INTERAGENCY COLLABORATION AND IMPACT OF COMPLETED REFORMS

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Update 2013

Interagency Collaboration Essential for Export Control System

- Items Controlled
  - Multilateral export control regimes
    - US proposals
    - Foreign proposals
- Revisions to the Export Administration Regulations
  - Licensing policy
  - Commerce Control List
  - Validated End Users
  - Entity List

Interagency Collaboration Essential for Export Control System

- License applications
  - 23,825 reviewed in 2012
  - Operating Committee
    - 244 reviewed in 2012
  - Advisory Committee on Export Policy
    - 35 reviewed in 2012
- Commodity jurisdiction determinations
- Bilateral relationships

Impact of Completed ECR Reforms Encryption

- Encryption Export Controls: Revision of License Exception ENC and Mass Market Eligibility, Submission Procedures, Reporting Requirements, License Application Requirements, and Addition of Note 4 to Category 5, Part 2 (June 25, 2010; 75 Federal Register 36481)
- Replaced 30 day technical review period and sales reports for most items eligible for License Exception ENC and mass market products with registration and self-classification report
- Excluded certain items incorporating or using "cryptography" from control under Category 5, Part

IMPACT OF COMPLETED ECR REFORMS ENCRYPTION

* 4,116 companies have registered
* Classification requests reduced by about 30%
  * 3,200 in FY 2010
  * 2,100 in FY 2011
  * 2,200 in FY 2012
  * 1,100 in first half of FY13

Impact of Completed ECR Reforms Strategic Trade Authorization

* *Export Control Reform Initiative: Strategic Trade Authorization License Exception* **(June 16, 2011; 76 Federal Register 35276)**
* Authorizes export, reexport and transfer (in-country) of specified items that pose relatively low risk in specified destinations without individual license
* Items can subsequently be reexported without a license to another STA country
* Authorization required for other reexports

Impact of Completed ECR Reforms – Strategic Trade Authorization

- Strategic Trade Authorization
  - July 2011 through April 2013
  - 117 companies have exported under STA
  - $165.7 million worth of exports under STA
  - 1,743 shipments under STA
    - 37% (645) exports worth less than $2,500

Impact of Completed ECR Reforms – Strategic Trade Authorization

- Top ECCNs Exported to 36 STA (c)(1) countries
  - 6A003
    - 492 shipments by 19 exporters worth $23,738,737
  - 0A018
    - 24 shipments by 5 exporters worth $13,289,302
  - 9A004
    - 201 shipments by 7 exporters worth $9,087,401
  - 0A987
    - 623 shipments by 21 exporters worth $2,237,957

Impact of Completed ECR Reforms – Strategic Trade Authorization

- Compliance
  - 98 of 117 STA users audited to date
    - 87% compliance rate
  - Errors (13)
    - Failure to notify consignee of ECCN or obtain required consignee statement prior to shipment (4)
    - Failed to provide consignee statement prior to shipment (5)
    - Ineligible Export Control Classification Number (2)
    - Failure to answer BIS questions for support documents (2)

Export Control Reform Executive Order

- The new Executive Order of March 8, 2013 makes the following changes:
  - 1. Consolidation of All Brokering Responsibilities with the Department of State
  - 2. Elimination of Possible "Double Licensing" Requirements
  - 3. Congressional Notification Process
  - 4. Other Administrative Updates
  - 5. Changes to the U.S. Munitions List

CONCLUSION

- Interagency collaboration will continue to be critical to ECR
- STA now well established to be platform for ECR objectives
  - Interoperability with Allies
  - Enhance US defense industrial base
  - Focus government and industry resources

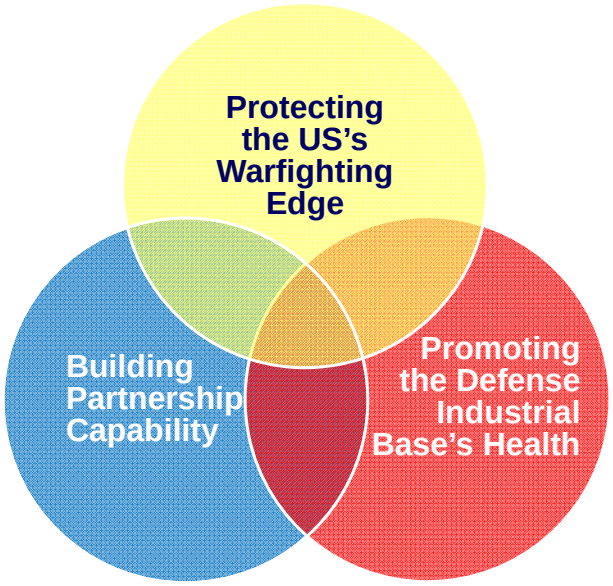
Defense Technology Security Administration

Export Control Reform
Challenges for a Dynamic System

July 24, 2013

DTSA

Balancing National Security Goals



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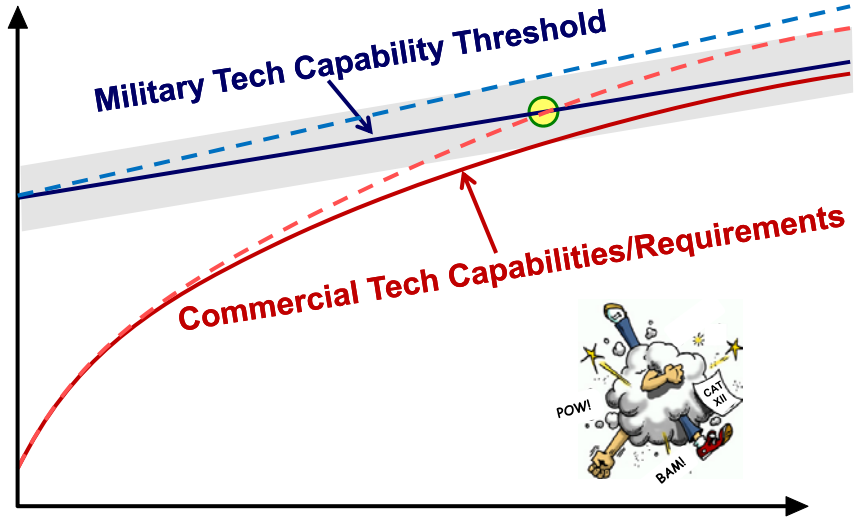
The Continuing Challenge of Keeping the Controls Updated



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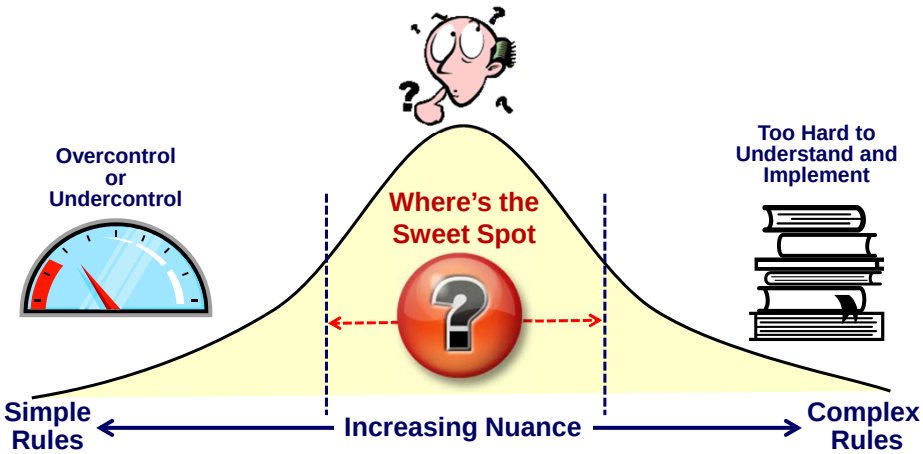
Finding the Sweet Spot between Simplicity and Adequate Nuance



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Challenges Ahead

Impacts of Constrained Budgets, Furloughs and Daily Mission?

2013	2014	2015	2016

You are here — Window of Opportunity ~ 3 Years — Election Cycle Begins

- Complete the category rewrite and publish remaining rules; keep the lists updated
- Complete USXPORTS and go live with all major stakeholders online
- Run new system to ensure it runs properly and smoothly; refine as necessary
- Give companies enough time to digest and implement the new rules internally
- Submit legislation for single control agency/single list; get enacted
- Develop new rules and responsibilities for single list and single control agency around new business process and expected workload
- Organize, populate, and train new licensing agency
- Get new control agency up and running
- Reorganize old licensing organizations to address revised/new missions

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Summary

- **Have come a very long way; making good/steady progress**
- **Lots of great cooperation / collaboration among the key stakeholders**
  - Have worked through some very thorny problems
  - The new regs are significantly improved in many ways
  - There will invariably be some bugs we'll need to work out
- **Need continued constructive comments/criticism from industry**
- **BUT….still a long way to go in a comparatively short amount of time**

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