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Introduction

Good morning. It's a joy to join you all here at Update. One of the tremendous highlights of this job for me has been the opportunity to meet and collaborate with this export control community. Thank you to everyone who made this conference come together: my team, in particular the Office of Exporter Services, our volunteers, the team at the Marriott Marquis, and everyone present in the room that came from all over the world.

Over the next few minutes, I will share my thoughts on the Bureau of Industry and Security's (BIS) regulatory focus and how we are positioning Export Administration (EA) to tackle geopolitical challenges associated with advanced and emerging technology.

General Regulatory Focus

We have heard a great deal the past two days regarding national security and the political threats posed by the People's Republic of China's (PRC) military modernization and Russia's hegemonic efforts. It should be no surprise that our top priority is using export controls to proactively address these concerns. Russia and the PRC were at forefront of BIS's policy decisions last year and will likely continue to be for years to come.

Our most substantial rules of the past year addressed: PRC efforts to use advanced computing and semiconductor manufacturing equipment to advance its military modernization and Russia's desire to obtain U.S. goods to shore up its attacks on the innocent people of Ukraine. You can anticipate that we'll shortly publish proposed rules implementing NDAA authority related to export controls on militaries, intelligence organizations, and security services, on which we welcome your comments.

Still, our increasing focus on preventing adversaries from harnessing the potential of emerging technologies like artificial intelligence to advance their military capabilities and malign activities has not distracted from our traditional nonproliferation focus. Even as we expanded advanced computing controls on the PRC, we also expanded nuclear nonproliferation controls to ensure that deuterium, graphite, and other nuclear-related items are only being used in the PRC for peaceful activities such as commercial nuclear power generation, medical developments, and non-military industries.

EA had a very busy 2023. We processed nearly 40,000 license applications with an average processing time of 32 days, not including applications for the PRC. The Operating Committee heard 614 applications, the Advisory Committee for Export Policy reviewed 45, and no cases were elevated to the Export Advisory Review Board. We published 45 rules, with thousands of pages, as you know, and added 466 entities to the Entity List. The EA team also traveled the globe, putting all of our energy behind the development of multilateral and plurilateral controls, as well as the many critical government dialogues we maintain – Brussels, the Hague, Ankara, Seoul, Tokyo, Kuala Lumpur, Delhi and Abu Dhabi, just to name a few.

### Organizational Repositioning

We are also making some internal changes in EA in light of our substantially growing responsibilities. Primarily, we're implementing a new EA leadership framework to ensure we can continue to effectively protect national security and appropriately manage policy engagement and implementation.

Internal review recognized two main channels of activity in EA. First, Strategic Trade – this is our licensing functions, outreach, and training mission. Second, Technology Security – this is our DIB responsibilities, as well as all of the analysis we do – whether on licensing and trade data, industry research, or intelligence – and our 232 work. And so, we formally created two Deputy Assistant Secretary (DAS) roles to lead this work – a DAS for Strategic Trade, and a DAS for Technology Security. Above them, is the Principal Deputy Assistant Secretary, a position to which we've elevated national treasure Matt Borman.

In office organizational terms, the DAS for Strategic Trade will oversee the Office of National Security and Technology Transfer Controls, Office of Nonproliferation and Treaty Compliance, and the Office of Exporter Services. The new DAS for Technology Security will be responsible for Office of Strategic Industries and Economic Security and the Office of Technology Evaluation. Those are the topline changes.

You should have pretty good understanding of the Strategic Trade mission already – so I'll spend an extra minute on what to expect from the Technology Security side of the EA house. Export Control Reform Act Section 1758 charges us with identifying and implementing appropriate controls on emerging and foundational technologies essential to national security. This is a critical part of our mission that demands dedicated resources and attention. This work, as well as foreign technology analysis and other research efforts designed to help assess the effectiveness of our export controls, will be formalized under the DAS for Technology Security.

In past year, the Office of Technology Evaluation under Kevin Coyne has led the bureau's Section 1758 work, including through proactive research, analysis, collaboration, and consultation with interagency partners and key industry and academic stakeholders, as well as supporting engagements with allies and partners at the regimes. And our nonproliferation experts, notably in the Chemical and Biological Controls Division have provided critical leadership in this space, through proposed rules on new technologies like peptide synthesizers.

Formalizing a Technology Security branch of EA is essential for moving BIS from its historic focus on export control regulations towards a holistic approach of assessing the intersection of tech ecosystems, export control authorities, and national security and foreign policy goals.

Related to these new branches, we moved the Munitions Control Division to the Office of National Security and Technology Transfer Controls under the DAS for Strategic Trade.

As some of you know, these changes required congressional approval. In the course of taking that on, we took the opportunity to rethink the names of some of our offices and divisions. All will be announced on new website by the end of this week.

We know you rely on our website to reflect the current state of BIS. Our Office of the Chief Information Officer (OCIO) has been working diligently on our new site, rolled out officially last Friday, for the better part of a year now. Thank you to Michael Palmer and our OCIO for your efforts to make us look so good – check it out and share thoughts with them today.

Before I get back into policy, I have one more EA development to address – under our new PDAS, we formed an International Policy Office (IPO). Our vision for EA requires consistent and proactive engagement with our allies and partners to achieve mutual goals, as well as increased focus on the activities and plans of nations that challenge global peace and security. IPO leads EA’s increasing focus on engaging on a plurilateral and bilateral basis to address evolving threats, helps institutionalize the many plurilateral and bilateral relationships we’ve developed over the last 2 years, and enables country-specific analysis not necessarily tied to a specific technology or multilateral regime.

### Trusted Tech Ecosystem

Over the past year, we’ve doubled down on efforts to bring friends on side with our approach to advanced technology. You saw some of our efforts in rules published last year removing license requirements for certain items and making it easier to use license exceptions for exports to close partners. Related to that, you can expect a final Strategic Trade Authorization rule this summer. These rules facilitate innovation with trusted partners and free up licensing resources to focus on higher-risk transactions.

To compliment the work that the State Department is doing to implement the Australia-U.S.-UK enhanced security partnership, or “AUKUS,” Defense Trade Cooperation pursuant to the Fiscal Year 24 NDAA, we’re also working on incorporating the premise of AUKUS into dual-use export controls. Last year, the UK Parliament passed the National Security Act to enhance protections of defense-related information, and Australia’s Parliament just passed the Defence Trade Controls Amendment Act, imposing new reexport controls as well as deemed export controls. In light of the AUKUS partnership and these new tech protection measures our allies have implemented, we are considering what we can do to streamline trade controls with the UK and Australia.

What’s been harder to see publicly is our extensive engagements to bring friends into our advanced technology fold. We’ve learned from you that U.S. and multinational companies are seeking new locations for their advanced tech operations. We’ve learned from governments around the world that they view advanced U.S. tech as unparalleled. Accordingly, we’re looking for ways to make it easier for industry to work with international partners that embrace the principles of export controls.

Traditionally, we would have thought about this kind of partnership through the lens of co-development. Increasingly, we’re thinking about ensuring that the items subject to our controls are readily accessible in countries eager to join the United States in using advanced technology responsibly.

Many of your companies already maintain operations in countries that don't have export control laws and regulations in place. We thank you for bringing your compliance programs and due diligence practices with you. Whether you're friendshoring, diversifying, or derisking, you're leading the way in expanding a trusted tech ecosystem.

This is a new look at our advanced technology partners of the 21<sup>st</sup> century – who they are now, and who we anticipate they may be in the future. So for those of you with multinational operations, consider the example of a Validated End User, or “VEU,” operating in India. As a VEU, this company is eligible to receive advanced tech exports without waiting for suppliers to obtain a license from BIS.

The VEU process allows for more certainty and reliability regarding the receipt of items subject to the EAR that are included in their VEU authorization. It does not have an expiration date like a license, and can be made available to re-exporters. We are working through different scenarios to see how authorization VEU could be further utilized around the world. We welcome your feedback on this.

### Multilateralism

In EA – Export Enforcement (EE) as well, although they will tell their own story – we are adopting creative approaches to our international efforts, which are fundamental to modernizing export controls and maximizing their effectiveness. Technology supply chains span across borders, and technological expertise is dispersed throughout the world. The best way to truly keep potentially dangerous technologies and know-how out of the hands of bad actors is to work together. Coordinated controls reduce instances of evasion or backfill by other suppliers from other countries, ensuring that our controls remain effective over the long term.

This is the approach we have adopted in building the Global Export Control Coalition, focused on using all aspects of export controls to degrade Russia's military capabilities, as well as those of enablers such as Belarus and Iran. This coalition – led by the EC, Japan, UK and the U.S. – enabled us to drive new approaches to lower-level commodity controls on Russia and its partners, using Harmonized Systems (HS) codes to parse EAR99 items. Our Russia team covered the Common High Priority List, based on HS codes, yesterday. That's another excellent – and globally effective – result of our coalition's work.

It's also the approach we've applied to Russia's efforts to stymie Wassenaar Arrangement (WA) progress. For two years now, Russia has stood in the way of new multilateral controls being adopted through the WA. And so – through the efforts of our State Department colleagues and leading international partners – we have been creative with our workarounds. You'll see us publish new plurilateral controls stemming from 2022 and 2023 WA discussions in the near term.

### Industry

Rapid advancements in science and technology mandate that we – and our friends – become more nimble as we develop strategies more suited to those technological advancements, as well as the global geopolitical context we face. I spoke about our government to government partnerships, but let's be clear – we rely on our close partnership with industry to protect global peace and security as well. Companies inside and outside the United States are striving to keep pace with the rapid changes to the national security landscape.

As always, we want to hear from you on the impact you see from our regulations, on the challenges you face in implementing export controls, and on the ramifications of our rules. We ask that you continue providing feedback on our effectiveness of our regulations, and that you continue to amplify our message about the national security rationale for our controls.

Thank you and your companies for your efforts to shore up export control compliance in the face of these challenges.

### Increased Emphasis on Data

The new structure of EA and our foreign government and industry engagements, reflect the data-driven nature of our mission. That ties directly into the next part of our plenary session this morning. I'd like to leave you with a better understanding of how we in EA use intel, and how the work of the intelligence community furthers our mission, making dual-use export controls as effective as possible.

EA's licensing officers, along with our interagency and EE colleagues, cannot adjudicate license applications without intelligence. To fully evaluate parties to a transaction, end uses, and the risks of diversion requires open-sourced information and intelligence.

I hope you understand that we at Commerce don't rely on State, Defense, or Energy to find derogatory information for us. Our licensing officers assess applications based on their familiarity with technology, industry, and regional issues, as well as intel. To this end, we in EA are putting resources into improving our access to intel and collaboration with the intelligence community.

Take our advance chip and SME rules – our licensing officers, many of whom are highly-trained engineers – worked with the intelligence community to understand the threat posed by the PRC's access to advanced integrated circuits. With an understanding of the threat, in partnership with the intelligence community, our engineers mapped out the key technologies that are made by the U.S. and its allies on which the PRC is dependent. This information became the building blocks for the Advanced Computing rule that now limits the PRC's ability to obtain advanced computing chips and semiconductor manufacturing equipment.

We also rely on the intelligence community to help us make the case to our allies that the technology we care about will contribute to programs that harm our national security. This isn't dissimilar from how we brought the Global Export Control Coalition – 39 partners from North America to Europe to the Indo-Pacific – together to impose substantially similar export controls on Russia/Belarus. Our intelligence sharing helped to clarify the threat, which helped to focus our allies on the reality we were facing.

The more we can share intelligence about technology risks with our close partners, the more we can bring them on board with our technology control proposals.

## Conclusion

With that, I hope I provided a good snapshot of where EA is and where we're going. We're focused on emerging technology and forging deeper international partnerships around common export control approaches.

I recognize the importance of engaging with our export control community – you – to ensure EA's actions are tailored to fully address national security concerns while also ensuring the advancement of U.S. technological leadership.

Thank you.