sat contracts. Intel sat was allowed to provide services to domestic and regional satellite groups. Net property in 1980 is valued at \$663 million, with \$523 million of that in the space segment proper. Return on investment in 1979 was better than 14 percent.⁴

Part 2

Like Intelsat, Inmarsat is a commercial, profit-making venture with a corporate structure and independent legal personality. Comsat is the U.S. signatory, holding the largest original share at 17 percent; Great Britain is second with 12 percent, the Soviet Union third with 11 percent.⁵ Initial capitalization was set at \$200 million.

Because it could participate on a more equitable basis, the Soviet Union joined Inmarsat; one conse-

¹Communications Satellite Act of 1962, in *Space Law, Selected Basic Documents*, Senate Committee on Commerce, Science, and Transportation, Dec 1978, p 523

²Joseph N. Pelton, *Global Communications Satellite Policy: Intelsat, Politics and Functionalism* (Mt Airy, Md Lomond Books, 1974), p 76 (p 55)

³Richard Colino, *The Intelsat Definitive Arrangements* (Geneva European Broadcasting Union, 1973), p 11-12

⁴*Intelsat Annual Report 1980* Intelsat, Washington, D C , p 21

⁵Operating Agreement on Inmarsat, 1976, in *Space Law*, p 445

quence was Soviet insistence that nongovernmental signatories —e.g., Comsat and Japan's Kokusai Denshin, Ltd.—be guaranteed by their governments. It has been pointed out that the Soviet Union “is disinclined to enter mixed organizations involving states and private enterprise,” preferring to deal only with other states.⁶

Part 3

The vast majority of Intelsat signatories were government communications agencies. Only in a few instances, such as Comsat for the United States, and Interspazio for Italy, were the signatories separate corporate entities designed for communication satellite operations. One result was a conflict of interest within agencies that were involved in other communication systems, especially underwater cables. Differences of opinion also developed between Comsat, which wanted to expand Intel sat into as many other areas, including domestic communications, as possible; and agencies that wanted Intelsat's scope restricted to international telephone and television relay.

At the beginning, Comsat, with headquarters in Washington, D. C., was the managing agency; American launchers were used through NASA; and the satellites themselves were built by U.S. firms — (Hughes for Intelsat I, II, IV, and IV-A; TRW for Intelsat III; Ford Aerospace for Intel sat V). The initial agreement was structured in such a way that U.S. participation could never be less than 50.6 percent.⁷

Initially, participation by lesser developed countries in numbers, tensions developed between LDCs, Europeans, and the United States over the distribution of benefits. One issue concerned the relative investment between satellites and ground stations. Since users were responsible for building their own Earth stations, LDCs and others with fewer resources and lower usage urged Intelsat to increase the size and complexity of the satellite component in order to reduce Earth-station costs.

As European aerospace capabilities matured, members began to lobby for larger shares of Intelsat R&D and procurement contracts. Even when

European bids were higher than U.S. ones, it was argued that these were necessary to develop competition for the United States, and that it was unfair for U.S. firms to reap all the financial benefits. Over time, U.S. firms began to subcontract extensively abroad in an effort to reduce criticism of U.S. contract dominance.

In the permanent agreement, procurement policy was established with emphasis on the “best combination of quality, price and most favorable delivery time.” However, in the event of equivalent bids “the contract shall be awarded so as to stimulate in the interests of Intelsat, worldwide competition” (art. 13).⁸ This loophole gave Intelsat the option of allocating contracts on a geographic basis as long as it determined that they were roughly equivalent. In recent years, approximately 15 percent of the dollar value of Intel sat procurement contracts has been spent outside the United States.⁹

Part 4

Unlike ESRO, which had its own facilities, ELDO was entirely a coordinating body for separate national efforts. The initial planning called for a British first stage, a French second stage, a German third stage, and so on. Launches were to take place in Woomera, Australia. The major countries had widely differing interests. France was interested in an across-the-board capability to compete with the superpowers and demonstrate French independence and prestige, an aim directly connected with French military programs in nuclear submarines and intermediate range ballistic missiles. France feared that the United States would not provide launch services for French military satellites or for programs that promised to compete commercially with the United States.

Germany was more interested in private commercial ventures, and was much more willing to cooperate with the United States. Great Britain, faced by the mid-1960's with severe financial constraints and enjoying a close relationship with the United States, preferred less expensive programs in telecommunications and remote sensing.

⁶Stephen Doyle, “Inmarsat Origins and Structure,” 1976
⁷Pelton, *op cit*, p. 58

⁸“Intel sat Organization Agreement,” 1973, in *Space Law*, p. 214
⁹Conversation with John Donahue, Intelsat procurement office, October 1980

ACRONYMS, ABBREVIATIONS, AND GLOSSARY