



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

Annual Report to the Congress for Fiscal Year 2018

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Statement of the Secretary and the Deputy Under Secretary

We are pleased to present this Annual Report detailing the activities of the Department of Commerce's Bureau of Industry and Security (BIS) during Fiscal Year 2018. This is BIS's first Annual Report since the passage of the Export Control Reform Act of 2018 (ECRA).

Fiscal Year 2018 was a banner year for BIS, with many high-profile activities protecting U.S. national security and supporting U.S. foreign policy interests. BIS continued to play a critical role in advancing key priorities of President Trump through its expertise and regulatory and enforcement authorities.

BIS ensures appropriate controls on dual-use and military items through the Export Administration Regulations (EAR). BIS furthers its protection of national security, including a level playing field for U.S. companies, through participation in multilateral export control regimes and nonproliferation treaties. BIS educates industry and foreign partners to promote compliance with export controls and treaty compliance, while vigorously investigating and prosecuting violators of export controls.

BIS intensified its efforts to adopt policies and engage in enforcement activities that address national security threats, including Iran's attempts to gain U.S. technology and commodities, China's civil-military integration efforts, and Chinese corporations' violations of the EAR.

In addition to export controls and treaty compliance, BIS also plays an important role in protecting national security, with its investigations of conditions affecting the defense industrial base. BIS led the Department's investigations of the effects of steel and aluminum imports on U.S. national security. Once the President imposed tariffs and quantitative restrictions, BIS also led the review of tens of thousands of exclusion requests.



Wilbur L. Ross
Secretary of Commerce



Daniel O. Hill
Deputy Under Secretary for Industry and
Security, Performing the Non-Exclusive
Duties of Under Secretary for
Industry and Security

BIS MISSION

BIS advances U.S. national security, foreign policy, and economic competitiveness by ensuring an effective export control and treaty compliance system and by promoting continued U.S. leadership in strategic technologies. BIS accomplishes its mission by maintaining and strengthening adaptable, efficient, and effective export control mechanisms and treaty compliance systems and engaging in a number of defense industrial base activities.

BIS administers and enforces controls on the export of: (1) dual-use items, which have chiefly commercial uses but which could be used in conventional arms and/or in weapons of mass destruction, by terrorists, or to abuse human rights; and (2) less sensitive military items. These controls are implemented through the Export Administration Regulations (EAR) in coordination with several other agencies. The EAR set forth license requirements and licensing policy for exports of these items, and incorporate controls on items identified on the control lists of the four major multilateral export control regimes: the Australia Group (chemical and biological nonproliferation), the Missile Technology Control Regime, the Nuclear Suppliers Group, and the Wassenaar Arrangement (conventional arms and related goods, software, and technologies), in addition to unilateral controls.

BIS participates in U.S. nonproliferation efforts related to the Chemical Weapons Convention, the Additional Protocol to the U.S.-International Atomic Energy Agency Safeguards Agreement, and the Biological Weapons Convention.

Enforcement of the EAR is an essential aspect of the BIS mission. Enforcement efforts serve to encourage compliance, prevent and deter violators, disrupt illicit activities, and bring violators to justice. BIS investigates potential violations, supports administrative and criminal prosecutions and helps evaluate the parties, end-uses, and destinations of exports, reexports, and in-country transfers of sensitive commodities, software, and technology. BIS also actively enforces prohibitions related to certain foreign boycotts.

BIS carries out activities to support the U.S. defense industrial base, including by: conducting industry sector surveys and analyses, investigating threats to national security from imports, participating in the interagency Committee on Foreign Investment in the United States (CFIUS) process, and administering the Defense Priorities and Allocations System (DPAS), and co-chairing the Market Impact Committee.

BIS consults closely with industry on the development of regulatory policy through its Technical Advisory Committees (TACs). The TACs provide valuable industry and academic input on trends in technology and the likely impact of export control developments. BIS also conducts numerous outreach events throughout the United States and overseas to educate and update the public and international partners on export controls and policy.

FISCAL YEAR 2018 SUMMARY

This report summarizes the significant events and activities of the Department of Commerce’s Bureau of Industry and Security (BIS) during Fiscal Year 2018 – from October 1, 2017 through September 30, 2018.

MAJOR LEGISLATION

Two laws enacted in Fiscal Year 2018, the Export Control Reform Act of 2018 (ECRA) and the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), directly impact BIS’s authorities and activities.

1. The Export Control Reform Act of 2018

The Export Control Reform Act of 2018 replaced the Export Administration Act of 1979 and the International Emergency Economic Powers Act as the primary authority under which BIS administers and enforces export controls.

Among other new provisions, ECRA requires the President to establish and, in coordination with the heads of the Departments of Commerce, Defense, Energy, State, and other agencies, as appropriate, lead a regular, ongoing interagency process to identify emerging and foundational technologies that are essential to the national security of the United States. The Secretary of Commerce is required to establish appropriate controls on the export, reexport or in-country transfer of such items. BIS published an advance notice of proposed rulemaking on November 19, 2018, requesting public comment on the criteria for defining and identifying emerging technologies. BIS anticipates publishing related regulations in 2019.

ECRA also directs BIS to utilize its Emerging Technology Technical Advisory Committee (ETTAC) to identify emerging and foundational technologies that may be developed over the next five to ten years. Prior to the passage of ECRA, BIS had already revised the ETTAC charter so the committee could better advise BIS on emerging technological trends and developments that could impact our national security.

ECRA also provided BIS export enforcement agents with enhanced law enforcement authorities, including the authority to conduct undercover and independent overseas investigations and to utilize electronic surveillance. ECRA addressed additional important issues, including the continued confidentiality of export licensing and enforcement information and the authority for the Secretary to appoint administrative law judges to hear administrative enforcement cases.

2. The Foreign Investment Risk Review Modernization Act of 2018

The Committee on Foreign Investment in the United States (CFIUS) is an interagency committee

that conducts national security reviews of certain transactions involving foreign investments in the United States. The International Trade Administration (ITA) and BIS play important roles in Commerce's review for CFIUS. Among other things, FIRRMA expanded the scope of CFIUS review, including by authorizing CFIUS to review certain transactions involving critical technologies. BIS will continue to play an important role as FIRRMA is implemented. The CFIUS caseload and consequently, BIS's CFIUS-related activities are expected to increase significantly in Fiscal Year (FY) 2019 and beyond.

FIRRMA also requires the Secretary of Commerce to submit biennial reports to Congress on Chinese investment starting two years after FIRRMA's enactment and ending in 2026. Reports must include the amount of total foreign direct investment from China; a list of U.S. companies purchased through Chinese government investment; the number of U.S. affiliates in China; an analysis of Chinese investment patterns; and any limitations on collecting this information.

MAJOR ACTIONS

This section highlights major actions taken by BIS to address threats to U.S. national security and foreign policy.

1. Section 232 Investigations and the Defense Industrial Base

In April 2017, Secretary Ross initiated an investigation to determine the effects of imported steel and aluminum on national security pursuant to Section 232 of the Trade Expansion Act of 1962, as amended. In January 2018, Secretary Ross submitted to President Trump two reports prepared by BIS outlining the findings of the investigations and his recommendations for action under Section 232. The reports found that the quantities and circumstances of steel and aluminum imported into the United States threatened to impair the national security as defined by Section 232 and recommended the imposition of global tariffs on imports of steel and aluminum articles. On March 8, President Trump took action to protect U.S. national security by putting in place a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports. The tariffs entered into effect for most countries on March 23, 2018. President Trump also directed the Department of Commerce to establish a process to grant product exclusions from tariffs for imports of steel and aluminum articles currently unavailable in the United States in sufficient quantity or satisfactory quality, or based on other national security considerations. BIS is the lead agency in reviewing requests from U.S. parties for product exclusions from the tariffs on steel and aluminum. After negotiations, quotas were placed on steel imports from Argentina, Brazil and South Korea and for aluminum imports from Argentina in lieu of the tariffs.

BIS initially published procedures for product exclusion requests and objections in the *Federal Register* on March 19, 2018 in the form of an interim final rule. Since then, the Department has diligently worked to develop its exclusion process to ensure that the Section 232 tariffs protect our national security while also minimizing undue impacts on downstream U.S. industries. On August 29, the President signed a proclamation allowing the Department to provide relief from quotas on steel and aluminum imposed under Section 232. On September 11, 2018, BIS published a second interim final rule amending its March 2018 product exclusion regulations, which established procedures for rebuttals and surrebuttals, in addition to implementing

procedures to request relief from quotas. The new procedures were effective upon publication.

As of September 30, 2018, the Department had received more than 40,500 steel and aluminum exclusion requests (including resubmissions) and had received more than 34,800 objections to exclusion requests. The Department began issuing its product exclusion decisions on June 20, 2018 and had issued more than 9,500 decisions as of September 30, 2018.

In July 2018, the Secretary of Commerce also initiated a Section 232 investigation on the effects of uranium imports on U.S. national security after receiving a petition from two U.S. uranium mining companies. The report is due to the President no later than April 14, 2019.

The Bureau has also experienced an increase in requests for enhanced BIS industrial base surveys and analysis from multiple U.S. government agencies, including the Department of Defense, the National Aeronautics and Space Administration, and the intelligence community to help support informed national defense and technology policy decisions.

2. ZTE Investigation

As reported last year, on March 22, 2017, ZTE pled guilty and was sentenced in U.S. District Court in the Northern District of Texas stemming from multiple charges and violations of the International Emergency Economic Powers Act, obstruction of the administration of justice, and false statements. The criminal charges were related to the illegal shipment of telecommunications equipment to Iran in violation of the EAR and the Iranian Transactions and Sanctions Regulations. ZTE also settled administrative charges with BIS for conspiracy related to illegal shipments to Iran, as well as charges for making illegal shipments to North Korea and evasion charges related to the deletion and concealment of evidence. ZTE simultaneously settled with the Department of the Treasury, Office of Foreign Assets Control.

ZTE agreed to a combined civil and criminal penalty of \$1.19 billion. In addition to the monetary penalty, ZTE agreed to active audit and compliance requirements designed to prevent and detect future violations, and a seven-year suspended denial of export privileges, which could be activated in the event of future violations.

In Fiscal Year 2018, BIS determined that ZTE made false statements to BIS during the 2016 settlement negotiations, and also determined that ZTE continued to make false statements to BIS in 2017 during the probationary period included in the March 2017 settlement agreement. The statements related to senior employee disciplinary actions the company said it was taking or had already taken. ZTE's false statements were reported to the U.S. Government only after BIS had requested information and documentation showing that employee discipline had occurred. ZTE's statements covered up the fact that ZTE paid full bonuses to employees that had engaged in illegal conduct, and failed to issue letters of reprimand. As a result, on April 15, 2018, BIS issued a denial of export privileges against ZTE and placed ZTE on the Denied Persons List.

On June 8, 2018, BIS issued a Superseding Settlement Order following settlement with ZTE, which included the largest penalty BIS has ever levied. The superseding settlement resulted in additional civil penalties of \$1.1 Billion, for an aggregate BIS civil penalty against ZTE of

\$1.761 billion, \$400 million of which was suspended and placed in escrow by ZTE before BIS removed the company from the Denied Persons List. In addition, ZTE was required to retain a Special Compliance Coordinator (SCC) selected by and answerable to BIS for a period of ten years. If ZTE commits violations during the ten-year probationary period, the Department will again be able to deny it access to U.S. goods, software, and technology and/or collect the \$400 million in escrow.

The purpose of this settlement is to modify ZTE's behavior while setting a new precedent for monitoring to assure compliance with U.S. law. Under this arrangement, the SCC will vastly improve the speed with which the BIS can detect and deal with any violations.

The investigation of ZTE was carried out jointly by the BIS Office of Export Enforcement, the Federal Bureau of Investigation, and Homeland Security Investigations.

3. USML to CCL Review: Firearms

On May 24, 2018, Commerce published the proposed rule, *Control of Firearms, Guns, Ammunition and Related Articles the President Determines No Longer Warrant Control Under the United States Munitions List (USML)* (83 FR 24166). The Department of State published its proposed rule, *International Traffic in Arms Regulations: U.S. Munitions List Categories I, II, and III* (83 FR 24198), on the same day. The comment periods for both rules closed on July 9, 2018.

The Commerce proposed rule describes how articles the President determines no longer warrant control under USML Categories I-III (Category I – Firearms, Close Assault Weapons, and Combat Shotguns; Category II – Guns and Armament; and Category III – Ammunitions and Ordnance) would be controlled on the Commerce Control List (CCL). The State proposed rule would revise Categories I, II, and III of the USML to more precisely describe the articles warranting continued control on that list.

The Departments of Commerce and State have reviewed the public comments each received during the comment period and have drafted final rules for interagency consideration. The Departments anticipate that final rules will be published in early 2019.

4. Active and Meaningful Additions to the Entity List

Fiscal Year 2018 was a particularly active year as it relates to BIS utilization of the Entity List. The Entity List identifies foreign parties that are prohibited from receiving some or all items subject to the EAR unless the exporter first receives a license. Those persons present a greater risk of diversion to weapons of mass destruction (WMD) programs, terrorism, or other activities contrary to U.S. national security or foreign policy interests. The Entity List is an important tool to prevent unauthorized trade in items subject to the EAR. In FY 2018, BIS added 125 parties to the Entity List, including 21 entities to ensure the continued efficacy of existing sanctions on Russia for violating international law and fueling conflict in eastern Ukraine. Also, BIS added 44 Chinese entities to the Entity List for their involvement in the procurement or transshipment

of commodities and technology for unauthorized military end-use in China or for posing a risk of such diversion to military-end use activities.

5. Educational and Outreach Activities

BIS continued to expend resources to inform the regulated community about changes to regulations. These outreach activities included BIS seminars, industry group meetings and seminars, small and medium-sized business conferences, webinars, and meetings with foreign governments. BIS also utilized web-based decision tools to assist exporters. The decision tools on the BIS website received more than 25,000 hits. In addition to outreach with the public, BIS continued to support U.S. Customs and Border Protection (CBP) and other law enforcement agencies around the United States with updated training materials containing information about relevant changes to the Export Administration Regulations. BIS worked with CBP to implement and announce new requirements for the Automated Export System as additional final rules were published and became effective throughout the fiscal year.

ADDITIONAL ACTIVITIES

BIS addresses threats to U.S. national security and foreign policy through a variety of tools that implement and enforce the Export Administration Regulations (EAR), as well as domestic implementation of the Chemical Weapons Convention and the Additional Protocol to the U.S.-International Atomic Energy Agency Safeguards Agreement, efforts to strengthen the Biological Weapons Convention, and activities to support the U.S. defense industrial base.

BIS also works closely with partners to establish consistency with other countries internationally. Throughout FY 2018, BIS participated in discussions in the four multilateral export control regimes (Australia Group, Missile Technology Control Regime, Nuclear Suppliers Group, and Wassenaar Arrangement) to develop and refine control lists and operational guidelines. As a result of India's membership in the Wassenaar Arrangement, BIS formally recognized India, a Major Defense Partner, and added India to a country group with greater License Exception Strategic Trade Authorization eligibility. Conversely, BIS moved South Sudan to a more restricted country group to reflect actions taken by the Department of State in the International Traffic in Arms Regulations.

Consistent with the requirements of section 1758 of ECRA, BIS efforts are underway to identify and control the export of emerging and foundational technologies. In FY 2018, BIS initiated the drafting of an Advance Notice of Proposed Rulemaking (ANPRM) to seek public comment on criteria for identifying emerging technologies that are essential to U.S. national security. Additionally, emerging technologies have been discussed in the multilateral export control regimes. Missile Technology Control Regime (MTCR) partners exchanged information on developments and trends in proliferation, including emerging technologies and regional proliferation. The Australia Group (AG) New and Evolving Technologies Technical Experts Meeting discussed several new and emerging technologies that have potential implications for chemical and biological weapons. Wassenaar members worked to further refine existing control lists and make them more readily understood and user-friendly for licensing authorities and exporters.

To provide guidance and transparency to U.S. exporters in an effort to safeguard U.S. national security and foreign policy, BIS utilizes various types of outreach, including an annual policy conference. The theme of the BIS 2018 Annual Conference on Export Controls and Policy was “Emerging Technology and National Security Policy.” BIS also participated in numerous industry events focused on specific issues, such as revised controls on exports to Cuba, and Russia sanctions, deemed exports (i.e., the release of controlled technology to foreign nationals in the United States), export requirements for items controlled for nuclear nonproliferation reasons, and export requirements for less sensitive military items.

The following sections further detail BIS’s accomplishments with respect to the effect of export controls to not only further national security and address foreign policy concerns, but to create a level playing field to allow U.S. firms to successfully compete in global markets.

Export Licensing and Related Activities

Export License Processing

In Fiscal Year 2018, BIS processed 35,346 export license applications. This marked a 3.5 percent increase from the 34,142 applications processed in Fiscal Year 2017. BIS approved 30,379 license applications (85.9 percent), returned 4,686 applications without action (13.3 percent), and denied 281 applications (0.8 percent). BIS’s average processing time this year to review a license application was 18 days. This included time for reviews by other agencies, namely the Departments of Defense, Energy, and State.

Of this year’s licenses, military aircraft and related commodities (Export Control Classification Number (ECCN) 9A610) was again the ECCN with the highest total approved license value (\$12.6 billion) as well as the ECCN with the highest number of approvals (5,288).

Through the licensing process, BIS carefully assesses each request for export, seeking recommendations and information from the Departments of Defense, Energy, State, and the intelligence community. BIS’s Information Triage Unit (ITU) is responsible for assembling, analyzing, and disseminating information from all sources to inform agencies about the *bona fides* of foreign parties to a license application. During Fiscal Year 2018, the ITU provided information relevant to 511 license applications. In addition, BIS end-use checks help ensure that exported items have been or will be properly used as authorized and that license conditions are adhered to fully. These activities prevent unauthorized trade and ensure entities and persons of concern are ineligible to receive items subject to the EAR. In Fiscal Year 2018, BIS completed 1,042 end-use checks in 50 countries. Of these, 55 were Pre-License Checks (PLCs), which are conducted to prevent the export of sensitive items to unreliable parties, and 987 were Post-Shipment Verifications (PSVs), which assist the U.S. Government in monitoring export transactions to conclusion.

License Applications Escalated for Interagency Resolution

Under Executive Order 12981, BIS's Operating Committee (OC) – with membership including the Departments of Commerce, Defense, Energy, and State – is tasked with resolving interagency disagreement on specific license applications. The OC reviewed 326 cases and 26 cases were further escalated to the Assistant Secretary-level Advisory Committee on Export Policy (ACEP) for resolution.

Exports under License

BIS obtains data from the Bureau of the Census (Census) on exports subject to BIS licensing requirements to evaluate the impact of controls on U.S. exports. For calendar year 2017 (the most recent data available to BIS), U.S. companies exported \$5.4 billion of licensed items. BIS-licensed exports represented 0.4 percent of total U.S. exports. Exports under a BIS license exception totaled \$20.4 billion, representing 1.3 percent of overall U.S. exports.

BIS continues to work with Census and the Department of Homeland Security's U.S. Customs and Border Protection to improve the Automated Commercial Environment (ACE) and to increase exporter compliance with the EAR. This year, export reports through the ACE portal were made available to U.S. exporters to review their own export transactions filed in ACE.

Commodity Classifications

To comply with the EAR, exporters need to classify an item for export by determining its Export Control Classification Number (ECCN) on the Commerce Control List. This ECCN will provide the license requirement and policy to inform the exporter on the likely outcome of a license review. While the agency encourages exporters to self-classify items, exporter may submit an official classification request to BIS where there is uncertainty and, in limited instances, may be required to do so because of the nature of the item. In Fiscal Year 2018, BIS processed 4,009 classification request applications, including 804 encryption requests, with an average response time of 44.6 days per classification request.

Although BIS provides the tool for exporters to self-classify items, they often seek official classification determinations from BIS.

Commodity Jurisdiction Determinations

A commodity jurisdiction (CJ) request is used by exporters to determine whether an item or service is subject to the EAR or is on the Department of State's United States Munitions List (USML). Exporters may request a CJ determination by submitting the request to the Department of State's Directorate of Defense Trade Controls (DDTC), which has final jurisdiction determination authority. This year, BIS provided recommendations to the State Department on 391 CJ requests.

Licensing and Export of Items Transferred from the USML to the CCL

In Fiscal Year 2018, BIS processed 13,807 export license applications for exports of “600 series” items that transferred from the USML to the CCL. Of the “600 series” license applications, BIS

approved 12,463 applications (90.3 percent), returned 1,310 applications without action (9.5 percent), and denied 34 applications (0.2 percent).

The “600 series” items with the highest number of approved license applications included military aircraft and related commodities under ECCN 9A610 (5,288), followed by military electronics under ECCN 3A611 (2,500), military aircraft technology under ECCN 9E610 (1,214), and military gas turbine engines and related commodities under ECCN 9A619 (1,112).

This year, U.S. companies exported 111,471 shipments of “600 series” items, with a value of over \$6.1 billion. The top exported “600 series” item (by value) was military aircraft and related commodities under ECCN 9A610, with 60,366 shipments valued at \$2.7 billion.

The top destinations for U.S. exports of “600 series” items (by value) included Japan, the United Kingdom and Canada. The designations most often used by U.S. exporters to export “600 series” items were a BIS license authorization, License Exception Strategic Trade Authorization, and a “No License Required” designation to Canada.

Spacecraft systems and related items previously under the USML that were transferred to the CCL are classified under “9x515” ECCNs. BIS processed 970 export license applications for these spacecraft-related items. Of these, BIS approved 858 (88.5 percent), returned 101 without action (10.4 percent), and denied 11 (1.1 percent). U.S. companies exported 4,287 shipments of “9x515” items for a total value of \$1.7 billion.

Spacecraft and related commodities classified under ECCN 9A515 were both the greatest number of “9x515” items exported, with 3,821 shipments valued at \$1.7 billion, and greatest number of approved licenses in the category.

The top destinations for these exports, by value, included French Guiana, France and the United Kingdom. The license designations most frequently reported by exporters were a BIS license, License Exception Strategic Trade Authorization, and “No License Required” to Canada and for 9A515.y items.

Validated End-User Program

The Validated End-User (VEU) program is a program that facilitates high-technology civilian trade between the United States and VEU-eligible countries (currently China and India). Exporters’ use of Authorization VEU reduces the licensing burden on industry by allowing U.S. exporters to ship designated items to pre-approved entities under a general authorization instead of individual export licenses.

As of the end of Fiscal Year 2018, there were 11 Validated End Users in China with 46 locations and one in India with two locations.

Since the effective date of the VEU program in June 2007, U.S. companies have made approximately 1218 shipments totaling \$666 million worth of controlled items to the VEUs, including 232 export shipments worth approximately \$3,419,600 million to VEUs in Fiscal Year 2018.

Entity List and Unverified List

BIS chairs and implements the decisions of the End-User Review Committee (ERC), the interagency group consisting of representatives from the Departments of Commerce, Defense, Energy, and State that administers the Entity List. The Entity List identifies foreign parties that are prohibited from receiving some or all items subject to the EAR unless the exporter first receives a license. Those persons present a greater risk of diversion to weapons of mass destruction (WMD) programs, terrorism, or other activities contrary to U.S. national security or foreign policy interests. The Entity List is an important tool to prevent unauthorized trade in items subject to the EAR.

Upon a decision by the ERC, BIS adds to the Entity List a foreign party, such as an individual, business, research institution, or government organization, for the reasons cited above. In most instances, license exceptions are unavailable for the export, reexport, or transfer (in country) to a party on the Entity List of items subject to the EAR. Rather, a license is required for such transactions, and a license application is usually subject to a policy of denial. The prohibitions and license application review policy applicable to a particular party are set forth with that party's entry on the list. Procedures for removal from the Entity List appear in section 744.16 of the EAR.

BIS published seven Entity List-related rules adding 125 parties to the Entity List for acting contrary to the national security or foreign policy interests of the United States. This number included, for example, the addition of 21 persons to ensure the efficacy of existing sanctions on Russia. Further, seven persons were removed from the Entity List in response to requests for removal pursuant to Section 744.16. For more information on Fiscal Year 2018 additions to the Entity List, see the section of this report on Regulatory Changes.

Persons listed on the Unverified List are ineligible to receive items subject to the EAR by means of a license exception. Such persons must also sign an end-use statement and consent to an end-use check before receiving any items subject to the EAR that are not subject to a license requirement. BIS added 33 persons in Canada, China, Estonia, Finland, Hong Kong, Pakistan, Russia, and the United Arab Emirates (UAE) to the Unverified List. The Unverified List's features enhance BIS's ability to conduct end-use checks and increase U.S. Government insight into potential transactions of concern involving foreign parties whose *bona fides* BIS has been unable to verify.

The Unverified List changes from 2013 have enhanced BIS's ability to conduct end-use checks and increased U.S. Government insight into potential transactions of concern involving foreign parties whose *bona fides* BIS has been unable to verify.

License Determinations

Licensing determinations (LDs) are the first step in many successful enforcement actions, as they help to determine whether a violation has occurred by establishing whether a license is or was required. In making LDs, BIS licensing officers analyze the commodities, software and

technologies involved in potential violations to determine the proper classification of the item and the requirements associated with them based on the facts of the case. LDs are used to support enforcement actions by BIS and other agencies in connection with potential violations of the EAR.

BIS completed 1,034 enforcement LDs for BIS's Office of Export Enforcement. In addition, BIS processed 1,348 LDs for the Federal Bureau of Investigation and the Department of Homeland Security in support of investigations of potential unlawful exports.

International Regimes

Fulfilling the Bureau's mission of promoting security depends heavily upon international cooperation with our principal trading partners and other countries of strategic importance, such as major transshipment hubs. Whether seeking to control the spread of dangerous goods and technologies, protect critical infrastructures, or ensure the existence of a strong defense industrial base, international cooperation is critical. With regard to export control laws in particular, effective enforcement is greatly enhanced by both international cooperation and an effort to harmonize the substance of U.S. laws with those of our trading partners.

While the U.S. export control system is on the leading edge amongst our allies on developing controls that both protect national security and foster conditions for economic competitiveness, BIS works closely with partners to establish consistency with other countries internationally. BIS plays an important role in the U.S. Government's efforts to develop and refine the control lists and operational guidelines for the four major multilateral export control regimes: the Australia Group (chemical and biological weapons), the Missile Technology Control Regime, the Nuclear Suppliers Group, and the Wassenaar Arrangement (conventional arms and related items). Items controlled by these regimes make up the bulk of the Commerce Control List.

Australia Group

The Australia Group (AG) formally established in 1985 is a multilateral export control regime composed of 43 members, including the United States and the European Commission. The AG seeks to prevent the proliferation of chemical and biological weapons through the harmonization and enhancement of national export controls, sharing of information and enforcement best practices and experiences, exchanges on global proliferation activities, and outreach to non-members. The AG plenary is held annually and one intersessional implementation meeting is often held. Additionally, the AG communicates between meetings to review and refine the list of controlled chemicals, biological agents, and related equipment and technology.

The AG New and Evolving Technologies Technical Experts Meeting (NETTEM), Intersessional Implementation Meeting (IIM), and the Australia Group Outreach Dialogue were held March 7-9, 2018 in London, United Kingdom. In the NETTEM, new and emerging technologies that have potential implications for chemical and biological weapons were discussed. Most notably, advances in unmanned aerial sprayer and fogger systems, the evolution of continuous-flow chemical reactors, and the expansion of the "do-it-yourself" (DIY) biology community were reviewed. The IIM addressed a number of outstanding concerns of member states directly related

to current controls of pathogens, chemical and biological production equipment and technology, and chemical precursors. However, no regulatory changes resulted from this meeting.

In conjunction with the IIM, the AG held an outreach dialogue with representatives of nine African nations on March 7, 2018. This meeting featured an overview of the AG and its export control lists and a discussion of the importance and challenges of implementing export controls. As part of the dialogue, the United States led an enforcement tabletop exercise, designed to identify tools for stopping a high-risk, AG-controlled shipment through several countries. During the discussion following the exercise, participants highlighted the difficulties they have experienced with trying to control intangible technology transfers and more generally, with issues regarding transshipment hubs.

The AG Plenary Meeting was held in Paris, France from June 4-8, 2018. Regime members shared experiences in implementation and enforcement of the AG export controls and continued discussion of possible list changes regarding pathogens, sprayers and foggers, Chem-Bio production equipment, and chemical weapons precursors. There was consensus to add a number of chemicals and some equipment to the Syria-specific list of items requiring a license for export to Syria. However, this change did not alter exporters' responsibilities resulting from the United States export controls since there is already a unilateral license requirement for the export to Syria of all items subject to the EAR, apart from food and medicine that are designated EAR99.

In Fiscal Year 2018, BIS approved 4,069 license applications valued at \$1.5 billion for the export or reexport of items controlled by the AG. BIS denied 11 license applications valued at \$4.6 million and returned without action 209 license applications valued at \$34.6 million.

Missile Technology Control Regime

The United States is a member of the Missile Technology Control Regime (MTCR), a multilateral export control regime established in 1987. The MTCR currently includes 35 member countries (Partners) that have agreed to coordinate their national export controls to prevent missile proliferation.

The annual MTCR Plenary was held October 16-20, 2017, in Dublin, Ireland. Partners exchanged information on developments and trends in proliferation, including emerging technologies and regional proliferation. Membership and outreach continued to be topics of discussion.

The Regime's Information Exchange (IE) meeting, Licensing and Enforcement Experts Meeting (LEEM), and Technical Experts Meeting (TEM) also met during the week of the Plenary in Dublin, where Partners were able to exchange information, best practices, case studies, and propose updates. Several changes to the MTCR Annex (control list) were agreed to during the TEM, including a note clarifying the controls on equipment for the conversion of manned aircraft to unmanned aerial vehicles and the addition of a definition of navigation satellite systems to include regional navigation satellite systems in addition to global systems.

At the Dublin TEM, the U.S. submitted a white paper on potentially allowing for the Category II

treatment of UAVs that operate below a certain speed, thus avoiding the presumption of denial for the export of such items. This is to keep pace with the advancing commercial markets for these UAVs, as well as recognizing the non-WMD delivery uses of the UAVs and their manufacture in non-MTCR Partner countries. In January 2018, the U.S. put forward a proposal to accomplish the changes described in the white paper for consideration at the inter-sessional TEM held March 19-22, 2018, in Reykjavik, Iceland. The proposal was discussed at length at the TEM, where the majority of Partners indicated they would continue to study the topic. To promote reaching consensus on the proposal, the U.S. submitted an additional white paper in July 2018 and met with a number of Partners at capitols and/or on the margins of various other international engagements. The U.S. continues to work with Partners in an effort to reach consensus on this issue.

Following the Reykjavik TEM, on March 23, a Technical Outreach Meeting (TOM) was held, also in Reykjavik, to brief non-MTCR Partner countries on the updates to the Annex since the previous TOM in 2016. The United States gave briefings on ultra-high temperature ceramic composite materials, equipment and software for the conversion of manned aircraft to MTCR-controlled UAVs, and turbojet/turbofan engines.

In Fiscal Year 2018, BIS approved 1,184 applications, valued at \$30.86 billion, for the export or reexport of missile technology-controlled items. In addition, BIS denied seven applications valued at \$31.6 million and returned without action 80 applications valued at \$175.6 million.

Nuclear Suppliers Group

The Nuclear Suppliers Group (NSG) is a multilateral export control regime that was formally established in 1992 and now includes 48 Participating Governments (PGs). The regime seeks to impede the proliferation of nuclear weapons through the implementation of guidelines for the control of nuclear and nuclear-related exports. Members pursue the aims of the NSG through voluntary adherence to the NSG Guidelines, which are adopted either by consensus or through exchanges of information on developments of nuclear proliferation concern.

The 43rd Consultative Group (CG) Meeting and Technical Experts Group (TEG) Preparatory Meeting were held in Vienna, Austria, November 12-16, 2017. The CG focused on ideas to institutionalize the historical memory of the group, improve implementation of NSG commitments, and increase intersessional communication and substantive work among PGs. The TEG focused on two central issues, machine tool controls, including on legacy machines, and the potential for a future additive manufacturing control. Also considered at the TEG were 14 active proposals and one new proposal. The TEG agreed to recommend to the CG the adoption of a proposal on tritium production facilities.

The 2018 NSG Plenary took place June 14-15 in Jurmala, Latvia. In conjunction with the Plenary, the 45th Consultative Group (CG), Information Exchange Meeting (IEM), and Licensing and Enforcement Experts Meeting (LEEM) were held June 11-13. The Plenary was notable for a high number of opening statements, often including comments on the recent announcement by the United States of its intent to withdraw from the Joint Comprehensive Plan of Action (JCPOA). Other topics at the Plenary included the question of membership for States not party

to the Nuclear Non-Proliferation Treaty (NPT), particularly India and Pakistan, and positive statements on the Inter-Korean and U.S./DPRK summits.

The CG chair had 24 recommendations for the Plenary based on CG meetings in Jurmala as well as meetings held in April 2018. The CG report also encapsulates the work of the Technical Experts Group (TEG), which is considering nine active technical proposals and one non-paper/questionnaire on technology controls. This work includes efforts to resolve the years-long discussion on machine tool controls. Additive manufacturing also continued to be a topic of discussion.

The IEM featured briefings on Iran, the DPRK, and procurement networks. Additionally, there was an analysis of new, renewed, and removed denials since the 2017 IEM. The IEM also included several technical briefings, including those on the topics of vacuum pumps and pyroprocessing. In the LEEM, presentations included those on the establishment of a cross-government Counter Proliferation and Arms Control Centre, catch-all controls, the licensing of deuterium, specifically designed or prepared furnaces, and cloud computing and storage.

BIS approved 2,330 applications, valued at \$10.0 billion, for the export or reexport of items controlled for nuclear nonproliferation reasons. In addition, BIS rejected 23 applications valued at \$499.2 million and returned without action 94 applications valued at \$50.6 million. The large dollar value for denied applications derives primarily from a single license denial to a Middle Eastern country of downhole oilfield equipment controlled by both the Wassenaar Arrangement and the Nuclear Suppliers Group.

Wassenaar Arrangement

The Wassenaar Arrangement (Wassenaar) is a multilateral arrangement addressing export controls on conventional arms and sensitive dual-use goods and technologies. Wassenaar was founded in 1996 to replace the East-West technology control program under the Coordinating Committee for Multilateral Export Controls (COCOM) regime that ended in 1994. There are currently 42 countries participating in Wassenaar. Members are required to report approvals and denials of certain items controlled under the Wassenaar Arrangement. Reporting denials helps bring to the attention of member countries attempts to obtain strategic items that may undermine the objectives of Wassenaar.

Wassenaar has strived to keep pace with advances in technology and market trends. It has continued its efforts to contribute to international and regional security and stability by promoting transparency and greater responsibility in the transfer of conventional arms and dual-use goods and technologies, thus preventing destabilizing accumulations of such goods and technologies. This year, Wassenaar members worked to ensure the detection and denial of undesirable exports, and to further refine the existing Control Lists and make them more readily understood and user-friendly for licensing authorities and exporters. Additional progress was also made on a comprehensive and systematic review of the Wassenaar Control Lists to ensure their continued relevance.

In addition, new export controls were added in a number of areas, including a new hydrogen-free

high-power explosive, reactive materials used to enhance explosive yield, and Magnetic Random Access Memory (MRAM) components able to withstand extreme environmental conditions. Existing controls were further clarified regarding biological and radioactive agents, information security, and the structure of “technology” entries. Some controls were relaxed, such as for lasers used in industry, digital computers, and voice coding equipment. For those products, performance thresholds were updated taking into account the rapidly evolving performance of civil markets.

Members considered a number of new proposals for new best practice guidelines and identified other existing guidelines for updating as part of a regular review cycle.

Also, Members underlined the importance of further strengthening export controls and intensifying cooperation to prevent arms trafficking and the acquisition of conventional arms by terrorists, including small arms and light weapons, and dual-use goods and technologies. They discussed how to strengthen export control implementation in areas such as arms trade risk assessment, effective end-use and end-use assurances, reexports, and controls on intangible transfers of technology, as well as catch-all provisions.

BIS approved 26,109 applications, valued at \$163.1 billion, for the export or reexport of items controlled for national security reasons. In addition, BIS rejected 221 applications, valued at \$617.7 million, and returned without action 3,554 applications valued at \$5.4 billion.

Treaty Compliance

The Department of Commerce, through BIS, serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC), as well as the lead agency for implementation of the Additional Protocol (AP) to the Agreement Between the United States of America and the International Atomic Energy Agency for the Application of Safeguards in the United States. BIS also participates in activities to strengthen international implementation of the Biological Weapons Convention (BWC).

Chemical Weapons Convention

The United States ratified the Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and their Destruction (the Chemical Weapons Convention, or CWC) on April 25, 1997. There are currently 192 States Parties to the CWC. The CWC provides for an extensive verification regime to ensure CWC States Parties’ adherence to its terms. BIS works actively with the Department of State, other CWC States Parties, and the Technical Secretariat (TS) of the Organization for the Prohibition of Chemical Weapons (OPCW) to ensure that all States Parties are implementing the CWC’s provisions in a rigorous, analytically sound, and equitable manner.

The CWC requires many commercial chemical facilities to submit compliance data in the form of declarations that include chemical production, processing, consumption, and import/export activities, and requires chemical traders to also submit reports on exports and imports of scheduled chemicals. BIS collects and compiles this information and then submits it to the U.S.

National Authority (Department of State) to transmit to the Technical Secretariat of the OPCW (TS/OPCW), which is the international organization charged with implementing the CWC.

During this fiscal year, BIS collected 683 declarations and reports from 530 facilities and trading companies. BIS's Host Teams managed the inspections at 21 domestic chemical facilities that were selected for inspection by the TS/OPCW, one of which was subject to onsite chemical sampling and analysis. BIS successfully demonstrated compliance of the United States' chemical industry with the CWC, protected industry's confidential business information and other trade secrets and minimized the burden imposed by the CWC.

BIS also gathered requisite data and prepared congressionally mandated reports on the implementation of the CWC, including: (1) an annual report on the cost of inspections to both industry and the government; and (2) an annual certification that implementation of the CWC had no negative impact on availability of Schedule 1 chemicals to industry.

BIS attended international meetings with States Parties and supported the permanent U.S. delegation to the OPCW (in The Hague, Netherlands) during meetings of the Executive Council, the Conference of States Parties, and other meetings of the policy-making and technical organs of the OPCW.

U.S. Additional Protocol to the U.S.-International Atomic Energy Agency (IAEA) Safeguards Agreement

The Additional Protocol is a bilateral treaty between the United States and the IAEA that supplements and amends verification arrangements under the existing U.S.-IAEA Safeguards Agreement. The Additional Protocol requires the United States to provide the IAEA with information on certain civil nuclear and nuclear-related items, materials, and activities not covered by the Safeguards Agreement.

The Additional Protocol entered into force for the United States on January 6, 2009. Under Executive Order 13458, BIS is the lead agency for all subject commercial activities and locations not licensed by the Nuclear Regulatory Commission (NRC) or an NRC Agreement State, and not located at certain other government sites. BIS administers the compliance program involving private sector nuclear fuel cycle activities that are not subject to the jurisdiction of the NRC. BIS receives declarations from industry, academia, the NRC, and the Department of Energy to assemble the U.S. national declaration and other reports for submission to the IAEA.

BIS submitted the Additional Protocol declaration for 2018 to the IAEA on May 15, 2018. This declaration contained 267 changes and new activities. BIS also submitted quarterly reports to the IAEA on 238 exports of nuclear equipment.

Biological Weapons Convention

The Biological Weapons Convention (BWC) prohibits developing, producing, stockpiling, or otherwise acquiring or retaining biological agents or toxins for non-peaceful purposes. The BWC entered into force in 1975. In 2001, international efforts to develop a verification protocol

for the BWC failed, in part due to the inability to develop a modality that could distinguish between peaceful and non-peaceful purposes. Nevertheless, the BWC establishes the international norm prohibiting the development, production and stockpiling of biological weapons. In Fiscal Year 2018, BIS actively supported U.S. Government efforts, in accordance with the National Strategy for Countering Biological Threats, to improve confidence in States Parties' compliance with the BWC.

BIS prepared for and participated in the annual Meeting of States Parties (December 4 – 8, 2017) and the Meeting of Experts (August 7 – 16, 2018) in Geneva, Switzerland. During this latter meeting, the BIS delegate participated in a panel discussion on whether compliance with the BWC can be verified and presented the rationale for the USG rejection of the draft verification protocol in 2001. Based on its outreach to the U.S. private sector through consultations with its Materials Technical Advisory Committee and various trade and professional associations, BIS also communicates to the BWC the private sector's perspective of pertinent issues.

INDUSTRY OUTREACH AND COMPLIANCE

This year, in its continuing efforts to educate and inform exporters about the Export Administration Regulations (EAR), the Bureau of Industry and Security (BIS) used a variety of outreach tools and activities described below.

Seminars and Conferences

BIS held its 30th Annual Conference on Export Controls and Policy on October 3-5, 2017, with the theme of “Protecting American Technology – Growing American Industry,” which was attended by approximately 640 registrants. The three-day conference focused on the opportunities available to American innovators to leverage technological capabilities into economic growth, and BIS’s mission to enable this growth while protecting national security and preserving the United States’ advantages. BIS held its 2018 Annual Conference on Export Controls and Policy, on May 14-15, 2018, with the theme of “Emerging Technology and National Security Policy,” attended by approximately 620 registrants. The two-day conference featured plenary sessions on topics including emerging technology, with remarks from both government and academic speakers; sanctions and enforcement, and policy and legislation, as well as break-out sessions on a variety of regulatory, licensing and enforcement-related topics. There were also keynote addresses from Representative Darrell Issa (R-CA), speaking in his capacity as Chairman of the House Committee of the Judiciary’s Subcommittee on Courts, Intellectual Property and the Internet, Deputy National Security Advisor Mira Ricardel, and Secretary of Commerce Wilbur Ross.

BIS’s export outreach and educational offerings constitute the first line in BIS’s contact with U.S. exporters and provide guidance and transparency to new, as well as experienced, exporters regarding the EAR. BIS counseling operations have been instrumental in assisting the exporting community in understanding and complying with critical national security and foreign policy-based regulations. Each year, counselors in the BIS Office of Exporter Services’ Outreach and Educational Services Division (OESD) and Western Regional Office (WRO) provide regulatory, policy, and process guidance to tens of thousands of exporters, forwarders, universities, and individuals, assisting them to meet their obligations under the EAR.

In addition, BIS provides one-on-one counseling assistance on both coasts for extended periods of operation each day. In addition, counselors conduct numerous highly regarded seminars throughout the United States in the high technology communities most affected by these regulations. Over the past few years, BIS has also developed additional capabilities to offer training online. These services have been particularly useful for small and medium-sized businesses that operate with limited compliance resources.

BIS conducted 18 domestic export control seminars in 11 states. These seminars provided guidance to new and experienced exporters regarding the EAR, providing them an overview of changes in export policy and licensing procedures, as well as technical data issues. Eighty-nine

percent of attendees, who participated in the post-event survey, rated the seminars either “good” or “excellent.” WRO and OESD also participated through speaking presentations or with information booths at additional events hosted by other organizations in various cities around the country, including in Baltimore, Maryland and Detroit, Michigan.

BIS participated in nine major trade shows, including:

1. SelectUSA event sponsored by the Department of Commerce;
2. National Customs Brokers and Forwarders Association of America, Inc. (NCBFAA);
3. Association of University Export Control Officers (AUECO);
4. America’s Small Business Development Centers (ASBDC);
5. American Association of Exporters and Importers (AAEI)
6. National Shooting Sports Foundation (NSSF) Shot Show;
7. 2018 State International Development Organizations (SIDO) Washington Forum;
8. Export-Import Bank (EXIM) Annual Conference and Trade Show; and
9. 7th Annual Detroit Trade Day

BIS also participated in numerous industry events focused on specific issues, such as revised controls on exports to Cuba and Russia sanctions. In total, BIS employees from Export Administration offices (including but not limited to OESD and WRO) participated in more than 123 outreach activities.

BIS held its 13th annual Export Control Forum in California on March 27-28, 2018 and attracted about 100 attendees, many of whom represented technology firms from the United States and overseas.

BIS continued to support the Census Bureau’s coordinated ACE compliance seminars. BIS participated in seminars in three U.S. cities on how to properly determine licensing requirements and report export control requirements in the ACE.

BIS provided updated training information to U.S. Customs and Border Protection’s Outbound Division (CBP Outbound) to ensure that port officers understand the regulatory changes affecting controlled items in order to facilitate legitimate exports and disrupt unauthorized ones. BIS also delivered in-person training sessions for CBP Outbound officers at the ports of Dallas-Fort Worth. These sessions educated CBP officers on the items most frequently shipped out of each port and the license exceptions used most frequently for shipments from each port (as identified using ACE data).

In addition, BIS continued to focus on the enforcement aspects of expanded outreach and deemed export compliance involving individuals and companies that had not previously submitted applications for actual or deemed export licenses. In Fiscal Year 2018, BIS’s Office of Export Enforcement conducted more than 705 enforcement outreach visits to such individuals and companies within the export community. BIS also initiated 96 leads and cases involving allegations of deemed export licensing violations.

Export Compliance Program

BIS's Export Management and Compliance Division (EMCD) conducted 13 Export Compliance Program (ECP) reviews of corporate written export compliance programs and conducted two seminars on how to develop an effective ECP in Nashville, Tennessee, and Washington, D.C. EMCD also participated with the Society for International Affairs (SIA) and the Department of State in providing training on the elements of an effective ECP at two conferences held in Austin, Texas, and Washington, D.C.

EMCD conducted 17 on-site compliance reviews and 7 remote reviews conducted from Washington, D.C. with exporters located in nine different U.S. states for parties with Automated Commercial Environment filing errors. EMCD initiated these reviews to better understand the specific reasons these errors occurred, provide guidance on correcting them, find out what export compliance procedures the companies had in place, and offer export counseling assistance to enhance their compliance with the EAR.

Additionally, BIS's Office of Strategic Industries and Economic Security (SIES) conducted 157 600-series compliance reviews during the fiscal year.

Project Guardian

BIS maintains a constructive and cooperative relationship with the business community through outreach programs sponsored by BIS's Export Enforcement. BIS's Project Guardian focuses on specific items that illicit proliferation networks actively seek to acquire. BIS contacts U.S. manufacturers and exporters of these items to apprise them of these acquisition threats and to solicit cooperation in identifying and responding to suspicious purchase requests. BIS received 215 Project Guardian leads (i.e., alerts to Special Agents about a suspicious transaction).

Counseling

BIS received more than 25,236 phone and email inquiries through its counseling programs at OESD in Washington, D.C. and at WRO in California. Through these programs, BIS offers guidance on regulations, policies, and practices and helps to increase compliance with U.S. export control regulations.

International Cooperation

BIS staff participated in bilateral discussions with Australia, Bahrain, Canada, Chile, China, Denmark, Finland, Germany, Hong Kong, Hungary, India, Israel, Japan, Latvia, Lithuania, Malaysia, Panama, Peru, Poland, the Republic of Korea, Singapore, Sri Lanka, Sweden, Ukraine, the United Arab Emirates, and the United Kingdom. BIS posted guidance on its website advising U.S. exporters about trade control requirements in 20 jurisdictions to promote compliance and to facilitate secure exports of U.S.-origin items to these destinations. This included providing assistance to help U.S. exporters assess the legitimacy of new customers in these countries.

BIS planned, organized, and implemented a number of outreach engagements on strategic trade controls with industry and government counterparts in conjunction with the Department of

State's Export Control and Related Border Security (EXBS) program. BIS also participated in the U.S. Department of Energy's International Nonproliferation Export Control Program events in the following countries: Chile, India, Panama, Finland, Poland, Latvia Lithuania, Estonia, Mexico, Denmark, and Ukraine.

Of note, BIS planned, with support from EXBS, an international event in Warsaw hosted by the Poland government on March 6-7, 2018, aimed at increasing regional awareness of proliferation trends and concerns resulting from transshipment of export-controlled items to Russia's military.

REGULATORY CHANGES

The Bureau of Industry and Security (BIS) published 25 regulatory notices and rules in the *Federal Register* during Fiscal Year 2018, including the following:

Transfers from the United States Munitions List to the Commerce Control List

On February 12, 2018, BIS published a notice of inquiry seeking public comment on a review of energetic materials, armored and protective equipment, and military electronics, and related items therefor, items that form part of the “600 series” on the Commerce Control List, concurrent with the Department of State’s review of Categories V, X, and XI of the United States Munitions List. Among other things, the notice sought input on the clarity of the descriptions of the items on the Commerce Control List.

On May 24, 2018, BIS published a proposed rule seeking public comment on the transfer to the Commerce Control List of certain firearms, guns, and ammunition and related articles currently on the United States Munitions List. BIS published this rule in conjunction with a related Department of State proposed rule.

Entity List

BIS implemented the decisions of the End-User Review Committee (the interagency group that makes decisions to remove, add, or modify the Entity List listings) and published seven rules adding 125 persons to the Entity List. BIS added the entities because they were engaging in activities contrary to U.S. national security or foreign policy interests. Five of these rules also removed persons from the Entity List. One rule also corrected the license requirement for twelve entities under the destination of Russia.

BIS added over 50 entities under the destination People’s Republic of China to the Entity List. Of note, August 1, 2018, BIS published a rule adding to the Entity List 44 entities (entities and subordinate institutions) under the destination of the People’s Republic of China.

BIS published one Entity List rule to ensure the efficacy of existing sanctions on Russia. On February 16, 2018, it added 21 entities to the Entity List under the destinations of Russia, Georgia, and Poland. BIS made these additions consistent with prior Executive Orders issued in response to Russia’s destabilizing activities in eastern Ukraine.

Country Policy

Cuba

On November 9, 2017, BIS published a final rule that amended the licensing policy for Cuba and

revised the availability of License Exceptions Support for the Cuban People (SCP), Gift Parcels and Humanitarian Donations (GFT), and Consumer Communications Devices (CCD). This rule implemented portions of the June 16, 2017 National Security Presidential Memorandum on Strengthening the Policy of the United States Toward Cuba (“NSPM”). BIS will generally deny applications for the export or reexport of items for use by entities or subentities identified by the State Department on a “Cuba Restricted List” unless such transactions are determined to be consistent with the NSPM.

India

On August 3, 2018, BIS published a final rule that formally recognized and implemented India’s membership in the Wassenaar Arrangement. The rule also placed India in a country group that provides greater availability of License Exception Strategic Trade Authorization (STA) for exports and reexports to, and transfers within, India of items subject to the EAR. The new country group placement reflects India’s status as a Major Defense Partner and recognizes its membership in the Wassenaar Arrangement and two other multilateral export control regimes, the Australia Group and the Missile Technology Control Regime.

Russia

In August 2018, the Department of State determined that the Russian Government has used chemical weapons in violation of international law or lethal chemicals weapons against its own nationals and imposed sanctions required by Section 307(a) of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991. The Department of State also determined that it was essential to the national security interests of the United States to partially waive the applications of the sanctions with respect to the licensing of exports to Russia of national security controlled items under specified circumstances. Commerce has implemented these export sanctions and is in the process of drafting regulations.

South Sudan

On August 3, 2018, BIS published a final rule that moved South Sudan from Country Group B to Country Group D:5 (U.S. Arms Embargoed Countries), to conform to a State Department amendment to the International Traffic in Arms Regulations that rendered the country subject to a U.S. arms embargo in connection with defense articles and defense services.

Australia Group

On April 2, 2018, BIS implemented changes to the Commerce Control List resulting from the Australia Group February 2017 intersessional decisions and the June 2017 plenary understandings. The BIS rule also made changes to reflect the addition of India as a participating country in the regime as of January 19, 2018. On August 13, 2018, BIS published a notice of inquiry that sought comment on certain spraying or fogging machines and parts and components thereof. The Australia Group is a multilateral export control regime established to assist member countries to identify those exports that need to be controlled so as not to contribute to the spread of chemical and biological weapons.

Missile Technology Control Regime

On August 30, 2018, BIS implemented changes to the Commerce Control List based on the 2017 Missile Technology Control Regime plenary agreements.

Nuclear Suppliers Group and other Nuclear Nonproliferation Controls

On April 5, 2018, BIS published a final rule that reclassified targets for the production of tritium and related technology under a new ECCN based on their control by the Nuclear Suppliers Group. The U.S. had controlled these items unilaterally.

Validated End-Users

In FY 2018, BIS implemented the decisions of the End-User Review Committee (the interagency group that administers the Validated End-User Program) and published one rule on October 23, 2017, modifying the list of Validated End-Users in the People's Republic of China.

Unverified List (UVL)

The EAR imposes restrictions on exports, reexports, and transfers involving persons listed on the UVL. These restrictions, including the suspension of license exceptions, enhance U.S. Government insight into transactions involving listed persons and support BIS's ability to conduct end-use checks. On May 17, 2018, BIS added 33 persons to the UVL. BIS could not verify the suitability and reliability of these persons as parties to transactions subject to the EAR through end-use checks.

License Exceptions

On November 1, 2017, BIS published a final rule that clarified aspects of License Exceptions Governments, International Organizations, International Inspections under the Chemical Weapons Convention, and the International Space Station (GOV) and Strategic Trade Authorization (STA) based on agency understanding and practice. In particular, the rule clarified the scope of the term "contractor support personnel" in GOV and added notes to STA regarding the use of STA for in-country transfers and for shipments involving "600 series" items.

EXPORT ENFORCEMENT ACTIONS

This was again a record-breaking year for export enforcement in the Bureau of Industry and Security (BIS). This year's highlights include the largest regulatory penalty in BIS history for the second consecutive year and the passing of an Export Control Reform Act (ECRA), which further codified the enforcement efforts of this national security agency. Across the United States and in seven embassies and consulates around the world, BIS Special Agents and dedicated Analysts enforce U.S. export laws by using criminal and administrative investigative tools. Further, by leveraging BIS's regulatory authorities, as well as collaborating with U.S. Government agencies and international partners, Export Enforcement prevents and redresses violations of the Export Administration Regulations (EAR).

Criminal and Civil Penalties

BIS investigations resulted in the criminal conviction of 30 individuals and companies for export violations, as compared to 31 convictions in Fiscal Year 2017. The penalties for these convictions came to \$618,500 in criminal fines, \$9,642,496 in forfeitures, and more than 506 months of imprisonment, compared to \$287,102,532 in criminal fines, more than \$166,234,123 in forfeitures, and more than 576 months of imprisonment in Fiscal Year 2017.

BIS investigations resulted in the completion of 47 administrative enforcement actions (43 export control matters and four antiboycott matters), and the imposition of a total of \$1,101,431,225 in civil penalties (\$1,101,261,000 derived from export control matters and \$170,225 derived from antiboycott matters), as compared to 58 actions and \$692,648,550 in civil penalties in Fiscal Year 2017. (The Fiscal Year 2018 civil penalty total includes \$1.1 billion of the \$1.761 billion total civil penalty imposed by BIS. Of this total civil penalty amount, \$400 million was suspended and placed in escrow and \$361 million was satisfied through a penalty payment that ZTE made during Fiscal Year 2017, as noted in that year's report.)

Prevention and Compliance

BIS continued to emphasize enforcement activities that focus on prevention and compliance. Export Enforcement officials participate in the export licensing process by making recommendations on license applications, detaining shipments that may have been undertaken in violation of the EAR, and in some significant cases seeking the issuance of Temporary Denial Orders to prevent imminent export violations.

End-use checks involving the physical verification of parties to an export transaction continue to serve as a valuable safeguard and preventive enforcement tool for verifying the *bona fides* of foreign end-users. In addition, end-use checks seek to ensure the recipients of the exported items are or will be using the items as authorized and that they are adhering to the license conditions.

BIS end-use checks have been effective in revealing unauthorized end-uses, including improper or unauthorized diversion of items subject to BIS jurisdiction.

BIS completed 1,042 end-use checks in 50 countries. Of these, 55 were Pre-License Checks (PLCs), which BIS conducts to prevent the export of sensitive items to unreliable parties, and 987 were Post-Shipment Verifications (PSVs), which assist the U.S. Government in monitoring export transactions to conclusion.

Approximately 63 percent of the checks were conducted by BIS Export Control Officers (ECOs) stationed at U.S. Embassies and consulates in Frankfurt, Beijing, Hong Kong, New Delhi, Dubai, and Singapore. These ECOs also have regional responsibilities. Office of Export Enforcement Special Agents and Analysts conducted the remaining checks deployed from the United States, or Foreign Commercial Service Officers conducted checks with support personnel stationed at various U.S. Embassies. BIS uses the results of negative checks to prevent future exports to unsuitable end-users and to take enforcement action where appropriate.

Pursuant to Section 1213 of the National Defense Authorization Act of 1998, there were no PSVs conducted on high performance computers in “Computer Tier 3” eligible countries during Fiscal Year 2018, as there were no licenses issued for the specified items. Tier 3 destinations, as listed in Section 740.7(d) of the EAR, are: Afghanistan, Algeria, Andorra, Angola, Armenia, Azerbaijan, Bahrain, Belarus, Bosnia & Herzegovina, Burma, Cambodia, China (People's Republic of), Comoros, Djibouti, Egypt, Georgia, India, Iraq, Israel, Jordan, Kazakhstan, Kosovo, Kuwait, Kyrgyzstan, Laos, Lebanon, Libya, Macau, Macedonia (The Former Yugoslav Republic of), Mauritania, Moldova, Mongolia, Montenegro, Morocco, Oman, Pakistan, Qatar, Russia, Saudi Arabia, Serbia, Tajikistan, Tunisia, Turkmenistan, Ukraine, United Arab Emirates, Uzbekistan, Vanuatu, Vietnam, and Yemen.

In situations where an end-use check indicates a diversion of U.S.-origin goods has or may have occurred, or the U.S. Government was unable to conduct the check or was otherwise unable to verify the existence or authenticity of the end-user, the end-user may be considered for inclusion on the Entity List or the Unverified List.

BIS completed a significant number of additional preventive enforcement actions in Fiscal Year 2018, including the issuance of 486 warning letters, 491 detentions, and 150 seizures. Two new Temporary Denial Orders were issued, and an existing Temporary Denial Order was amended and renewed twice. BIS issued 25 Denial Orders against parties convicted under certain Federal statutes following their criminal convictions. In Fiscal Year 2018, BIS made 1,645 outreach contacts with industry, including more than 705 enforcement outreach visits.

Antiboycott Activities

The United States Government continues to oppose actions by U.S. persons in support of foreign boycotts of countries friendly to the United States. The Anti-Boycott Act of 2018, a subpart of the Export Control Reform Act of 2018, encourages, and in specified cases requires, U.S. persons to refuse to participate in foreign boycotts that the U.S. does not sanction. BIS, through

its Office of Antiboycott Compliance (OAC), takes enforcement action against U.S. persons who violate the antiboycott provisions set forth in part 760 of the EAR.

Four companies agreed to pay civil penalties totaling \$170,225 to settle allegations that they violated the antiboycott provisions of the EAR, as compared to six companies that agreed to pay civil penalties totaling \$352,050 in Fiscal Year 2017.

BIS responded to 1,176 requests from U.S. companies for guidance on compliance with the antiboycott provisions of the EAR. Through the Advice Line, BIS provided extensive same-day counseling to individual companies, both large and small, with boycott-specific concerns, including the removal of boycott-related language from Letters of Credit, tenders, and contracts originating in boycotting countries. In addition, through presentations at banking and international trade conferences, BIS reached out to exporters, manufacturers, freight forwarders, bankers, and attorneys involved in international trade.

Data compiled by OAC indicate that the number of prohibited requests received by U.S. firms from the United Arab Emirates increased significantly from 55 in Fiscal Year 2017 to 94 in Fiscal Year 2018, while the number from Iraq has continued to decrease, from 28 in Fiscal Year 2017 to 21 in Fiscal Year 2018. Many of the prohibited requests from Iraq that were reported to OAC were contained in boycott-related requirements in documentation from the medical and pharmaceutical sectors, particularly in invitations to bid from the Iraqi Ministry of Health requesting information about a firm's business relationship with Israel.

For additional information related to significant BIS enforcement activities, see Appendices A and B.

SUMMARY OF APPROVED LICENSE APPLICATIONS TO PROSCRIBED PERSONS

In Fiscal Year 2018, BIS approved 30,379 license applications. Of those approved licenses, 1,009 applications received warnings for potential matches to entities on the Consolidated Screening List (CSL), which includes restricted persons on a variety of lists maintained by the Departments of Commerce, State, and the Treasury. For these cases, there were 9,981 parties listed as potential matches to entities on the CSL.

In Fiscal Year 2018, 88 licenses were approved that contained parties verified as matches to entities listed on the CSL. For FY 2018, this accounts for 0.3% of all approved licenses.

As of October 31, 2018, 35 licenses (39.8%) of the 88 licenses approved for proscribed entities had been exported against; the other 53 licenses have not been shipped against.

EMERGING AND CRITICAL TECHNOLOGIES

As the Bureau of Industry and Security (BIS) seeks to protect U.S. national security and enable conditions to ensure U.S. industry continues to be a leader in technological development, the Bureau continues to focus on the important and dynamic topic of export controls related to emerging and critical technologies.

U.S. Scientific and Technological Leadership

Given that the Export Controls Reform Act of 2018 (ECRA) was enacted in August 2018, BIS has not had sufficient time to complete a review of the impact of BIS export controls on the scientific and technological leadership of the United States. In Fall 2019, BIS will issue a Notice of Inquiry (NOI) requesting input from industry for input in the Fiscal Year 2019 report.

Critical and Emerging Technologies

Consistent with the requirements of section 1758 of ECRA, Department of Commerce efforts are underway to identify and control the export of emerging and foundational technologies. In Fiscal Year 2018, Commerce initiated the drafting of an Advanced Notice of Proposed Rulemaking (ANPRM) to seek public comment on criteria for defining and identifying emerging technologies that are essential to U.S. national security. BIS published the ANPRM on November 19, 2018, and specifically, the ANPRM seeks comments on:

- 1) how to define emerging technology to assist identification of such technology in the future;
- 2) criteria to apply to determine whether there are specific technologies within these general categories that are important to U.S. national security;
- 3) sources to identify such technologies;
- 4) other general technology categories that warrant review to identify emerging technology that are important to U.S. national security;
- 5) the status of development of these technologies in the United States and other countries;
- 6) the impact specific emerging technology controls would have on U.S. technological leadership; and
- 7) any other approaches to the issue of identifying emerging technologies important to U.S. national security, including the stage of development or maturity level of an emerging technology that would warrant consideration for export control.

The ANPRM also describes certain categories of technology for which Commerce seeks to determine whether there are specific emerging technologies that are essential to the national security of the United States. The categories of technology in the ANPRM include biotechnology, artificial intelligence and machine learning technology, position, navigation, and timing technology, microprocessor technology, advanced computing technology, data analytics

technology, quantum information and sensing technology, logistics technology, additive manufacturing, robotics, brain-computer interfaces, hypersonics, advanced materials, and advanced surveillance technologies. The ANPRM has a 30-day comment period. Comments on the ANPRM will help inform the Commerce-led interagency process to identify and describe emerging technologies. This interagency process will result in the development of proposed rules identifying specific emerging technologies. The Department of Commerce will issue a separate ANPRM regarding identification of foundational technologies that may be important to U.S. national security.

Consistent with the requirements of section 1758 of ECRA, the Department of Commerce revised the objectives of the Emerging Technology and Research Advisory Committee (ETRAC) as part of its Fiscal Year 2018 charter renewal and Commerce changed the ETRAC's name to the Emerging Technology Technical Advisory Committee (ETTAC) to more specifically denote its status as a technical, rather than research, advisory committee. The ETTAC's revised charter sharpens the ETTAC's focus to make it more forward leaning in projecting the likely effects of emerging technologies on national security, the U.S. defense industrial base, and the overall health and competitiveness of the U.S. economy. On August 8, Commerce published a notice of recruitment for new candidates for the ETTAC which will consist of experts drawn from academia, industry, federal laboratories, and pertinent U.S. Government departments and agencies who are engaged in the development and production of innovative technology in areas key to maintain a U.S. forward leaning presence in the world economy. Following the selection and clearance process, the ETTAC will begin its work to advise the interagency process with respect to emerging technology.

INDUSTRIAL BASE ACTIVITIES

The Bureau of Industry and Security's (BIS's) mission includes supporting continued U.S. technology leadership in industries that are essential to U.S. national security.

In addition to the Section 232 investigations and related actions described above, BIS engaged in the following activities related to the defense industrial base.

Administering the Defense Priorities and Allocations System

BIS's administration of the Defense Priorities and Allocations System (DPAS) plays an important role in supporting the deployment of U.S. and allied forces abroad, meeting critical national defense and homeland security requirements, and facilitating recovery from natural disasters. The U.S. Government places DPAS priority ratings on approximately 300,000 contracts and orders annually to support national defense requirements.

BIS participated in interagency discussions with the Departments of Agriculture, Defense, Energy, Health and Human Services, Homeland Security, and Transportation on standards and procedures for prioritizing contracts and orders to promote the national defense under emergency and non-emergency conditions. BIS undertook 23 official actions under the DPAS authorizing certain entities to use the DPAS to place priority ratings on contracts in support of national security programs.

Committee on Foreign Investment in the United States

BIS participates in the Committee on Foreign Investment in the United States (CFIUS) by evaluating national security equities in transactions that could result in foreign control of a U.S. business. BIS worked closely with the Department of Commerce's International Trade Administration (ITA) and interagency CFIUS partners to review a near record 222 CFIUS filings to determine the effects of those transactions on the national security of the United States. The filings are reviewed pursuant to the Foreign Investment and National Security Act of 2007 regulations published by the Department of the Treasury.

BIS also played an important role in the interagency engagement with Congress on the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), which updated and modernized CFIUS to address new threats to national security. Assistant Secretary for Export Administration Richard Ashooch testified multiple times before Congress during consideration of FIRRMA.

Monitoring the Strength of the U.S. Defense Industrial and Technological Base

BIS conducted the following industrial base survey and assessment activities:

U.S. Textile and Apparel Industry, and U.S. Footwear Industry Assessments

BIS completed two assessments of the health and competitiveness of the U.S. textile and apparel, and U.S. footwear industries. The assessments, requested by the U.S. Congress, update a similar BIS assessment conducted for Congress in 2003, and cover topics including employment, production, competitors and customers, supply chain, financial information, research and development, effectiveness of the Berry Amendment, and future industrial challenges. After analyzing the 571 textile and apparel industry survey responses and 44 footwear industry survey responses, BIS briefed the U.S. Army, Defense Logistics Agency (DLA), and industry associations on the findings to raise awareness of industry trends, performance, and issues of concern regarding the health and competitiveness of these important sectors.

U.S. Industrial Capabilities Assessment – Critical Facilities

BIS completed the Industrial Capabilities Assessment of Critical Facilities in cooperation with the Defense Security Service (DSS) of the U.S. Department of Defense. This three-year effort evaluated almost 12,000 cleared facilities operated by almost 11,000 companies, which focused on facilities that design, manufacture, test, and evaluate various defense and high-technology products and their components. Of the companies surveyed, about 8,000 were small, 1,400 medium, and 1,600 large by annual sales revenue. Additionally, BIS surveyed 133 universities. BIS complied and analyzed the results then transferred the findings to DSS.

U.S. Air Force C-17 Aircraft Supply Chain Impact Assessment

BIS completed a comprehensive survey and assessment of the U.S. Air Force C-17 Aircraft program's industrial base supply chain. BIS performed this assessment in coordination with the Department of Defense's Office of Economic Adjustment (OEA) after the end of C-17 production in Long Beach, California. The survey gathered information on the impact of the C-17 shutdown on the nationwide supply chain network of 420 companies with 544 facilities including financial viability, workforce, capital investment, research and development, and competitors and customers. Of the companies surveyed, the distribution was spread almost evenly between small (130), medium (132), and large (158) companies by annual sales revenue. With the survey results, OEA will be able to target assistance to local communities with companies severely impacted by the shutdown and job loss.

U.S. Rocket Propulsion Industrial Base Assessment

BIS completed a survey and assessment of U.S. organizations responsible for the research, design, engineering, development, manufacture, test, and integration of rocket propulsion, components, and related services. BIS performed this assessment in partnership with NASA's Marshall Space Flight Center, and in collaboration with the Joint Army, Navy, NASA, Air Force (JANNAF) Working Group. The principal goal was to gain an understanding of the supply chain network supporting the development, production, and sustainment of products and services across the defense, intelligence, civil, and commercial propulsion sectors. NASA and JANNAF will use the survey-based data results from 361 organizations, accounting for 531 facilities to

understand the multi-tier structure of the U.S. propulsion industry, its interdependencies, and the commonality of suppliers and products across programs and agencies.

U.S. Bare Printed Circuit Board Supply Chain Assessment

BIS completed work on the U.S. bare printed circuit board (PCB) industrial base assessment. BIS conducted this assessment in coordination with the U.S. Navy, Naval Surface Warfare Center, Crane Division (NSWC Crane). The primary goal of this assessment was to assist the U.S. defense community in understanding the health and competitiveness of organizations manufacturing bare printed circuit boards at facilities located in the United States for commercial and U.S. Government applications. There are 185 PCB companies in the U.S., representing 202 manufacturing facilities, who completed surveys. BIS analyzed and transmitted the results to NSWC Crane. BIS also used the analysis to brief PCB and electronic industry associations.

U.S. Integrated Circuit Design and Fabrication Industry Assessment

BIS completed the survey and assessment of the U.S. integrated circuit design and fabrication industry. This assessment updates a comprehensive 2009 assessment of the U.S. semiconductor design and fabrication infrastructure for current and projected future commercial and national security capabilities. The overall assessment of this critical sector covers topics such as financial health, production capacity, workforce, research and development, global competition, foreign sourcing and dependencies, and mergers and acquisitions. BIS received data on 401 facilities from 137 companies. BIS conducted preliminary briefings to several agencies and industry associations, specifically focused on workforce and foreign sourcing. BIS will release its final assessment report in Fiscal Year 2019.

Software Integration in Information Network Systems and Critical Infrastructure Assessment

BIS initiated an industrial base assessment of the use of select classes of software, hardware, and services by designers and manufacturers of enterprise-level, information network system products and related equipment. BIS is conducting this project in coordination with the U.S. Department of Defense and the U.S. Department of Homeland Security. The assessment will survey industry practices in the integration of specific types of software-driven hardware products and software products used in a range of enterprise-level network devices and systems. BIS will use the resulting data to assess the practices of industry, identify vulnerabilities to secure operations, and help the U.S. Government understand supply chain activities.

U.S. Air Force Industrial Base Sustainment and Readiness Assessment

BIS began development of a survey and assessment of the supply chain network of the U.S. Air Force Sustainment Center (AFSC), headquartered at Tinker Air Force Base. This will be a comprehensive, multi-year effort, including USAF facilities at Hill, Warner Robins, Tinker, and Wright-Patterson Air Force bases, to gather industrial data from prime contractors, subcontractors, and lower tier organizations affiliated with the sustainment and readiness of U.S. Air Force systems (aircraft, aircraft engines, ICBMs, communication systems, space systems, subsystems, and parts/components thereof). The resulting data will be used to assess the health

and competitiveness of the AFSC supply chain network, ensure U.S. Government visibility into the organizations supporting Air Force systems, address supply chain deficiencies, manufacturing capability, surge responsiveness, foreign sourcing and dependencies, financial performance, strategic and specialty materials, workforce issues, and research and development, among others.

Offsets in Defense Trade

BIS also completed its 22nd congressionally mandated report on the impact of offsets in defense trade and transmitted it to Congress in May 2018.

Review of Security Cooperation Proposals

BIS reviewed 64 proposed transfers of excess defense equipment to foreign governments through the Department of Defense's Excess Defense Articles program and provided the Department of Defense with determinations whether these transfers would interfere with the ongoing sales or marketing activities of U.S. industry. As part of its review, BIS contacts original equipment manufacturers and suppliers of similar products to assess whether proposed transfers would have an adverse impact on their operations. In Fiscal Year 2018, U.S. industry raised concerns with the proposed transfers of certain tactical wheeled vehicles to several countries. BIS reviewed 67 proposed international armament cooperative agreements and provided the Department of Defense with comments on these agreements' commercial implications and potential effects on the international competitive position of the U.S. defense industrial and technological base.

National Defense Stockpile

BIS continued to co-chair the interagency National Defense Stockpile Market Impact Committee (MIC) with the Department of State's Bureau of Energy Resources. The MIC advises the Defense Logistics Agency regarding proposed plans to sell portions of the material in the stockpile and proposed plans to acquire new material. The advice relates to avoiding undue market disruptions during the sale or acquisition of such materials.

Supporting the U.S. Defense Industry's International Competitiveness

BIS also played an active role in the development of the new Conventional Arms Transfer (CAT) policy the President signed on April 18, 2018. The new CAT policy provides a framework under which U.S. Government agencies will review and evaluate proposed arms transfers. The objective of the new CAT policy is to modernize U.S. arms sales and defense trade policies to further U.S. economic, national security, and policy goals. A key focus of the new CAT policy is supporting the U.S. defense industrial base, which employs more than 2.4 million people.

BIS also continued to administer the Department of Commerce's North Atlantic Treaty Organization (NATO) Security Investment Program (NSIP), a certification requirement for U.S. companies interested in competing to supply goods and services in NSIP-funded procurements. BIS vetted and approved 432 U.S. firms that were interested in participating in NATO procurement competitions.

Executive Order Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States

In response to President Trump's Executive Order 13806 from July 2017 on Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States, BIS continued to support this effort in Fiscal Year 2018. BIS supported the Department of Defense, which the President directed to assess the manufacturing capacity, defense industrial base and supply chain resiliency of the United States. BIS supported the Department of Defense's final report submitted in 2018 with critical industrial and supply chain data and analyses.

Appendix A: Summaries and Tables of Closed Export Enforcement Cases

Table 1
Criminal Convictions during Fiscal Year 2018¹

<i>Sentencing Date</i>	<i>Defendant</i>	<i>Criminal Charges</i>	<i>Criminal Sanctions</i>	<i>Case Details</i>
10/19/17	Alexey Barysheff	One count of submission of false export information in violation of 13 USC 305	Time served in prison; two years of supervised release; and a \$100 special assessment	Export of crystal oscillators to Russia
12/07/17	Haoqian Liu	One count of a probation violation by engaging in employment not approved by the probation officer – Probation was part of a 2015 sentencing for a violation of 13 USC 305	Four months in prison; and one year of supervised release	Probation violation for previous export violation
12/19/17	Farman Amin Moayed	Four counts of submitting false and misleading export information in violation of 13 USC 305	One year of probation; a \$500 criminal fine; and a \$400 special assessment	U.S.-origin goods exported to Iran via the United Arab Emirates
12/19/17	Marjan Caby	One count of conspiracy to violate the International Emergency Economic Powers Act and to defraud the U.S. in violation of 18 USC 371	12 months and one day in prison; two years of supervised release; and a \$100 special assessment	Export of aircraft parts to Syria
12/19/17	Arash Caby	One count of conspiracy to violate the International Emergency Economic Powers Act and to defraud the U.S. in violation of 18 USC 371	24 months in prison; two years of supervised release; a \$10,000 criminal fine; a \$17,500 forfeiture with Ali Caby; and a \$100 special assessment	Export of aircraft parts to Syria
12/19/17	Ali Caby	One count of conspiracy to violate the International Emergency Economic Powers Act and to defraud the U.S. in violation of 18 USC 371	24 months in prison; two years of supervised release; a \$17,500 forfeiture with Arash Caby; and a \$100 special assessment	Export of aircraft parts to Syria

¹ Three convictions are not included in this chart because the information has been sealed by the court.

01/11/18	Volodymyr Nedoviz	One count of violating the Arms Export Control Act in violation of 22 USC 2778	Time served in prison; two years of supervised release; a \$2,500 forfeiture; and a \$100 special assessment	Export of rifle scopes to the Ukraine
01/24/18	Peter Zuccarelli	One count of conspiracy to smuggle goods out of the U.S. and to violate the International Emergency Economic Powers Act in violation of 18 USC 371	46 months in prison; three years of supervised release; a \$50,000 criminal fine; and a \$100 special assessment	Export of radiation hardened integrated circuits to Chinese military and Russian space programs.
03/06/18	Ledis Padilla-Cruz	One count of attempted export of arms and munitions and aiding and abetting in violation of 22 USC 2778	12 months and one day in prison; and a \$100 special assessment	Export of firearms to Honduras
03/20/18	Alireza Jalali	One count of conspiracy to defraud the U.S. and to commit offenses against the U.S. in violation of 18 USC 371	15 months in prison and a \$100 special assessment	Export of communications equipment to Iran and Malaysia
03/22/18	Batur Ustol	One count of conspiracy to commit mail fraud and wire fraud in violation of 18 USC 1349	30 months in prison; three years of supervised release; \$100,000 in restitution; and a \$100 special assessment	Export of technical information to Turkey
03/28/18	Hongxing Zhang	One count of wire fraud in violation of 18 USC 1343 and one count of failure to file and submission of false or misleading export information in violation of 13 USC 305	Two years of probation; a \$50,000 criminal fine; and a \$200 special assessment	Fraudulently obtaining prescription medicine and exporting prescription medicine to China
03/30/18	Matthew Deleo	One count of conspiracy to commit an offense against the U.S. in violation of 18 USC 371; one count of export enforcement violation conspiracy in violation of 18 USC 371; and one count of theft of government property and aiding and abetting in violation of 18 USC 641 and 2	Time served in prison; three years supervised release; 100 hours of community service; \$866,528.97 in restitution; and a \$300 special assessment	Theft and export of U.S. military equipment and other commodities
04/05/18	Iulian Petre	One count of receiving a firearm in interstate commerce and aiding and abetting in violation of 18 USC 924 and 2; and one count of shipping a firearm in foreign commerce and aiding and abetting in violation of 18 USC 924 and 2	24 months in prison; three years of supervised release; and a \$900 special assessment	Export of firearms to Romania

04/06/18	Johnny Randall	One count of conspiracy to commit theft of trade secrets in violation of 18 USC 1832	Two years of probation; and a \$100 special assessment	Theft of trade secrets with the intent to transfer technology to China
04/11/18	Evgeny Spiridonov	One count of failure to file electronic export information in violation of 13 USC 305	Time served in prison	Export of firearms and rifle scopes to Russia
04/19/18	Kerry Fernandez	One count of false statements during the purchase of a firearm in violation of 18 USC 922 and one count of conspiracy to smuggle firearms out of the U.S. in violation of 18 USC 371	27 months in prison; and three years of supervised release; and a \$200 special assessment	Export of pistols and ammunition to Trinidad and Tobago by falsifying export documentation
04/19/18	Jordan Dunham	Two counts of false statements during the purchase of a firearm in violation 18 USC 922	Six months in prison; three years of supervised release; and a \$200 special assessment	Export of pistols and ammunition to Trinidad and Tobago by falsifying export documentation
05/31/18	Errol Alfred	Two counts of access device fraud in violation of 18 USC 1029; ; one count of delivery of firearms to common carrier for international shipment without written notice in violation of 18 USC 922; fifteen counts of false statements during the purchase of a firearm in violation of 18 USC 922; one count of conspiracy to smuggle firearms out of the U.S. in violation of 18 USC 371; and one count of submitting false or misleading export information in violation of 13 USC 305	60 months in prison; three years of supervised release; and a \$2,000 special assessment	Export of pistols and ammunition to Trinidad and Tobago by falsifying export documentation
06/27/18	Jerry Xu	One count of conspiracy to steal trade secrets in violation of 18 USC 1832	10 months in prison (time served); and a \$100 special assessment	Theft and export of technical data to China via Canada
07/18/18	Kamran Khan	One count of international money laundering in violation of 18 USC 1956 and 2	18 months in prison; three years of supervised release; and a \$100 special assessment	Export of a spectrometer to the Pakistan Atomic Energy Commission
07/18/18	Muhammad Ismail	One count of international money laundering in violation of 18 USC 1956 and 2	18 months in prison; three years of supervised release; and a \$100 special assessment	Export of a spectrometer to the Pakistan Atomic Energy Commission
08/03/18	Olaf Tepper	One count of conspiracy to violate the International Economic Powers Act and	24 months in prison; a \$5,000 criminal	Export of gas turbine engine parts to Iran via Germany

		U.S. sanction on Iran in violation of 50 USC 1705	fine; and a \$100 special assessment	
09/05/18	Subhash Jay	One count of operating an unlicensed money transmitting business in violation of 18 USC 1960; and one count of filing a false tax return in violation of 26 USC 7206	30 months in prison; three years of supervised release; \$409,871 in restitution; \$4,515,236 forfeiture; and a \$200 special assessment	Falsifying electronic export information
09/19/18	Imran Khan	One count of exporting goods in violation of the International Emergency Economic Powers Act in violation of 50 USC 1705	Three years of probation, of which the six months in home confinement; 100 hours of community service; \$3,000 criminal fine; and a \$200 special assessment	Export of a spectrometer to the Pakistan Atomic Energy Commission
09/26/18	Elmer Cuares	One count of smuggling goods from the U.S. in violation of 18 USC 554	20 months in prison; one year of supervised release; and a \$100 special assessment	Attempted export of firearms to the Philippines
09/27/18	Bryan Singer	One count of attempt to smuggle goods outside the U.S. in violation of 18 USC 554; and one count of false statement to a federal agency in violation of 18 USC 1001	78 months in prison; three years supervised release; and a \$200 special assessment	Attempted export of network modems to Cuba

Table 2
Department of Commerce Export Enforcement Administrative Cases during Fiscal Year 2018

<i>Date</i>	<i>Respondent</i>	<i>Case Details</i>	<i>Provision Violated [# of violations]</i>	<i>Penalty</i>
10/16/17	Rodrigo Chico-Rodriguez	Underlying criminal conviction for violating Section 38 of the Arms Export Control Act (AECA) by intentionally and knowingly conspiring to export, attempt to export, and cause the export from the United States to Mexico of firearms and ammunition designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until April 18, 2026, pursuant to Section 766.25 of the EAR.
10/16/17	Jimmy Rojas a/k/a Jim Rojas	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully attempting to export from the United States to Jordan a 6015/PVS14 Series ITT Monocular Night Vision device and a Trijicon Advanced Combat Optical Gunsight (ACOG) Rifle Scope, both designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until September 8, 2026, pursuant to Section 766.25 of the EAR.
10/16/17	Martin Jan Leff	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully attempting to export and cause the export from the United States to Hong Kong of seven F-4 Phantom fighter jet wheel assemblies designated as defense articles on the United States Munition List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until January 6, 2026, pursuant to Section 766.25 of the EAR.
10/16/17	Marleen Rochin	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting, aiding and abetting the export, and causing the export from the United States to Mexico of one or more firearms designated as defense articles on the United States Munition List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until November 16, 2020, pursuant to Section 766.25 of the EAR.

10/16/17	Adrian Manuel Hernandez	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting, aiding and abetting the export of, and causing to be exported from the United States to Mexico one or more firearms designated as defense articles on the United States Munition List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until October 13, 2020, pursuant to Section 766.25 of the EAR.
11/16/17	Mahan Airways; Pejman Mahmood Kosarayanifard a/k/a Kosarian Fard; Mahmoud Amini; Kerman Aviation a/k/a GIE Kerman Aviation; Sirjanco Trading LLC; Mahan Air General Trading LLC; Mehdi Bahrami; Al Naser Airlines a/k/a al-Naser Airlines a/k/a Alnaser Airlines and Air Freight Ltd.; Ali Abdullah Alhay a/k/a Ali Alhay a/k/a Ali Abdullah Ahmed Alhay; Bahar Safwa General Trading; Sky Blue Bird Group a/k/a Sky Blue Bird Aviation a/k/a Sky Blue Bird Ltd. a/k/a Sky Blue Bird FZC; and Issam Shammout a/k/a Muhammad Isam Muhammad Anwar Nur Shammout a/k/a Issam Anwar	Temporary denial order (“TDO”) in matter that has involved the re-export and attempted or intended re-export of U.S.-origin Boeing 747s, false statements to BIS regarding the ultimate destination and end-user of these aircraft, and the failure to comply with a BIS order to return the aircraft to the United States. This matter also has involved exports and reexports, or attempted or intended exports or reexports, during renewal periods of the TDO of U.S.-origin McDonnell Douglas aircraft, Airbus aircraft with U.S.-origin engines, U.S.-origin jet engines, and other items subject to the Regulations.		Modified the June 27, 2017 TDO to remove Ali Eslamian, Equipco (UK), and Skyco (UK) Ltd., in accordance with a September 2017 settlement agreement and order under which a \$250,000 civil penalty was imposed against Eslamian and a four-year conditionally-suspended denial of export privileges imposed against Eslamian, Equipco, and Skyco.
11/21/17	Pilot Air Freight, LLC a/k/a Pilot Air Freight Corp.	Caused, aided, and/or abetted the attempted unlicensed export of an Export Control Classification Number (ECCN) 2B991 ultrasonic mill cutting machine controlled for Anti-Terrorism reasons, and electrical equipment designated EAR99 (meaning it is subject to the EAR but not specifically identified on the Commerce Control List), from the United States to IKAN Engineering Services, a Pakistan-based entity on the Bureau of Industry and Security (BIS) Entity List. The items were valued in total at \$250,287.	764.2(b)* [1]	Settlement Agreement – civil penalty of \$175,000, of which \$100,000 is to be paid out of pocket and the remaining \$75,000 is conditionally suspended during a probationary period that runs through March 31, 2020. Pilot Air Freight must also complete two external audits of its export compliance program covering, respectively, calendar years 2018 and 2019.

12/04/17	Shantia Hassanshahi, a/k/a Shantia Hassan Shahi, a/k/a Shahi, a/k/a Shantia Haas, a/k/a Sean Haas	Underlying criminal conviction for violating the International Emergency Economic Powers Act (IEEPA) by willfully conspiring to export and cause the export of goods and technology from Canada to Iran, as well as services related thereto from the United States to Iran, without the required license from the Treasury Department Office of Foreign Assets Control (OFAC).	IEEPA	Amended the September 28, 2017 Order in this matter to include the updated address information.
12/19/17	Papa Faal	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully conspiring to export from the United States to Gambia semi-automatic rifles designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until May 12, 2026, pursuant to Section 766.25 of the EAR.
12/19/17	Hunter Perry	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting or causing the export from the United States to the United Kingdom of defense articles on the United States Munitions List, without the required U.S. Department of State licenses, including, inter alia, a D-760 night vision scope, a PAS-13 thermal scope, a PAS-23 mini-thermal scope, and a PVS-15 night vision binocular.	Section 38 of the AECA	Export privileges denied until July 20, 2021, pursuant to Section 766.25 of the EAR.
12/19/17	Gerardo Trevino-Monciavis	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully attempting to export, aiding and abetting the export, and causing the export from the United States to Mexico of firearms and ammunition designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until October 18, 2026, pursuant to Section 766.25 of the EAR.
12/19/17	Joseph Esequiel-Gonzalez	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting, attempting to export, and causing the export from the United States to Mexico of a .380 caliber pistol designated as a defense article on the United States Munitions List, without the required U.S. Department of State license.	Section 38 of the AECA	Export privileges denied until August 30, 2026, pursuant to Section 766.25 of the EAR.

12/20/17	Mahan Airways; Pejman Mahmood Kosarayanifard a/k/a Kosarian Fard; Mahmoud Amini; Kerman Aviation a/k/a GIE Kerman Aviation; Sirjanco Trading LLC; Mahan Air General Trading LLC; Mehdi Bahrami; Al Naser Airlines a/k/a al-Naser Airlines a/k/a Al Naser Wings Airline a/k/a Alnaser Airlines and Air Freight Ltd.; Ali Abdullah Alhay a/k/a Ali Alhay a/k/a Ali Abdullah Ahmed Alhay; Bahar Safwa General Trading; Sky Blue Bird Group a/k/a Sky Blue Bird Aviation a/k/a Sky Blue Bird Ltd. a/k/a Sky Blue Bird FZC; and Issam Shammout a/k/a Muhammad Isam Muhammad Anwar Nur Shammout a/k/a Issam Anwar	Temporary denial order (“TDO”) in matter that has involved the re-export and attempted or intended re-export of U.S.-origin Boeing 747s, false statements to BIS regarding the ultimate destination and end-user of these aircraft, and the failure to comply with a BIS order to return the aircraft to the United States. This matter also has involved exports and reexports, or attempted or intended exports or reexports, during renewal periods of the TDO of U.S.-origin McDonnell Douglas aircraft, Airbus aircraft with U.S.-origin engines, U.S.-origin jet engines, and other items subject to the Regulations.		TDO renewed for 180 days.
12/21/17	Saeid Yahya Charkhian and Caspian Industrial Machinery Supply LLC	Charkhian and Caspian Industrial Machinery Supply transferred, forwarded, ordered, bought and/or sold U.S.-origin items subject to Export Administration Regulations (“EAR” or the “Regulations”) for export to Iran, via the Netherlands and the United Arab Emirates, with knowledge that a violation of the Regulations had occurred or was about or intended to occur. The items, including masking wax, lithium batteries, and zirconia crucibles, were designated EAR99 and valued in total at nearly \$190,000. Charkhian also made false or misleading statements to BIS and other U.S. Government officials during a post-shipment verification. (EAR99)	Charkhian and Caspian: 764.2(e)[3] Charkhian: 764.2(g)[1]	Settlement Agreement (after filing of charging letter) - export privileges denied for 12 years.
01/11/18	MHz Electronics, Inc.	Exported pressure transducers, items controlled for Nuclear Nonproliferation reasons and valued at approximately \$1,380, to China and Taiwan without the required BIS licenses. (ECCN 2B230)	764.2(a) [2]	Settlement Agreement - civil penalty of \$10,000, all of which shall be conditionally suspended during a two-year probationary period under the Order; complete an external audit of respondent’s export compliance program covering calendar year 2017.

01/26/18	Gulnihal Yegane, Trigon Lojistik Kargo Limited Sirketi, Ufuk Avia Lojistik Limited Sirketi and RA Havacilik Lojistik Ve Tasimacilik Ticaret Limited Sirketi	TDO in matter involving the transshipment of U.S.-origin jet aircraft engines and aircraft parts through Turkey to Iran. Respondents engaged in procurement activities on behalf of one or more Iranian airlines, operating as transaction parties and/or facilitating transactions structured to evade the Regulations.		Initial TDO for 180 days.
02/07/18	Justin Gage Jangraw	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting, attempting to export, and causing the export from the United States to Austria of three Magpul angled fore grips and two Magpul battery-assisted device levers, items, designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until November 21, 2019, pursuant to Section 766.25 of the EAR.
02/09/18	Irina Cvetkovic	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting and causing to be exported from the United States to Hong Kong two Ruger model SR22 semi-automatic pistols, two silencers, and 1,000 rounds of ammunition, items designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until April 26, 2027, pursuant to Section 766.25 of the EAR.
02/26/18	Trilogy International Associates, Inc. and William Michael Johnson	Respondent Trilogy International exported analog-to-digital converters and an explosives detector, items controlled for national security reasons and valued in total at approximately \$76,035, to Russia without the required BIS licenses. Respondent Johnson, Trilogy International's President and General Manager, caused, aided, and/or abetted these unlawful unlicensed exports. (ECCN 1A004 and 3A001)	Trilogy 764.2(a) [3] Johnson 764.2(b) [3]	Final Order issued by the Under Secretary imposing a civil penalty of \$100,000 and a ten-year denial of export privileges against each Respondent. (Litigated case).
03/16/18	Volodymyr Nedoviz	Underlying criminal conviction for violating Section 38 of the AECA by willfully and knowingly exporting and attempting to export from the United States to Ukraine night vision and thermal imaging equipment designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until January 11, 2028, pursuant to Section 766.25 of the EAR.

04/06/18	Earl Henry Richmond	Underlying criminal conviction for violating Section 38 of the AECA by conspiring with others to knowingly and willfully export from the United States to Hong Kong firearms and ammunition designated as defense articles on the United States Munitions List, including a Ruger 10/20 rifle and .22 and .223 caliber ammunition, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until December 2, 2026, pursuant to Section 766.25 of the EAR.
04/06/18	Peter Steve Plesinger	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting and causing to be exported from the United States to Hong Kong two Ruger SR22 semi-automatic pistols, two silencers, and 1,000 rounds of ammunition, which are items designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until April 26, 2027, pursuant to Section 766.25 of the EAR.
04/06/18	Stephen Edward Smith	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting and causing to be exported from the United States to Hong Kong a Tikka Sporter .223 Rem Semi-automatic rifle and two silencers, which are items designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until April 13, 2027, pursuant to Section 766.25 of the EAR.
04/09/18	Erdal Kuyumcu	Underlying criminal conviction for violating IEEPA by knowingly and willfully conspiring to export from the United States to Iran a metallic powder composed of cobalt and nickel, without having obtained the required U.S. Government authorization.	IEEPA	Export privileges denied until September 7, 2027, pursuant to Section 766.25 of the EAR.

04/15/18	Zhongxing Telecommunications Equipment Corporation and ZTE Kangxun Telecommunications Ltd. (collectively, "ZTE")	<p>The March 2017 Settlement Agreement and Order had settled following proposed charges against ZTE: Conspired to violate the Regulations to obtain contracts with and related sales from Iranian entities, including government-affiliated entities, to supply, build, operate, and service telecommunications networks. Procured, sold, delivered, and used U.S.-origin routers, microprocessors, servers, databases, and other equipment and software controlled on national security (NS), encryption (EI), regional security (RS), or anti-terrorism (AT) grounds, without the required U.S. Government authorization. Ordered, bought, stored, used, sold, transferred and forwarded to North Korea telecom equipment subject to the Regulations pursuant to the direct product rule, knowing a violation had or was about or intended to occur in connection with the items; ZTE procured parts and components controlled on NS, EI, or AT grounds, or designated EAR99, and incorporated them into telecom items it transferred to employees or agents of Korea Posts and Telecommunications Co., a North Korea state-owned entity, knowing that the items would be driven to North Korea, without the required BIS licenses. Also made and failed to correct knowingly false statements to BIS/U.S. law enforcement during an investigation, deleted, destroyed, concealed or altered documents and information, including daily email deletions, and took other evasive actions designed, inter alia, to prevent detection (including by or through its outside counsel) and to avoid the effect of its addition to the Entity List.</p> <p>(ECCNs 3A001, 3A991, 3A992, 3A999, 4A994, 5A001, 5A002, 5A991, 5A992, 5B991, 5D002, 5D991, 5D992, and 7A994, and EAR99)</p>	764.2(d) [1] 764.2(e) [283] 764.2(h) [96]	<p>Activated the suspended denial order contained in the March 2017 Settlement Agreement and Order, after ZTE violated the probationary conditions set forth in that Agreement and Order by making false and misleading statements to BIS regarding disciplinary actions assertedly taken against employees involved in the violations that led to the proposed charges settled in March 2017.</p>
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04/24/18	Federal Express Corporation, d/b/a FedEx Express	Caused, aided, and/or abetted unlicensed exports of civil aircraft parts controlled for Anti-Terrorisms reasons and EAR99 laboratory equipment used for electron microscope manufacturing to entities listed on BIS's Entity List, namely, to Aerotechnic France SAS and the Pakistan Institute of Nuclear Science and Technology (PINSTECH). The items were valued in total at approximately \$58,091. (ECCNs 7A994 and 9A991; EAR99)	764.2(b) [53]	Settlement Agreement (after filing of charging letter) - civil penalty of \$500,000 to be paid within 30 days; complete four annual external audits, covering FedEx fiscal years 2017-2020, with respect to all exports and reexports subject to the Regulations to parties on BIS's Entity List or Denied Persons List.
04/24/18	Weiming Zhang, a.k.a. John Zhang and Seasia Enterprises (USA), Inc.	Conspired to export electronic equipment controlled for national security reasons from the United States to China without the required BIS licenses. (ECCN 4A003.e)	764.2(d) [1]	Settlement Agreement – \$100,000 joint and several civil penalty, with \$50,000 to be paid within 30 days and the remainder conditionally suspended during a five-year probationary period; conditionally-suspended five-year denial of export privileges.
05/25/18	Merit Aerospace, Inc. and Yanhong Zhou a/k/a Joe Zhou	Misrepresented and concealed facts during the course of a BIS investigation relating to exports of aircraft parts, and submitted to the U.S. Government, through a freight forwarding company, electronic export information that falsely listed the ultimate consignee for one of the exports.	764.2(g) [1]	Settlement Agreement – \$221,000 joint and several civil penalty, with \$40,000 to be paid within 90 days and the remainder conditionally suspended during a four-year probationary period; conditionally-suspended four-year denial of export privileges; and complete two external audits of Merit Aerospace's export controls compliance program covering calendar years 2019 and 2021, respectively.

06/08/18	Zhongxing Telecommunications Equipment Corporation and ZTE Kangxun Telecommunications Ltd. (collectively, "ZTE")	See prior ZTE case entry.	764.2(d) [1] 764.2(e) [283] 764.2(h) [96]	Superseding Settlement Order issued imposing additional and enhanced sanctions against ZTE, including, inter alia, a civil penalty of \$1.761 billion, with \$1 billion due within 60 days (in addition to the \$361 million payment made in May 2017), and the remaining \$400 million conditionally suspended and placed within 90 days in an escrow account with a U.S. bank approved by BIS; the extension of the probationary period and the conditionally-suspended denial order to ten years from the date of the Superseding Order; an increase from six to nine in the number of external compliance audits that ZTE must complete; the replacement of ZTE's entire Board of Directors within 30 days; the termination, also within 30 days, of all members of senior leadership at or above the senior vice-president level and any executive or officer who participated in or was otherwise responsible for the violations that led to the March 2017 settlement or the issuance of the April 15, 2018 denial order; the publication on ZTE's website, within 180 days, of the classification under the Regulations of all items subject thereto that ZTE or its subsidiaries or affiliates sell, supply, produce, assemble, export, reexport, or transfer (in-country); and the appointment of a
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				special compliance coordinator (“SCC”), selected by BIS and retained by ZTE, to coordinate, monitor, assess, and report on compliance by ZTE and its subsidiaries and affiliates worldwide with U.S. export control laws. The SCC reports to BIS and has the authority, after consultation with the parties and BIS’s approval, to employ at ZTE’s expense as many assistants and other professional staff to provide support and services as are reasonable for the performance and fulfillment of his duties.
06/13/18	Fuyi Sun a/k/a Frank Sun	Underlying criminal conviction for violating IEEPA by knowingly and willfully attempting to export and causing the export from the United States to China of Toray type M60JB-3000-50B carbon fiber, without the required U.S. Department of Commerce licenses.	IEEPA	Export privileges denied until August 31, 2027, pursuant to Section 766.25 of the EAR.

06/14/18	Mahan Airways; Pejman Mahmood Kosarayanifard a/k/a Kosarian Fard; Mahmoud Amini; Kerman Aviation a/k/a GIE Kerman Aviation; Sirjanco Trading LLC; Mahan Air General Trading LLC; Mehdi Bahrami; Al Naser Airlines a/k/a al-Naser Airlines a/k/a Al Naser Wings Airline a/k/a Alnaser Airlines and Air Freight Ltd.; Ali Abdullah Alhay a/k/a Ali Alhay a/k/a Ali Abdullah Ahmed Alhay; Bahar Safwa General Trading; Sky Blue Bird Group a/k/a Sky Blue Bird Aviation a/k/a Sky Blue Bird Ltd. a/k/a Sky Blue Bird FZC; and Issam Shammout a/k/a Muhammad Isam Muhammad Anwar Nur Shammout a/k/a Issam Anwar	TDO in matter that has involved the re-export and attempted or intended re-export of U.S.-origin Boeing 747s, false statements to BIS regarding the ultimate destination and end-user of these aircraft, and the failure to comply with a BIS order to return the aircraft to the United States. This matter also has involved exports and reexports, or attempted or intended exports or reexports, during renewal periods of the TDO of U.S.-origin McDonnell Douglas aircraft, Airbus aircraft with U.S.-origin engines, U.S.-origin jet engines, and other items subject to the Regulations.		TDO renewed for 180 days.
07/13/18	Zhongxing Telecommunications Equipment Corporation and ZTE Kangxun Telecommunications Ltd. (collectively, "ZTE")	See prior ZTE case entries.	764.2(d) [1] 764.2(e) [283] 764.2(h) [96]	Order issued terminating the April 15, 2018 denial order and removing ZTE from the Denied Persons List after ZTE had timely made the additional \$1 Billion civil penalty payment required under the June 2018 Superseding Settlement Agreement and Superseding Order (the "Superseding Settlement Documents") and had met the escrow requirements included in the Superseding Settlement Documents relating to the \$400 Million suspended portion of the superseding civil penalty amount.

07/30/18	Narender Sharma and Hydel Engineering Products	August 2017 Settlement Agreement Order had settled the following charges: Conspired to sell and export U.S.-origin waterway barrier debris systems and related components from the United States to Iran via transshipment through third countries, including to Mahab Ghodss, an Iranian Government entity, without the required U.S. Government authorization. The conspiracy led to the attempted unlicensed export to Mahab Ghodss in Iran, via transshipment through the United Arab Emirates, of a waterway barrier debris system designated EAR99 and valued at \$420,256.		Activated the conditionally-suspended portion of the civil penalty and activated the conditionally-suspended five-year denial of export privileges set forth in the August 2017 Settlement Agreement and Order, following Respondents' failure to make a required civil penalty.
08/10/18	Mohawk Global Logistics Corp. f/k/a Mohawk Customs and Shipping Corp.	Caused, aided, and/or abetted three exports to entities on BIS's Entity List without the required BIS licenses. The items involved were an LNP-20 liquid nitrogen plant valued at \$33,587, which was exported to All-Russian Scientific Research Institute of Experiment Physics ("VNIIEF"), and Real-Time Back Reflection Laue camera detectors and accessories valued at \$177,156, which were exported on two occasions to the University of Electronic Science and Technology of China ("UESTC"). (The two exports to UESTC involved the same items; the second occurred after the items had been returned to the United States for warranty service). (EAR99)	764.2(b)[3]	Settlement Agreement – civil penalty of \$155,000, of which \$20,000 is suspended through December 15, 2019.
08/13/18	Alex Bryukhov	Underlying criminal conviction for violating Section 38 of the AECA by knowingly and willfully exporting and attempting to export, from the United States to Russia, a FLIR T-60 Thermal Camera, an OASYS Night Vision Sight, and gun parts, items designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until April 6, 2026, pursuant to Section 766.25 of the EAR.
09/26/18	Eastline Technologies OU, Adimir OU, Valery Kosmachov, Sergey Vetrov, and Real Components Ltd.	TDO in matter involving a procurement scheme to transship U.S.-origin electronics equipment and other items subject to the Regulations to Russia via Estonia and Finland.		Initial TDO for 180 days.

09/27/18	Edgar Garza-Sanchez	Underlying criminal conviction for violating Section 38 of the AECA by conspiring to willfully and knowingly export and cause the export from the United States to Mexico of approximately 13,600 rounds of 7.62 x 39 mm caliber ammunition and approximately 200 7.62 x 39 mm caliber magazines, items designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until March 28, 2022, pursuant to Section 766.25 of the EAR.
09/27/18	Edward Alexander Duenas	Underlying criminal conviction for violating Section 38 of the AECA by knowingly exporting and attempting to export from the United States to Mexico firearms designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until November 16, 2022, pursuant to Section 766.25 of the EAR.
09/27/18	Erik Villasana	Underlying criminal conviction for violating Section 38 of the AECA by knowingly exporting and attempting to export from the United States to Mexico firearms designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until November 16, 2027, pursuant to Section 766.25 of the EAR.
09/27/18	Francisco Xavier Martinez	Underlying criminal conviction for violating Section 38 of the AECA by knowingly exporting and attempting to export from the United States to Mexico firearms designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until November 16, 2024, pursuant to Section 766.25 of the EAR.
09/27/18	Juan Diego Madrid	Underlying criminal conviction for violating Section 38 of the AECA by knowingly exporting and attempting to export from the United States to Mexico firearms designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until November 16, 2027, pursuant to Section 766.25 of the EAR.
09/27/18	Rolando Armando Madrid	Underlying criminal conviction for violating Section 38 of the AECA by knowingly exporting and attempting to export from the United States to Mexico firearms designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until November 16, 2027, pursuant to Section 766.25 of the EAR.

09/27/18	Ruben Arnoldo Madrid	Underlying criminal conviction for violating Section 38 of the AECA by knowingly exporting and attempting to export from the United States to Mexico firearms designated as defense articles on the United States Munitions List, without the required U.S. Department of State licenses.	Section 38 of the AECA	Export privileges denied until December 14, 2027, pursuant to Section 766.25 of the EAR.
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* 764.2 refers to Section 764.2 of the EAR, 15 CFR 764.2

Appendix B: Summaries of Antiboycott Cases and Boycott Requests

Table 1

Summary of Antiboycott Cases in Fiscal Year 2018

<i>Company Name & Location</i>	<i>Date Order Signed</i>	<i>Alleged Violations of EAR²</i>	<i>Settlement Amount</i>
Citibank, NA (New York, NY)	08/02/18	20 x 760.2(d) – Furnishing information about business relationships with boycotted countries or blacklisted persons	\$60,000
Mitsui Plastics, Inc. (White Plains, NY)	02/09/18	2 x 760.2(d) – Furnishing information about business relationships with boycotted countries or blacklisted persons 7 x 760.5 - Failure to report receipt of a boycott request	\$28,600
Great Lakes Dredge & Dock Company LLC (Oak Brook, IL)	12/21/17	3 x 760.2(a) - Refusal to do Business 7 x 760.5 - Failure to report receipt of a boycott request	\$37,000
Bank of America, NA (Scranton, PA)	11/13/17	1 x 760.2(a) – Refusal to do Business 11 x 760.2(d) – Furnishing information about business relationships with boycotted countries or blacklisted persons 1 x 760.5 - Failure to report receipt of a boycott request	\$44,625

² The references are to the number of alleged violations of the identified subsections of EAR part 760.

Table 2
Boycott Requests Reported to the Office of Antiboycott Compliance
Fiscal Year 2018

	Prohibited Boycott Related Requests	Permissible Boycott- Related Requests	Amended Boycott Related Requests	Boycott Related Exceptions	Totals
Algeria	0	0	0	0	0
Bahrain	9	0	1	3	13
Iraq	21	1	1	5	28
Jordan	0	0	0	0	0
Kuwait	6	1	0	4	11
Lebanon	1	3	0	2	6
Libya	4	10	1	0	15
Oman	2	6	1	0	9
Qatar	16	20	0	19	55
Saudi Arabia	10	5	1	13	29
Syria	2	0	0	4	6
United Arab Emirates	94	85	13	45	237
Yemen	0	0	0	0	0
Total (Arab League members)	165	131	18	95	409
Bangladesh	0	8	3	12	23
Iran	0	0	0	0	0
Malaysia	2	0	0	849	851
Nigeria	0	0	0	0	0
Pakistan	4	4	0	35	43
All other Countries	7	3	2	15	27
Total (All countries & Arab League members)	178	146	23	1006	1353

Prohibited boycott-related requests describe those requests to take an action that would be prohibited under Section 760.2 of the EAR, mainly actions to enforce the secondary and tertiary aspects of a foreign unsanctioned boycott.

Permissible boycott-related requests are for actions that fall outside the prohibitions of the EAR but still require compliance with some level of a foreign unsanctioned boycott.

Amended boycott-related requests were ones that were prohibited as an initial matter, but were subsequently adjusted and reclassified as permissible or as an exception under the EAR.

Boycott-related exceptions are requests to take actions that would be prohibited, but for a specific provision in the EAR that allows the action.

####END OF REPORT####