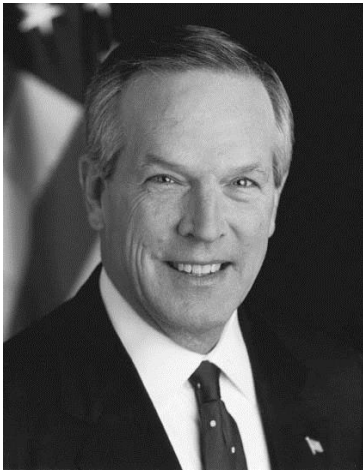


Bureau of Industry and Security

Annual Report Fiscal Year 2003



Donald L. Evans
Secretary of Commerce



Kenneth I. Juster
Under Secretary for Industry and Security

STATEMENT OF THE SECRETARY AND UNDER SECRETARY

It is our privilege to present this report on the activities of the Department of Commerce's Bureau of Industry and Security (BIS) during Fiscal Year 2003.

The last two and one-half years have witnessed an enormous transformation of our political, economic, and security landscape. The spread of democracy and free markets, combined with increasing globalization, has resulted in unprecedented prosperity around the globe. At the same time, however, it is clear that the world remains a dangerous place. BIS plays an essential role in meeting the challenges created where business and security intersect. During Fiscal Year 2003, BIS responded to these challenges by strengthening and streamlining export controls, engaging in important international initiatives to deter proliferation, and working with industry to enhance

both U.S. national security and U.S. economic interests.

One of our top priorities over the past year was to make our export control system more efficient and effective. To that end, we published a rule to update and clarify U.S. encryption controls, released guidance for exporters on deemed export license renewals and updates, issued revised guidance on reexports¹ and issued proposed guidelines for administrative case penalties.

BIS also continues to work closely with other U.S. Government agencies and the Congress to seek to renew and revise as appropriate the Export Administration Act (EAA), and thereby place our export control system on a stronger statutory foundation.

In addition, we made substantial progress in promoting high-technology trade with India under the auspices of the U.S.-India High Technology Cooperation Group (HTCG). In February 2003, we joined the Government of India in signing a Statement of Principles on U.S.-India High Technology Commerce. The two sides also convened meetings of the HTCG, in both the United States and India, that addressed export controls, market access, tariff and non-tariff barriers to trade, and outreach to industry. These meetings were held in tandem with public-private conferences on trade and investment, which were well attended by representatives of U.S. and Indian industry.

BIS also had a very active year in export enforcement. We concluded a number of significant cases, with total criminal penalties of approximately \$3.4 million and administrative fines of \$4.1 million. Several of these cases made new law. One established the precedent of successor liability for violations of the Export Administration Regulations; another established a precedent for reaching beyond exporters to hold freight forwarders and other participants in an export transaction liable for export control violations.

Another priority area for BIS over the past year was to work with other countries on the development and enforcement of their export controls. The Commerce Department's Transshipment Country Export Control Initiative (TECI) works with global transshipment hubs to strengthen their trade compliance and export control systems. Working through TECI, BIS concluded a new information sharing arrangement with Hong Kong that will enhance export enforcement, held several conferences to discuss export controls and transshipment trade, and developed a list of best practices for exporters, reexporters, and trade facilitators operating in transshipment hubs.

In undertaking all of its activities, BIS worked cooperatively and constructively with the U.S. business community. In Fiscal Year 2003, we handled a 17 percent increase in license applications through an improved licensing process, and conducted a record number of outreach events, including major seminars throughout the United States and in China, Japan, Korea, and Singapore.

Outside of the domain of export controls, BIS worked effectively with industry across a range of security-related issues. For example, our advocacy efforts in Fiscal Year 2003 contributed to U.S. defense export sales of approximately \$4.5 billion, including aircraft engines to Japan, military trucks to Hungary, fighter aircraft to Poland, and radar spare parts to Sri Lanka. We also worked closely with U.S. industry and the Department of Defense through the Defense Priorities and Allocations System to expedite the supply of defense articles needed to support Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom. Moreover, BIS completed several major initiatives monitoring the strength of the U.S. defense industrial and technological base, including conducting assessments of the U.S. textile and apparel industries and the biotechnology industry, and providing reports to Congress on the use of offsets in defense trade. In addition, we worked with industry on matters relating to the implementation of the Chemical Weapons Convention, including hosting nine inspections of U.S. industrial sites and conducting 12 site assistance visits to help prepare for inspections.

Thus, throughout Fiscal Year 2003, BIS pressed ahead with a range of initiatives in the areas of

export control policy and enforcement, international cooperation' and industry outreach and collaboration. Our efforts were guided by the principle that protecting security and promoting trade are mutually reinforcing objectives. Indeed, legitimate trade is based on the foundation of sound security. We believe that BIS has been successful in pursuing these dual objectives. We look forward to building on this success as we address new challenges in the years ahead.

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Donald L. Evans
Secretary of Commerce

/S/

Kenneth I. Juster
Under Secretary of Commerce for Industry and Security

BUREAU OF INDUSTRY AND SECURITY FISCAL YEAR 2003 ANNUAL REPORT

Executive Summary

This report summarizes the activities of the Department of Commerce's Bureau of Industry and Security during Fiscal Year 2003.¹

Highlights of Fiscal Year 2003

In Fiscal Year 2003, BIS worked to advance U.S. national security, foreign policy, and economic interests. BIS focused on facilitating legitimate high-technology trade while preventing the illicit transfer of critical enabling technologies for advanced conventional weapons, weapons of mass destruction, and their delivery systems. BIS also worked with business to strengthen the U.S. defense industrial and technological base and comply with certain international treaty obligations.

In the area of export control policy and regulation, BIS took a number of steps to ensure that controls on exports and reexports of U.S.-origin items met U.S. national security objectives without unnecessarily burdening U.S. industry.

- BIS published revised guidance on the nature and scope of controls on the reexport of U.S.-origin items, and translated that guidance into several foreign languages.
- BIS published a rule updating U.S. export controls on dual-use encryption items to reflect changes made to the Wassenaar Arrangement List of Dual-Use Goods and Technologies
- BIS expanded export controls on designated terrorists by imposing a license requirement on exports and reexports to Specially Designated Global Terrorists.
- BIS expanded the scope of controls on explosives detection equipment to include equipment that detects the presence of explosives, explosive residue, or detonators, and added controls on related software and technology.

In the export licensing area, BIS processed an increased number of export license applications.

- BIS completed the review of 12,443 license applications, a 17 percent increase over Fiscal Year 2002, and the highest volume of license applications in ten years.

- BIS processed 846 deemed export license applications, an increase of nearly 20 percent over Fiscal Year 2002.

BIS also continued to enforce U.S. export control laws vigorously and improve compliance with export license conditions.

- BIS closed 34 administrative enforcement cases, many of which established important precedents. For example, the \$1.76 million settlement agreement with Sigma Aldrich Corporation regarding exports of biological toxins set the precedent of successor liability in export control cases.

- BIS published proposed penalty guidelines for the settlement of administrative cases that will provide the public with a comprehensive description of how BIS determines appropriate penalties for such cases.

In addition, BIS undertook a number of efforts in Fiscal Year 2003 to improve communication with industry and other interested parties. BIS focused on enhancing the role of advisory committees in the formation of U.S. policy and seeking input from the public on its various programs and initiatives.

- BIS convened the President's Export Council Subcommittee on Export Administration to discuss current issues involving high-technology trade.

- BIS conducted educational seminars on subjects ranging from the obligations of exporters and others under the Export Administration Regulations, to BIS's enforcement of the Export Administration Regulations, to reporting requirements under the Chemical Weapons Convention regulations.

- BIS held targeted seminars and other outreach programs focusing on technology export controls and the application of the deemed export rule. These programs likely contributed to the significant increase in the number of deemed export license applications that BIS received in Fiscal Year 2003.

In cooperation with other U.S. Government agencies, BIS also took significant steps to strengthen the four multilateral nonproliferation regimes and improve treaty compliance.

- BIS worked through the Nuclear Suppliers Group, the Missile Technology Control Regime, the Australia Group, and the Wassenaar Arrangement to update regime controls in light of technological change.

- BIS hosted nine on-site inspections of U.S. facilities engaged in chemical production activities, which were conducted by the Organization for the Prohibition of Chemical Weapons and carried out in compliance with the requirements of the Chemical Weapons Convention. In addition, BIS conducted 12 site assistance visits to help U.S. companies prepare their facilities for on-site inspections.

In coordination with other federal agencies, BIS also participated in a number of international cooperation and enforcement programs.

- BIS led a major U.S. Government initiative with the Government of India to promote bilateral high-technology cooperation and strengthen export control compliance.
- BIS conducted major International Export Control Outreach Seminars in China, Japan, South Korea, and Singapore, which educated attendees on the obligations of foreign persons under the U.S. export control system.
- BIS advanced the overall objectives of the Transshipment Country Export Control Initiative by organizing conferences on export controls and transshipment trade, as well as by publishing a set of "best practices" for industry to assist in eliminating illegal transshipments and diversions of goods.
- BIS sent enforcement agents to numerous countries, including Brazil, Cyprus, Italy, Malaysia, Malta, Panama, South Africa, Syria, and Thailand, to conduct pre-license checks and post-shipment verifications pursuant to the Safeguards Verification Program.

BIS also monitored and supported the U.S. defense industrial and technological base.

- BIS exercised its authority under the Defense Priorities and Allocations System to require preferential acceptance and performance of certain contracts supporting Operation Enduring Freedom, Operation Iraqi Freedom, and homeland security activities. These included contracts for special ballistic material for lightweight body armor for U.S. Army and Marine Corps troops, and data processing and communications equipment for the Department of Homeland Security's Transportation Security Administration and Bureau of Customs and Border Protection.
- BIS assisted U.S. companies in securing \$4.5 billion in contracts to supply foreign governments with defense articles, including sales of aircraft engines to Japan, military trucks to Hungary, fighter aircraft to Poland, and radar spare parts to Sri Lanka.
- BIS completed six major reports to monitor the strength of the defense industrial and technological base, including a comprehensive assessment of the U.S. textile and apparel industries requested by Congress.

¹ In accordance with the Department's past practice, this report has been prepared and is being submitted to the Congress pursuant to the annual reporting requirement set forth in Section 14 of the Export Administration Act of 1979 (EAA). It should be noted, however, that this annual reporting requirement, together with the rest of the EAA, has expired, and that the President has continued the U.S. dual-use export control regime under the authority of the International Emergency Economic Powers Act. It should be further noted that some of the information included in this report fulfills reporting requirements in statutes other than the EAA.

Chapter 1: **Export Control Policy and Regulations**

Mission

The Bureau of Industry and Security (BIS) is charged with the implementation of U.S. export control policy on dual-use commodities, software, and technology. Dual-use items subject to BIS regulatory jurisdiction have predominantly civilian uses, but also have military, proliferation, and terrorism-related applications. One of BIS's principal objectives is to ensure that direct exports from the United States and reexports of U.S.-origin items from third countries are consistent

with national security and foreign policy interests, without imposing unnecessary regulatory burdens on U.S. exporters or impeding the flow of legitimate trade.

In order to accomplish its objectives, BIS seeks to promulgate clear, concise, and timely regulations setting forth license requirements and licensing policy for the export of dual-use items. Principal areas of focus include implementation of controls agreed to in the four multilateral export control regimes: the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), the Australia Group (AG) (chemical and biological nonproliferation), and the Wassenaar Arrangement (WA) (conventional arms and dual-use goods and technologies).

BIS regulations also further other U.S. foreign policy interests, including sanctions policies; specify which export licensing agency has jurisdictional authority for a given item; and clarify the rights and obligations of U.S. exporters.

In the development of regulatory policy, BIS consults with industry through its six Technical Advisory Committees (TACs). The TACs provide valuable input regarding industry perspectives on trends in technology as well as the practicality and likely impact of export controls. In addition, BIS often publishes significant rules in proposed form to give the exporting community an opportunity to comment before the regulations take effect.

Accomplishments In Fiscal Year 2003

In Fiscal Year 2003, BIS took important steps toward fulfilling its mission, while building a solid foundation for more progress in Fiscal Year 2004.

Policies Toward Individual Countries

During Fiscal Year 2003, geopolitical and security considerations had a significant impact on BIS's export control policies. Concerns regarding the proliferation of weapons of mass destruction, the transfer of critical enabling technologies for advanced conventional weapons, and the need to develop international cooperation in the war on terrorism have played a major role in focusing BIS's policies towards individual countries.

India

BIS is leading a major initiative with the Government of India to promote cooperation in bilateral high-technology commerce. In November 2002, the U.S. Government and the Government of India formed the U.S.-India High Technology Cooperation Group (HTCG), designed to reduce the barriers to bilateral high-technology trade and enhance controls to prevent the proliferation of sensitive goods and technologies. In February 2003, Under Secretary Kenneth I. Juster and Indian Foreign Secretary Kanwal Sibal signed a Statement of Principles on U.S.-India High Technology Commerce, in which the two governments acknowledged the need to address systemic issues inhibiting high-technology trade and strengthen export controls.

In July 2003, the United States and India convened the first meeting of the HTCG in Washington, D.C., where the two governments discussed export controls, market access issues, tariff and non-tariff barriers to trade, and outreach to industry. The government discussions were preceded by the "Financing Innovation Forum," a major public-private forum addressing the current climate of U.S.-India high-technology trade and investment. The Forum included break-out sessions on information technology, defense technology, life sciences, and nanotechnology, and was well attended by industry and government representatives. In 2004 BIS will seek to build on

its achievements by continuing to expand U.S.-India collaboration in high-technology trade and export control issues.

China

China, is the fourth largest U.S. trading partner and represents a major market with great potential for U.S. exporters. As the overall level of U.S.-China trade and investment has expanded, the licensed trade of dual-use goods and technologies has also been robust. Licensed exports to China increased from approximately \$175 million in Fiscal Year 2001 to over \$2 billion in Fiscal Year 2002, with electronic devices (including microprocessors and analog to digital converters) and semiconductor manufacturing equipment composing the two largest sectors. Largely because exports of general purpose microprocessors were decontrolled, only \$1.4 billion worth of exports required licenses in Fiscal Year 2003. This is just one example of how BIS is working to minimize the burden on U.S. exporters, while ensuring that U.S. national security requirements are met.

BIS, in cooperation with other U.S. Government agencies, continues to seek to ensure that Chinese importers comply with U.S. export control requirements. BIS also is working to obtain greater transparency regarding end-user assurances by improving our ability to conduct on-site checks, which are used to verify that licensed items are being used for the approved purpose by the approved end user.

One of the key challenges for U.S. export controls is China's growing semiconductor industry, which is poised to become a large global player and a vast potential market for U.S. semiconductor manufacturing equipment producers. While the U.S. Government is supportive of U.S. exporters pursuing economic opportunities, exports of sophisticated semiconductor manufacturing equipment can also raise potential security concerns, because advanced semiconductors are significant components in many modern weapons systems. Similar market potential and security concerns exist with respect to exports to China's large telecommunications sector. In this regard, BIS officials undertook several visits to key organizations in the emerging Chinese semiconductor and telecommunications industries in order to familiarize them with U.S. and multilateral export control regulations, policies, and practices. These visits also increased U.S. officials' understanding of the dynamics of these markets, and China's role in them.

Russia

BIS continued to support U.S. Government efforts to work with Russia as a strategic partner on issues of nonproliferation. For example, BIS issues Special Comprehensive Licenses to facilitate the export of items needed to ensure the safety and security of Russian nuclear materials and weapons. In addition, the United States and Russia have a mutual interest in strengthening export controls on the transfer of conventional arms and dual-use goods controlled under the Wassenaar Arrangement. Obtaining Russian support for key proposals within Wassenaar is an important goal for BIS in Fiscal Year 2004. Doing so would both strengthen international nonproliferation efforts and enhance confidence between the United States and Russia on issues of high-technology trade.

Cuba

In Fiscal Year 2001, BIS implemented the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA), as amended. In Fiscal Year 2003, the combination of export licenses for agricultural commodities, medicines, and humanitarian items with export authorizations for agricultural commodities to Cuba under our expedited TSRA procedures resulted in BIS processing almost 600 export applications. Because of the complexities of trade with Cuba and

recent legislative proposals to make certain changes to the U.S. embargo, BIS continued to receive a significant number of queries regarding trade with Cuba.

Hong Kong Special Administrative Region

In April 2003, the U.S. Government hosted consultations on export control issues with a visiting delegation from the Hong Kong Special Administrative Region. These bilateral meetings occur annually in accordance with a 1997 Agreed Minute between the U.S. Department of Commerce and the Hong Kong Department of Trade and Industry. Representatives of the two sides provided an update of export licensing and enforcement activities taken over the past year and discussed ways of improving cooperation. The two sides also exchanged letters setting forth procedures for increased cooperation in the sharing of information on export transactions, so as to enhance law enforcement efforts.

Iraq

On May 7, 2003, following the end of major hostilities in Iraq, President Bush exercised his authority under the Emergency Wartime Supplemental Appropriations Act, 2003, to suspend most of the provisions of the Iraq Sanctions Act of 1990. As a result, the U.S. Government is no longer required to prohibit the export of items to Iraq that would require an export license under the Export Administration Regulations (EAR) and now has the discretion to review and approve license applications on their merits.

Throughout Fiscal Year 2003, the Department of the Treasury's Office of Foreign Assets Control (OFAC) continued to be responsible for licensing transactions involving Iraq, including the export of dual-use items that would require a license under the EAR. Since the embargo on Iraq was implemented in the early 1990s, both the Department of the Treasury and BIS have maintained licensing jurisdiction for the export of dual-use items to Iraq. In order to avoid a duplicate licensing requirement while the embargo is in effect, however, the EAR currently provides that authorization from OFAC to export items subject to EAR licensing requirements also constitutes authorization from BIS.

During Fiscal Year 2003, BIS worked toward a rule that would appropriately revise BIS's regulations regarding Iraq, once the primary licensing jurisdiction is returned to BIS. Until such a rule is published, however, exporters must continue to obtain authorization from OFAC (either through a specific or a general license) for any exports of dual-use items to Iraq.

Yugoslavia (Serbia and Montenegro) and the Western Balkans

On November 25, 2002, BIS published a final rule that removed the special controls on the export and reexport of arms-related items that were imposed with respect to Yugoslavia and the Western Balkans in 1998. The rule lifted the arms and related-materiel embargo that was applicable to military, crime control, and regional stability-controlled items, and changed BIS licensing policy from one of denial to one of case-by-case review.

U.S. Munitions List Review

Progress continued on the interagency review of the United States Munitions List (USML), which provides the products controlled by the Department of State as defense articles. Items on the USML are reviewed, analyzed, and updated on an ongoing basis, in order to keep the list current with technological developments and changed market conditions. As part of this process, items that are of predominantly commercial use are moved to the Commerce Control List (CCL), which is administered by BIS.

In Fiscal Year 2003, BIS played an important role in the interagency USML review process, during which the reviews of Categories VII (Tanks and Other Military Vehicles), IX (Training Equipment), and XIII (Auxiliary Equipment) were completed. These reviews resulted in clarification of the entries and some movement of equipment entries between the Departments of State and Commerce. These changes will be implemented in regulations in Fiscal Year 2004. In addition to these completed categories, BIS participated in review of Categories IV (Missiles, Bombs, Rockets), VI (Naval Vessels), VIII (Aircraft), X (Protective Equipment), XI (Electronics), XII (Optics and Guidance), and XV (Space). Several of these categories have moved from a technical review to a policy review/decision level, guided by the National Security Council.

President's Export Council Subcommittee on Export Administration

The President's Export Council Subcommittee on Export Administration (PECSEA) is the preeminent advisory body to the President and the Secretary of Commerce on export control issues that affect both trade and national security. On July 31, 2003, the PECSEA convened in Washington, D.C., to introduce new members and establish an agenda for future PECSEA discussions. The PECSEA will meet throughout Fiscal Year 2004 to discuss the impact of technological developments on existing U.S. and foreign export controls, and the foreign availability of controlled items, as well as related economic and security issues.

Encryption

U.S. encryption export control policy continues to be anchored on the technical review of encryption products prior to export, streamlined post-export reporting, and license review for certain exports of strong encryption to foreign government end-users. BIS published a rule on June 17, 2003 (68 Fed. Reg. 35783), updating U.S. export controls on dual-use encryption items. The rule implemented changes made to the Wassenaar Arrangement List of Dual-Use Goods & Technologies in December 2002, and further clarifies U.S. encryption export policy in light of the widespread use of encryption products by individuals, businesses, and governments.

The encryption policy published by BIS in June 2003 clarifies when encryption commodities and software may be given "*de minimis*" treatment; provides that short-range wireless devices incorporating encryption may be given "mass market" or "retail" treatment; and confirms that specially designed medical equipment and software are not controlled as encryption or "information security" items under the EAR. The rule also expands the authorizations according to which travelers departing the United States may take encryption items for their personal use, and provides additional guidance on when exporters are required to submit encryption review requests for new products that will be sold or otherwise exported for other than "personal use" overseas. Finally, this rule implements changes to the Wassenaar Arrangement List of Dual-Use Goods & Technologies (finalized in December 2002) by eliminating national security-based controls on certain types of "personalized smart cards" and equipment controlling access to copyright protected data.

Antiterrorism Efforts

In Fiscal Year 2003, BIS strongly supported the global war on terrorism. For example, at the urging of the United States, members of the Wassenaar Arrangement agreed to intensify cooperation to prevent the acquisition by terrorists of conventional arms and dual-use items, and to develop a new means for sharing information to strengthen controls over such items.

In addition, BIS expanded the scope of export controls on explosives detection equipment to include equipment that detects the presence of explosives, explosive residue, or detonators, and

added controls on related software and technology. This rule also imposed broader foreign policy controls on these items.

Finally, BIS expanded export controls on designated terrorists by imposing a license requirement on the export and reexport of any item subject to the EAR by a U.S. person or non-U.S. person to persons designated in, or pursuant to, Executive Order 13224 of September 23, 2001 (also known as Specially Designated Global Terrorists).¹

Goals For Fiscal Year 2004

In Fiscal Year 2004, BIS plans to continue to work closely with other agencies and with Congress on the possible renewal of and revision to the Export Administration Act (EAA), which lapsed in 2001. Renewal is important to protect U.S. national security and U.S. economic interests. It would place the U.S. export control system on a stronger legislative foundation and enhance the U.S. Government's ability to encourage other countries to enact similar legislation.

BIS also will work to achieve needed export policy changes. In particular, BIS expects to undertake a comprehensive examination of deemed exports and technology controls. While controls on information technology hardware such as computers and microprocessors have been updated regularly to keep pace with rapid technological and market changes, the corresponding technology and software controls have not always kept pace. In addition to updating information technology control parameters, BIS will work with its interagency partners in the U.S. Government to seek to revise the restrictions on transfers of technology within U.S. companies.

BIS also intends to publish a rule to clarify the "knowledge" standard in the Export Administration Regulations, principally in the provisions that implement the Enhanced Proliferation Control Initiative (EPCI), which are known as "catch all" controls. Moreover, BIS will update and improve the "Red Flag" guidance in the EAR, which identifies circumstances that point to a heightened risk that a claimed end-use, end-user, or ultimate destination is not the actual one, and identifies steps that parties can take to recognize and resolve any such red flags.

In addition, BIS plans a review of the current "country group" structure of the EAR, which affects overall licensing policy as well as the availability of license exceptions. BIS will seek to determine whether there is a simpler way to convey this information to exporters, consistent with our overall goal of streamlining the regulations.

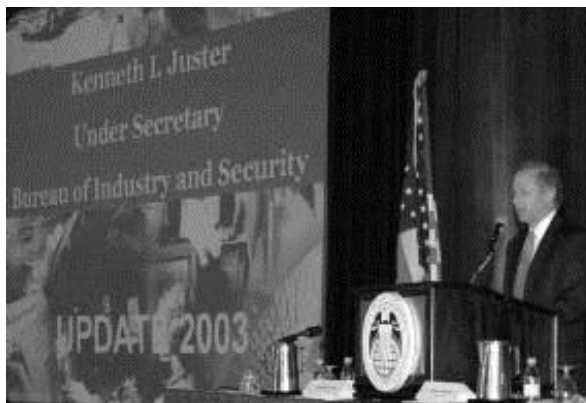
In the area of thermal imaging technology, which accounts for a significant percentage of the total volume of dual-use license applications, BIS will work with other agencies and the private sector to develop ways to facilitate exports to rapidly growing legitimate commercial markets, while continuing to protect vital security interests.

In the area of semiconductor manufacturing equipment, the multilateral Wassenaar Arrangement control lists have not been reviewed or updated in a number of years. Working with our partners in the U.S. Government and U.S. industry, BIS plans to review controls on chipmaking equipment, with the goal of developing proposals for consideration within the Wassenaar Arrangement as part of the overall list review process.

Finally, BIS will work with other U.S. Government agencies and industry to simplify U.S. encryption regulations and streamline current pre-export technical review procedures. This policy update is needed to increase the effectiveness of BIS's administration, compliance, and enforcement programs. In addition, the encryption policy update will maintain a level playing field and "license-free zone" with the European Union, as well as reduce the complexity of encryption classifications and licensing determinations.

¹ Any person who is determined by the Secretary of the Treasury to be a specially designated terrorist under notices for regulations issued by the Office of Foreign Assets Control.

Under Secretary Kenneth I. Juster and Indian Foreign Secretary Kanwal Sibal convene the inaugural meeting of the U.S.-India High Technology Cooperation Group.



Under Secretary Kenneth I. Juster addresses the Bureau of Industry and Security's Annual Update Conference on Export Controls and Policy.

Under Secretary Kenneth I. Juster and Indian Foreign Secretary Kanwal Sibal sign the Statement of Principles for U.S.-India High Technology Commerce.



Chapter 2: Export Licensing

Mission

A primary mission of the Bureau of Industry and Security (BIS) is the accurate, consistent, and timely evaluation and processing of license applications for proposed exports of dual-use goods

and technology from the United States. BIS's objective is to protect U.S. national security and foreign policy interests without imposing undue regulatory burdens on legitimate international trade. Consistent with that objective, BIS attempts to minimize the length of time necessary to analyze proposed export transactions while working closely with other U.S. Government agencies to determine the appropriate disposition of such transactions.

Accomplishments In Fiscal Year 2003

Export License Processing

In Fiscal Year 2003, BIS reviewed 12,443 license applications covering transactions with a total value of approximately \$15 billion. Overall, BIS approved 10,416 license applications, returned 1,784 applications without action, and denied 243 applications. BIS received 12,918 license applications in Fiscal Year 2003, compared to 11,001 applications in Fiscal Year 2002. This 17 percent increase marked the highest volume of applications in ten years.

Over the past decade, the volume of certain types of commodities that are subject to export licensing requirements has changed significantly. For example, the largest reduction in applications over the past decade has been for digital computers, assemblies, and related equipment (Export Commodity Classification Number (ECCN) 4A003). In Fiscal Year 1993, 11,164 of the 26,126 applications received by BIS concerned items classified under ECCN 4A003. In Fiscal Year 2003, only 14 of the 12,918 applications received concerned items controlled under ECCN 4A003.

The most significant increase over the past ten years has been for applications concerning thermal imaging and light intensifying cameras (ECCN 6A003). BIS received 40 applications under ECCN 6A003 in Fiscal Year 1993. Ten years later, that number had increased to 2,818.

Japan was the destination for the largest number of approved licenses in Fiscal Year 2003. BIS approved 950 licenses for exports to Japan, 79 percent of which were for cameras controlled under ECCN 6A003. The People's Republic of China was second in approved licenses with 846 approvals, 37 percent of which were for so-called "deemed exports."¹

The average processing time for all completed license applications during Fiscal Year 2003 was 44 days, compared to 39 days in Fiscal Year 2002. Several factors contributed to this rise, including an increase in the number of referrals because the reviewing agencies rescinded delegations of authority to Commerce to process certain categories of applications, and an increase in the processing time for license applications referred to other agencies for review.

Another significant factor affecting the average processing time was the marked increase in the number of license applications for the export of sensitive commodities to certain countries. Thermal imaging and light intensifying cameras, accounting for 22 percent of all completed license applications in Fiscal Year 2003, took an average of 52 days to process. This processing time increased significantly when the camera was destined for certain countries. For example, the average time for cameras to Taiwan was 68 days and for those to China was 95 days. In Fiscal Year 2004 BIS will continue its efforts to minimize processing time, consistent with the national security of the United States.

Deemed Exports

BIS reviewed 846 deemed export license applications in Fiscal Year 2003, representing an almost 20 percent increase over Fiscal Year 2002. BIS believes that this increase was due at least in part to a more robust outreach program that promoted better industry understanding of deemed

export licensing requirements. In addition to these outreach efforts, BIS pursued several other initiatives throughout the year, including improved technical reviews and progress toward standardized deemed export licensing conditions. These efforts resulted in a substantial improvement in deemed export licensing processing time from 87 days in Fiscal Year 2002 to 63 days in Fiscal Year 2003.

Most deemed export cases involved the transfer to foreign nationals of technologies controlled for national security reasons. In addition, most deemed export cases involved foreign nationals employed in the semiconductor manufacturing, telecommunications, and computer industries. More than 69 percent of the deemed export license applications reviewed related to Chinese and Russian nationals. Additionally, over 30 percent of the deemed export license applications received in Fiscal Year 2003 were for renewals and technology upgrades of existing deemed export licenses.

Reduction in Cases Escalated for Dispute Resolution

In Fiscal Year 2003, BIS reduced the number of cases escalated to the interagency Operating Committee for dispute resolution. The Operating Committee is tasked with resolving cases in which there is disagreement among the relevant U.S. Government agencies as to the appropriate licensing action. This year, only 170 license applications required this higher level of review, compared to 427 license applications in Fiscal Year 2002. Of these 170 cases, 44 were further escalated for ultimate resolution to the policy-level Advisory Committee on Export Policy (ACEP).

This means that the vast majority of export license applications processed in Fiscal Year 2003 were completed within the 90-day time-frame set out by Executive Order 12981, with full interagency consensus.²

Short Supply Controls

BIS administers sections 3(2)(c) and 7 of the Export Administration Act of 1979, as amended (EAA), which authorizes the President to prohibit or curtail the export of goods "where necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of foreign demand." Section 7 of the EAA also authorizes the President to monitor exports of certain goods to determine the impact of such exports on domestic supply and to evaluate whether this impact on domestic supply has an adverse effect on the U.S. economy. In addition, BIS administers export controls under the Energy Policy and Conservation Act, the Mineral Leasing Act, the Naval Petroleum Reserves Production Act, the Outer Continental Shelf Lands Act, and the Forest Resources Conservation and Shortage Relief Act, as amended.

Domestically produced crude oil and certain unprocessed timber harvested from federal and state lands are controlled for short supply reasons. During Fiscal Year 2003, BIS approved 18 licenses for the export of crude oil, amounting to 34.1 million barrels. No licenses were approved during Fiscal Year 2003 for the export of unprocessed timber. No licenses were denied in either category.

Section 14(a)(13) of the EAA requires a report on any short supply monitoring program conducted pursuant to the EAA or Section 812 of the Agricultural Act of 1970. Information from the U.S. Department of Agriculture on its monitoring activities during Fiscal Year 2003 is included in Appendix H of this report.

Special Comprehensive Licenses

In Fiscal Year 2003, BIS completed three Internal Control Program (ICP) reviews for Special Comprehensive License (SCL) amendment submissions related to exports to China.

An SCL is a license that is issued only to experienced and knowledgeable exporters and consignees. The SCL is used in place of individual export licenses for shipments by exporters that routinely participate in export and/or reexport transactions involving multiple destinations. Parties to the SCL must have mechanisms in place to ensure that each export and reexport meets all of the terms and conditions of the SCL and is in accordance with applicable provisions of the EAR.

Consignee ICP reviews were required to ensure that SCL holders and consignees had sufficient controls in place to ensure compliance with the Export Administration Regulations (EAR) and license conditions imposed on the consignee. BIS completed two ICP reviews for new SCL submissions and one domestic on-site review as a follow-up to extensive rewriting of an ICP undertaken to enhance safeguards.

BIS also completed three Export Management Systems (EMS) reviews of corporate written compliance programs. An EMS review consists of a comparison of a company's written compliance program procedures and internal controls against EMS Guidelines as they relate to the company's typical export transactions.

Technical Reviews of Encryption Exports

BIS processed a substantial number of pre-export encryption review requests for a variety of products with encryption features, including commodities and software for desktop and laptop computers, wireless handheld devices, e-business applications, network security, and telecommunications platforms. Commercial encryption products, except high-end networking products, source code, and products for which the cryptography has been customized or tailored to customer specification, may be exported and reexported to any destination other than a designated terrorism-supporting country after a one-time technical review.

In Fiscal Year 2003, BIS received over 1,400 technical review requests for 2,400 controlled encryption products, components, toolkits, and source code items. Encryption reviews comprised 34 percent of BIS's total output of commodity classifications in Fiscal Year 2003. Of the 1,759 encryption products actually reviewed during the fiscal year, 82 percent (1,444) were classified as "retail" (964) or "mass market" (480) encryption items, making them eligible for export and reexport without a license to government and non-government end-users in most countries.

During Fiscal Year 2003, BIS also approved 373 license applications for "non-retail" encryption items (such as high-end routers and other network infrastructure equipment) and technology valued at \$71.1 million.³

The Simplified Network Application Process System

The Simplified Network Application Process (SNAP) system permits exporters to transmit submissions directly to BIS via the Internet. From a single secure Web site, exporters can certify and submit license applications, reexport authorizations, and commodity classification requests.

During Fiscal Year 2003, 12,120 export and reexport license applications, commodity classification requests, and other submissions were submitted electronically to BIS through the SNAP system, an increase of 20 percent over the 10,077 submissions received in Fiscal Year 2002. Of these, 9,554 were license applications, and 2,450 were commodity classification requests, and 116 were miscellaneous other submissions.

Licensing Officer Training Program

Training is an important aspect of building a skilled staff of BIS licensing officers and increasing the quality and consistency of licensing decisions. During Fiscal Year 2003, BIS held three separate internal training sessions for licensing personnel. "Enforcing U.S. Controls" provided valuable insight into how the Office of Enforcement Analysis and Office of Export Enforcement augment the export licensing process. "Item Jurisdiction and Classification" was designed to strengthen skills in resolving licensing jurisdiction questions and in making commodity classification determinations. "The Operating Committee (OC) and You" informed licensing personnel about dispute resolution deadlines, the structure of the OC, how to prepare a case for escalation, and how to negotiate common positions with other U.S. Government agencies.

Goals For Fiscal Year 2004

In Fiscal Year 2004, BIS will build on the progress made to process license applications and related tasks more effectively and efficiently. To that end, BIS intends to launch a comprehensive review of license conditions to evaluate, strengthen, and streamline the language in approximately 54 commonly used conditions and develop guidelines that will ensure that license conditions are easily understood and enforceable. The review will also ensure that the recent changes in market conditions and nonproliferation and foreign policy are reflected in Commerce's license conditions. In addition, BIS will look at ways to use special licenses for certain types of transactions, continue internal training, and work further on upgrading the electronic licensing system.

BIS is also exploring ways to apply the Special Comprehensive License (SCL) to certain exports of commercial night vision and thermal imaging equipment. It is not uncommon for an individual night vision/thermal imaging company to submit over 200 license applications for similar products and destinations in a given year. Under an SCL, exports are approved for a four-year period, eliminating the need for BIS to review each individual transaction. Implementation of an SCL for commercial night vision and thermal imaging exports would offer a more cost-effective, streamlined licensing mechanism and application procedure while still protecting national security interests. Furthermore, such a licensing policy would allow U.S. industry to better compete in the global marketplace and strengthen the defense industrial base.

In Fiscal Year 2004, BIS also expects to propose a new Company Transfer License (CTL) that will authorize the release of controlled technology to foreign nationals in the United States (deemed exports) and the transfer of controlled technology from a company in the United States to and among its foreign operations, if the company agrees to certain undertakings designed to prevent the unauthorized release of technology.

In addition, BIS will continue to enhance employee expertise by emphasizing instruction for new licensing officers in case analysis, review and referral, and item classification. BIS also will use training workshops to further cooperation and understanding between organizational components involved in the licensing process, such as the other U.S. Government agencies that review export license applications and the intelligence community. BIS will explore opportunities for ancillary programs to support professional competencies, as well.

Finally, BIS plans to continue development of the improved SNAP+ system. SNAP+ is designed to offer electronic submission of documentation that supports a license application and improved tracking of interagency information requests. As part of the development process, we anticipate launching a limited SNAP+ pilot, involving a small number of exporters, in Fiscal Year 2004.

¹ Under the current deemed export rule, set forth in Part 734 of the Export Administration Regulations (EAR), the transfer of technology within the United States to foreign nationals who do not have permanent residence or asylum status requires a license if the direct transfer of the technology to the foreign national's home country would require a license.

² Executive Order 12981 sets forth procedures and time limits for the review of license applications, including procedures for the escalation of agency disagreements on applications to successively higher levels within the government for resolution.

³ **This licensing figure includes items that were reviewed prior to Fiscal Year 2003.**

Assistant Secretary for Export Administration
Peter Lichtenbaum testifies before the Committee
on Banking, Housing, and Urban Affairs, United
States Senate.



Secretary of Commerce Donald L. Evans
addresses the Bureau of Industry and
Security's annual Update Conference on Export
Controls and Policy.

Chapter 3: Enforcement

Mission

A critical mission of the Bureau of Industry and Security's (BIS) Export Enforcement division is to protect U.S. national security and foreign policy interests by enforcing the export control and antiboycott provisions of the Export Administration Regulations (EAR). BIS accomplishes this mission by preventing violations whenever possible, by identifying and apprehending violators, and by pursuing criminal and administrative sanctions against them. BIS works with the Department of Justice to impose criminal sanctions for violations, including fines and incarceration, and with the Department of Commerce's Office of Chief Counsel for Industry and Security to impose civil penalties for violations, including fines and denials of export privileges.

At the core of BIS's enforcement mission is the prevention of violations before they occur. As part of its preventive enforcement program, BIS conducts outreach activities to train U.S.

exporters to identify illegal export transactions and to avoid participation in unsanctioned foreign boycotts.

Export Enforcement

BIS conducts investigations of potential export control violations through its Office of Export Enforcement (OEE). OEE investigators are located in eight field offices that serve regional areas around Los Angeles, San Jose, New York, Washington, Boston, Miami, Dallas, and Chicago. In Fiscal Year 2004, OEE plans to open an additional office in Houston. OEE special agents have traditional police powers, including the authority to make arrests and execute warrants. In addition, agents may issue administrative subpoenas and detain and seize goods about to be illegally exported.

The field offices are supported by the Operations Division, based in BIS's Washington, D.C., headquarters. The Operations Division reviews information relating to potential export control violations and generates leads for investigations conducted in the field. Agents assigned to the Operations Division also coordinate resources among the field offices and provide administrative support to those offices. A Supervisory Special Agent assigned to the Operations Division coordinates the deployment of highly trained Computer Evidence Recovery agents stationed throughout the United States. These agents participate in the execution of search warrants to seize stored digital information from hard drives, servers, and other computer equipment and conduct forensic computer analysis of the seized data in support of ongoing investigations.

Enforcement Analysis

BIS's investigative work is supported by analysts in its Office of Enforcement Analysis (OEA). OEA analysts review export license data for enforcement concerns and communicate those concerns to BIS investigators. OEA analyzes open-source and intelligence information to determine the need for pre-license checks of consignees and end-users identified in a license application as well as post-shipment verifications to confirm whether the actual end-use conforms with the terms of an export license. OEA also reviews Shipper's Export Declarations (SEDs) and Automated Export System (AES) records to detect violations of export control requirements and to uncover patterns of illegal procurement, particularly with respect to sensitive items of proliferation concern. In addition, OEA reviews visa applications submitted by those seeking to travel to the United States in order to prevent transfers of controlled technology to visiting foreign nationals without required licenses. Where necessary, OEA forwards information to BIS field offices for investigation.

Antiboycott Compliance

The Office of Antiboycott Compliance (OAC) enforces the antiboycott provisions of the EAR, which are designed to encourage and, in specified cases, require U.S. firms to refuse to participate in foreign boycotts that the United States does not sanction. Antiboycott violations can include furnishing boycott-related information, refusing to deal with blacklisted businesses, and discriminating based on religion or national origin. OAC also pursues criminal and administrative sanctions for violations of U.S. antiboycott laws and provides support to the State Department in connection with the U.S. Government's efforts to persuade Arab governments to end their boycott of Israel. Finally, OAC educates the public on U.S. antiboycott regulations and the importance of compliance with such laws and regulations.

Accomplishments In Fiscal Year 2003

Penalties

Fiscal Year 2003 saw a significant increase in criminal penalties. Criminal fines totaled \$3,410,322, compared to \$93,000 in Fiscal Year 2002. Criminal sentences included the conviction of 21 individuals and businesses, who received a combined total of 133 months in prison, probation of 456 months, 208 months of supervised release, and one year pre-trial diversion.

There also was an increase in the number of administrative cases in Fiscal Year 2003. BIS completed 34 administrative enforcement settlements, compared with 21 administrative enforcement settlements in Fiscal Year 2002. Civil penalties for export violations totaled \$4,092,000 in Fiscal Year 2003.

Fines for violations of the antiboycott provisions of the EAR increased to \$93,700 in Fiscal Year 2003, compared to \$86,000 in Fiscal Year 2002.

In Fiscal Year 2003, BIS began tracking its preventive enforcement activity. Such activity includes actions that directly thwart intended or threatened violations before they occur, such as detaining shipments suspected of involving violations of the EAR, placing parties on the Unverified List¹, recommending denials of license applications, and preventing exposure of foreign nationals to controlled technology, for example by recommending denials of visa requests for visitors suspected of targeting controlled technology. Other types of preventive enforcement activity include issuing warning letters and monitoring compliance with the conditions on particular export licenses. During Fiscal Year 2003, BIS completed 136 such preventive enforcement activities.

Significant Cases

A detailed summary of significant export control cases closed in Fiscal Year 2003 is included in Appendix D of this report. Of particular significance:

Sigma-Aldrich Corporation and two of its subsidiaries agreed to pay a \$1,760,000 civil penalty for violations involving the export of biological toxins, the largest-ever penalty imposed for illegal exports of biological toxins. The case established the important precedent of successor liability by establishing that, when a company acquires another firm, it assumes the risk of acquiring liability for prior violations of the EAR committed by the acquired company.

DSV Samson Transport, a freight forwarding company, was sentenced to a \$250,000 criminal fine and five years corporate probation for 30 illegal exports to India. DSV Samson also paid a \$399,000 civil penalty to settle administrative charges relating to these illegal exports. The case demonstrates that freight forwarders who disregard export compliance responsibilities can face serious criminal and civil penalties.

Worldwide Sports & Recreation Inc., currently doing business as Bushnell Corporation, was sentenced to a \$650,000 criminal fine and five years corporate probation for illegally exporting over 500 generation II night vision goggles to 15 different countries. Bushnell also paid a \$223,000 civil penalty and received a one year denial of export privileges (which denial was suspended) to settle related administrative charges. This case highlights the importance of controls on exports of night vision equipment, which is of significant concern given their potential military- and terrorism-related applications.

In October 2002, Ihsan Elashyi was sentenced to 48 months in prison and 36 months probation, and was ordered to pay \$281,892 in restitution and to forfeit several properties in connection

with his guilty plea. That plea included charges for violating the temporary denial order imposed against him by shipping and attempting to ship goods to Libya and Syria without the required authorization.

BIS imposed a \$65,000 penalty on Serfilco Ltd, of Northbrook, Illinois, and denied the company's export privileges to 11 Middle East countries for three years, for violating a previously imposed denial order by selling goods to companies in the United States for export to Bahrain and Saudi Arabia, and by negotiating the sale of goods to companies in the United Arab Emirates and Saudi Arabia.

Penalty Guidance

In September 2003, BIS published in the *Federal Register* proposed penalty guidance for the settlement of administrative enforcement cases under the EAR. The proposed guidance provides the public with a comprehensive description of how BIS determines what penalties are appropriate in the settlement of administrative enforcement cases. Because many such cases are resolved this way, the settlement process is integral to BIS's export enforcement program. The proposed guidance identifies general factors, such as the destination of the export and degree of willfulness involved in violations, and specific mitigating and aggravating factors that BIS typically takes into account in determining an appropriate penalty. The proposed guidance encourages parties to provide information to BIS that would be helpful in the application of the guidance to their cases. BIS published this guidance as a proposed rule, so that BIS can receive and consider public comments on these issues before finalizing the guidance.

Revisions to Special Agent Manual

During Fiscal Year 2003, BIS made significant revisions to its Special Agent Manual (SAM). The SAM covers policies and procedures for BIS special agents. The SAM was revised to update firearms policies and procedures, case review and case management procedures, issuance of warning letters, and Safeguards Team procedures for conducting pre-license checks and post-shipment verifications. The revised SAM is now provided in a digital format that enables timely changes and access by all agents online.

Investigative Management System

Early in 2003, BIS implemented a case management system to track information related to commodities, persons, and organizations involved in BIS enforcement cases. The system also enables special agents to uncover links among investigations being conducted by the various field offices that might not otherwise be apparent. Due to the increased storage capacity of the new system, special agents are able to maintain an electronic case file that contains all the principal investigative material for the case and is available to agents in each field office. Ready access to this information will improve investigations, prevent duplication of effort, and provide a tool for managing the caseloads of the field agents.

Antiboycott Activity

During Fiscal Year 2003, seven companies agreed to pay civil penalties totaling \$93,700 to settle allegations that they violated antiboycott regulations. In these cases, BIS found that the companies furnished business information for boycott reasons, violated an order issued under the EAR failing to report receipt of boycott requests, and failed to maintain records as required by U.S. antiboycott regulations. The seven companies sanctioned included two foreign subsidiaries of U.S. companies. These cases demonstrate that U.S. companies, wherever located, must comply with the antiboycott provisions of the EAR.

BIS also supports other federal agencies in the antiboycott effort. BIS participated in discussions with the State and Treasury Departments to discuss Treasury's removal of Iraq from the list of boycotting countries. Subsequent to those discussions, Treasury published a list of boycotting countries that did not include Iraq. BIS also provides information to the State Department regarding boycott requests imposed on U.S. companies. The State Department then uses this information in its discussions with other countries to counter the boycott of Israel. In addition, BIS shares information with the Commerce Department's International Trade Administration for use in advising industry on how to participate in trade opportunities in the Middle East without violating U.S. antiboycott laws.

Law Enforcement Training

Training in export control laws and in modern investigatory techniques is crucial to the development of BIS's special agents. To meet the demands of a changing legal framework and advances in investigatory methods, BIS provides opportunities for its agents to attend courses in a variety of specialties at the Department of Homeland Security's Federal Law Enforcement Training Center. These courses cover such topics as the use of technical investigative equipment, the investigation of criminal activity involving computer networks, and updates on developments in relevant areas of the law. Course instructors include senior special agents in their fields of expertise and experienced attorneys from the Department of Justice and other law enforcement agencies.

Overseas Attaché Program

As part of BIS's international efforts to achieve its enforcement mission, it sends experienced Special Agents overseas as export control attachés at key U.S. embassies. In Fiscal Year 2003, attachés were posted in Beijing, China, and Abu Dhabi, United Arab Emirates, to work with host governments to help develop and maintain effective export control systems and facilitate cooperation between the host governments and the United States on export control enforcement matters. The principal mission of the attaché is to help ensure that U.S. dualuse goods entering a country (or region) in which the attaché is posted are used in accordance with U.S. export control laws and regulations. This is accomplished through targeted enduse checks and by working with the host governments and local businesses to ensure that they understand and comply with U.S. export control laws and regulations. The attachés also work with host governments and local businesses to provide information and appropriate training to facilitate better understanding of U.S. dualuse export control laws and regulations, and to help develop indigenous export control capabilities.

During Fiscal Year 2003, BIS received funding to post additional attachés in New Delhi, India; Moscow, Russia; and Hong Kong, and expects to place these attachés at post during Fiscal Year 2004.

Goals For Fiscal Year 2004

To ensure efficient use of resources, BIS will refine its ability to target the most sensitive items and end users of the greatest concern. A primary goal is to ensure consistency among the field offices in their approaches to cases, whether they result in criminal prosecution, administrative charges, or the issuance of a warning letter.

In coordination with other agencies and with BIS licensing officers, BIS's Export Enforcement office also plans to develop a more targeted approach to the enforcement of export license conditions. As part of a pilot project, BIS will conduct targeted reviews and investigations regarding license conditions and monitor compliance with conditions that have already been

imposed. In addition, Export Enforcement will consult with licensing officers on drafting license conditions that can be enforced more effectively and on identifying license applications where the imposition of particular conditions will have the greatest benefit.

Building on precedents established during Fiscal Year 2003, BIS will strategically pursue investigations that confirm and highlight the liability of export facilitators for violating the EAR. Cognizant that a lapse anywhere along the global supply chain can result in violations harmful to national security, BIS will focus resources upon investigation of violations by parties such as financing, brokering, and shipping entities to increase awareness in these sectors of responsibilities and potential liability under the EAR.

BIS also will work with both the Department of Homeland Security's Bureau of Immigration and Customs Enforcement and the State Department to enhance its ability to detect violations of the deemed export provisions of the EAR, and to identify situations that might lead to unauthorized access to technology by foreign nationals working in the United States. BIS will deploy its analytical resources along geographic lines to improve its ability to identify patterns of illegal procurement and to provide regional expertise to investigators in the field.

In addition, BIS will work with industry to further increase awareness of the impact of the boycott of Israel and to educate U.S. companies on their responsibilities to avoid adhering to the boycott. As part of this effort, BIS will provide increased counseling to companies that do business in the Middle East. To accomplish this goal, BIS will continue to implement its program for educating employees of other government agencies on the antiboycott regulatory scheme so that they, in turn, can guide companies seeking business opportunities in regions of the world where antiboycott issues arise.

Finally, BIS will work with the Office of Chief Counsel for Industry and Security to accelerate the administrative case process. In particular, BIS is working with the Office of Chief Counsel to facilitate the processing of administrative enforcement cases by developing a "fast track" protocol for accelerated handling of appropriate cases.

¹ The Unverified List consists of companies for which U.S. exporters should exercise heightened due diligence because of concerns raised by BIS's inability to perform end-use visits at these companies.



Assistant Secretary for Export Enforcement Julie L. Myers testifies before the Committee on Banking, Housing, and Urban Affairs, United States Senate.

Under Secretary Kenneth I. Juster addresses the Financing Innovation Forum, a public-private meeting held under the auspices of the U.S.-India High Technology Cooperation Group.



Chapter 4: Industry Outreach Activities

Mission

An integral part of the Bureau of Industry and Security's (BIS's) mission is to facilitate compliance with U.S. export controls by keeping U.S. firms informed of export control regulations through an aggressive outreach program. BIS provides timely information to U.S. industry regarding the updating of export controls, new regulations in support of non-proliferation and anti-terrorism goals, and compliance with the Export Administration Regulations (EAR). BIS also trains U.S. exporters to identify and avoid illegal transactions.

Accomplishments In Fiscal Year 2003

BIS worked closely with industry in Fiscal Year 2003 through meetings, conferences, seminars, and increased public-private partnerships.

Exporter Services Outreach Initiatives

Seminars and Conferences

In Fiscal Year 2003, BIS conducted 45 domestic seminars in 20 states, which were attended by 3,310 participants. These programs provide guidance to new and established exporters regarding the EAR and changes in export policy and licensing procedures. For example, BIS offers a one-day seminar program that covers the major elements of the U.S. dual-use export control system and an intensive two-day program that provides a more comprehensive presentation of exporter obligations under the EAR. BIS also conducts workshops on topics of specialized interest, such as commercial encryption licensing, freight forwarder compliance, implementation of export management systems, control of technology transfers to foreign nationals, and reporting and on-site verifications requirements under the CWC Regulations.

In addition, BIS holds an annual Update Conference on Export Controls and Policy to bring together high-level government officials and industry representatives to discuss new U.S. export control policies, regulations, and procedures. The Fiscal Year 2003 Update Conference, held in Washington, D.C., in October 2002 attracted over 700 exporters.

BIS also partnered with a number of public and private sector organizations to introduce the mission and services of BIS to audiences in specific business and technology sectors, while providing BIS with greater insight into technology and market developments in key sectors of the economy. BIS supported 55 of these programs, which reached over 4,100 people through company visits and formal presentations at conferences.

International Industry Outreach Initiatives

BIS conducted four international export control outreach seminars in Fiscal Year 2003. These seminars provided key export control-related information beneficial to companies in other countries that use U.S.-origin parts and components for manufacturing and assembly; companies in other countries that use U.S. origin systems, software, or technology to develop foreign-made products; and companies that reexport U.S.-origin goods. Over 1,000 participants attended the BIS conferences in Japan, Korea, Singapore, and the People's Republic of China.

Japan: The BIS Export Control Outreach Seminar for Japanese industry was held in Tokyo, Japan, in June 2003, with an audience of 300 participants. The seminar provided an opportunity for Japanese exporters to learn about U.S. export and reexport requirements and their obligations as recipients of U.S.-origin items. The seminar also provided an opportunity for open exchanges of information among participants on the difficulties they encounter with reexports and license condition obligations. In addition, BIS representatives engaged in one-on-one consultations with attendees to address specific issues of individual interest or concern in Japan.

Republic of Korea: Nearly 80 participants attended the BIS Export Control Outreach Seminar in Seoul, South Korea, in June 2003. The seminar provided an overview of U.S. export licensing requirements and described the obligations of recipients of U.S.-origin items. The seminar also provided a forum in which industry discussed various difficulties that companies encounter with reexport controls and license condition obligations. BIS officials also held one-on-one consultations with industry representatives during the conference.

Singapore: The June 2003 BIS Export Control Outreach Seminar in Singapore provided a basic understanding of U.S. Export Administration Regulations and conveyed reexport requirements and obligations of recipients of U.S.-origin items. As Singapore is a major transshipment hub country, the discussion of reexporting requirements and obligations was of particular interest to participants. BIS representatives also held one-on-one consultations with attendees to address specific issues of interest.

People's Republic of China: BIS held a major export control conference in Shanghai in September 2003 in conjunction with China's Ministry of Commerce. This was the first BIS seminar in China in three years. BIS staff provided an overview of the U.S. export control regulations and requirements. They also discussed other current topics, including export enforcement and compliance and the Transshipment Country Export Control Initiative (TECI). The audience of over 250 participants included attendees from the governments of Japan, Russia, and the United Kingdom. In addition to presentations by BIS, the Chinese Ministry of Commerce spoke on topics related to Chinese export controls, including the legal framework for and administration of export controls in China; the current status of China's non-proliferation policy; China's CWC-related export control implementation; China's Nuclear Export Controls and Control List; and other related export control topics.

Counseling

In Fiscal Year 2003, BIS regulatory specialists assisted over 93,000 people in one-on-one counseling sessions through phone calls, visits, and e-mails to our Outreach and Educational Services Division in Washington, D.C., and our Western Regional Office in California. These

sessions provide guidance on regulations, policies, and practices that affect the particular company's export operations, and help increase compliance with U.S. export control regulations.

BIS has implemented an e-mail notification program through its Web site, www.bis.doc.gov, whereby exporters may subscribe to receive information about BIS seminars and training programs. In addition, exporters may now sign up to receive e-mail notification of Web site changes, regulations, press releases, and other information relating to the administration of export controls.

Seeking Industry's Input on Export Control Policy and Regulations

BIS also continues to partner with U.S. industry to ensure that the private sector's views on export control policy issues and regulations are fully considered. In Fiscal Year 2003, six Technical Advisory Committees (TACs) covering information systems, materials, materials processing equipment, regulations and procedures, sensors and instrumentation, and transportation and related equipment advised BIS on export control issues, including proposed revisions to multilateral export control lists, licensing procedures that affect export controls, and assessments of foreign availability of controlled products. TAC industry representatives are selected from firms producing a broad range of goods, technologies, and software.

In addition, the President's Export Council Subcommittee on Export Administration (PECSEA) convened in Fiscal Year 2003 to identify key export control policy issues on which to concentrate over the next year. The PECSEA will meet throughout Fiscal Year 2004 to discuss the impact of technological developments on existing U.S. and foreign export controls, and the foreign availability of controlled items, as well as related security and economic issues.

Deemed Export Outreach

In Fiscal Year 2003, BIS conducted 43 deemed export outreach activities. Six specific sectors of industry and government were targeted: individual companies and research organizations, industry trade organizations, BIS technical advisory committees, U.S. Government agencies (e.g., the FBI, the Department of Energy, and the Department of State), BIS export control seminars, and industry personnel management groups. This expanded outreach promoted a better understanding of deemed export licensing requirements, including documentation requirements for license applications, proper technology classification, required attributes of company internal and technology control plans, and the deemed export licensing process.

This expanded outreach likely contributed to a 20 percent increase in the number of deemed export license submissions. There also was an almost 50 percent reduction in the number of license applications returned because of improper technology classification or inadequate documentation.

In the latter part of Fiscal Year 2003, BIS supplemented its deemed export outreach activities to include site visits to assess implementation by individual license holders of their Technology Control Plans (TCP) and to verify compliance with deemed export license conditions. BIS plans to use the information obtained and practices observed in these site visits to develop and promulgate a "best practices" TCP in Fiscal Year 2004.

This robust outreach program will continue in Fiscal Year 2004 and will be expanded to include universities and educational organizations.

Targeted Outreach

In Fiscal Year 2003, BIS conducted instructional seminars to raise industry and government awareness of updates to U.S. encryption export policies and regulations in Austin, Texas; Bethlehem, Pennsylvania; Dallas, Texas; Denver, Colorado; Providence, Rhode Island; Santa Clara, California; Seattle, Washington; and Washington, D.C. BIS also revised its encryption Web site to reflect the policy updates of June 2003.

In addition, BIS offered targeted outreach for the semiconductor and night vision industry sectors, which currently account for a significant volume of complex licenses. In the semiconductor sector, for example, BIS participated in 17 outreach events, including national and international site visits, attendance at industry sponsored meetings, and active participation in the Information Systems TAC. In the night vision sector, BIS participated in 16 outreach activities. These included one-on-one meetings with companies, attendance at industry sponsored events, and active participation in the Sensors and Instrumentation TAC. In Fiscal Year 2004, BIS plans to expand this outreach, as these industries continue to grow and face new regulatory and policy changes.

Export Enforcement Outreach Initiatives

Project Outreach

Through its Office of Export Enforcement, BIS is committed to maintaining a constructive and cooperative relationship with the business community through enforcement outreach programs. In Fiscal Year 2003, BIS renewed Project Outreach, a program to educate companies on their responsibilities under the EAR, as well as to advise exporters and freight forwarders on how to recognize the warning signs of potential illegal transactions. Through Project Outreach, BIS held seven Business Executives Enforcement Team (BEET) meetings around the country, bringing business executives and law enforcement personnel together to discuss cooperation in an effort to ensure compliance with U.S. export controls. Many of these meetings were co-sponsored by local business groups. Three BEET meetings were held in conjunction with licensing seminars sponsored by the Office of Exporter Services.

During Fiscal Year 2003, BIS Special Agents spoke at numerous conferences, seminars, and meetings sponsored by local, state, and federal organizations. They participated in 24 public presentations and seminars, and 129 conferences and seminars with government and enforcement organizations. They also visited 710 companies to brief their employees on how to identify suspicious transactions and how best to contact law enforcement officials for prompt assistance. Through these types of direct contacts with U.S. industry, BIS Special Agents gain critical feedback from exporters and freight forwarders about the conduct of international business to better prepare BIS to detect possible illegal transactions and take appropriate preventive measures.

Compliance with Antiboycott Regulations

During Fiscal Year 2003, BIS's Office of Antiboycott Compliance (OAC) responded to 1,172 requests from companies for guidance on compliance with the antiboycott regulations. During the same period, BIS officials made 14 public presentations on the antiboycott regulations to exporters, manufacturers, financial services institutions, freight forwarders, and attorneys involved in international trade. In addition, BIS provided extensive counseling to individual companies with specific boycott problems.

Goals For Fiscal Year 2004

BIS intends to continue the important work of outreach to the business community and the general public regarding export controls. Specifically, BIS plans to schedule over 40 programs at various locations around the country, in addition to the annual Update Conference on Export Controls and Policy to be held in Washington, D.C.

BIS also plans to introduce two new seminar programs. The first program, "Exploring Export Compliance Issues and Practices," will offer an in-depth examination of compliance techniques that companies may use to prevent export control violations. The second program, "Exploring the Export Administration Regulations," will provide exporters with hands-on experience in using the EAR through the use of case studies.

In addition, BIS plans to expand its outreach program by meeting with exporters dealing with particular types of sensitive commodities, such as night vision equipment. For example, BIS will work with the Sensors and Instrumentation Technical Advisory Committee and develop a dialogue with industry groups regarding licensing and compliance responsibilities associated with the export of such commodities.

BIS will continue to work closely with other U.S. Government agencies and industry groups to ensure the continued effectiveness of U.S. encryption export control policy and regulations. BIS also intends to expand the deemed exports outreach program initiated in Fiscal Year 2003. Sectors to be added this year include small business trade associations, the biotechnology industry, universities and educational institutions, and various government agencies, such as relevant components of the Department of Homeland Security. Site visits to deemed export licensees to evaluate implementation of licensing conditions and Technology Control Plans also will continue. Information obtained from such site visits will be used to develop a "Practical Guide for Technology Control Plans."



Secretary of Commerce Donald L. Evans addresses the Bureau of Industry and Security's annual Update Conference on Export Controls and Policy.

Under Secretary Kenneth I. Juster addresses the Bureau of Industry and Security's annual Update Conference on Export Controls and Policy.



Chapter 5: International Regimes and Treaty Compliance

Mission

One of the Bureau of Industry and Security's (BIS's) principal missions is to promote the effective implementation of export controls, consistent with the objectives of multilateral export control regimes and treaty obligations.

BIS plays a major role in the development, interpretation, and refining of control lists and operational guidelines for four major nonproliferation regimes: the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), and the Australia Group (AG, which deals with chemical and biological weapons), and the Wassenaar Arrangement, (which is the successor organization to the Coordinating Committee for Multilateral Export Controls (COCOM), and focuses on controls on conventional arms and dual-use exports).

In addition to these multilateral regimes, BIS administers the industry compliance program for the Chemical Weapons Convention (CWC), the treaty that bans the development, production, stockpiling, and use of chemical weapons and provides for an extensive verification regime to ensure adherence to its terms. BIS also actively works with other CWC State Parties and the Technical Secretariat of the Organization for the Prohibition of Chemical Weapons (OPCW) to ensure that the provisions of the CWC are being implemented in a rigorous, analytically sound, and equitable manner among all State Parties.

Accomplishments In Fiscal Year 2003

BIS continued to focus on enhancing multilateral export controls through its international programs. In Fiscal Year 2003, BIS was at the heart of the U.S. Government effort to encourage the multilateral regimes to address the renewed threat of international terrorism, promote the uniform interpretation and enforcement of multilateral controls, refine technical control parameters to focus on items of specific proliferation concern, and reach out to non-regime members to enlist their support for multilateral nonproliferation goals.

International Regimes

Nuclear Suppliers Group

In 1974, the United States approached six other major nuclear supplier states—Canada, Germany, France, Japan, the United Kingdom, and the Soviet Union—to create an informal group of nations concerned with the proliferation of nuclear weapons. The NSG was formally established in 1992, and now totals 40 member countries.

In December 2002, the NSG met in a Special Plenary session in Vienna, Austria, to discuss North Korea's revelations regarding its nuclear weapons program and its violations of commitments made under the Nuclear Non-Proliferation Treaty. A corollary discussion was held on North Korea's violations of the Agreed Framework with the United States, which required North Korea to halt all weapons development activities in return for U.S. support for its commercial power programs. At that meeting, the NSG agreed to adopt U.S.-proposed anti-terrorism amendments to the NSG Guidelines, and to issue a press statement alerting supplier states to concerns regarding the North Korean nuclear weapons program. In Fiscal Year 2003, NSG members also requested the NSG Chair to specifically alert key non-member suppliers, as well as transit states, to the risks of diversion of NSG controlled and non-controlled items to North Korean nuclear weapons programs.

In May 2003, the NSG held its annual Plenary in Pusan, South Korea. The theme was the need for outreach efforts to promote the views of the NSG on nuclear proliferation. With the full support of the NSG membership, agreement was reached to continue to engage transshipment states in a dialogue on the need for nuclear export controls. Egypt, Indonesia, Israel, Lithuania, Malaysia, Mexico, and Pakistan will be the focus of this initiative in the coming year. The NSG also reached agreement at the annual Plenary to reiterate the need for supplier vigilance with regard to North Korean nuclear procurement efforts.

Missile Technology Control Regime

The United States has been a member of the Missile Technology Control Regime (MTCR) since its inception in 1987. The MTCR's focus is to limit the proliferation of missiles capable of delivering weapons of mass destruction. Beginning with seven members, the MTCR has grown to include 33 member countries that have agreed to coordinate their national export controls to prevent missile proliferation.

The focus and scope of the MTCR has evolved in the years since its creation in response to world events. The threat of chemical and biological weapons, highlighted by the Iran-Iraq War of 1980-88, led to an expansion in the focus of the MTCR from vehicles capable of delivering nuclear weapons to include delivery systems for all weapons of mass destruction.

The annual MTCR Plenary was held in Buenos Aires, Argentina, in September 2003. Agreements were reached that strengthened regime members' nonproliferation commitments. These included commitments to implement catch-all controls¹ as well as controls on the transfer of MTCR Annex technology by intangible means, such as oral communications. It was also agreed that the MTCR Chair should reach out to regional international organizations in order to promote broad adherence to missile nonproliferation objectives. Regime members also reached agreement on a number of critical modifications to the Annex. The most significant was the expansion of controls on Unmanned Aerial Vehicles that could be used to deliver chemical and biological weapons. Agreement was reached as well on a number of parameter clarifications for existing controls to better ensure international harmonization of interpretation and implementation, such as telemetry.

Australia Group

Alarmed by the use of chemical weapons during the Iran-Iraq war in the early 1980s, Australia called for a meeting of like-minded countries to harmonize export controls on chemical weapons precursor chemicals. The Australia Group (AG) was formed in 1985 and subsequently expanded its initial focus on chemical weapons to include chemical production equipment and technologies. In 1990, the AG expanded to include regime measures to prevent the proliferation of biological weapons. Today, the AG is composed of 33 member countries.

At the June 2003 AG Plenary in Paris, France, members reinforced their determination to prevent the spread of chemical and biological weapons by agreeing to a series of new measures to strengthen multilateral export controls. At the urging of the United States, they approved the addition of 14 biological agents (human and zoonotic pathogens) to the Biological Agent Control List. BIS identified these biological agents, which can infect both humans and animals, as pathogens that can cause serious or lethal disease and are highly infectious and/or easily produced. AG members signaled their agreement with the BIS assessment by adopting the BIS-inspired U.S. Government proposal. Further, the AG agreed to impose controls on two additional animal pathogens proposed by the United Kingdom.

Agreement was also reached at the AG Plenary to endorse a cooperative program of action for more effectively engaging countries in the Asia-Pacific region on chemical/biological weapons-related export control issues a response in part to specific requests from several countries in that region. Should the program prove to be successful in conveying the tenets of the AG, and encouraging other countries to adopt comparable controls, the program may be expanded in the future to include other regions.

Plenary participants agreed that full adherence to the CWC and the Biological Weapons Convention (BWC) by all governments is essential to achieving a permanent global ban on chemical and biological weapons. They also reaffirmed their commitment to continuing active outreach programs to non-AG countries to promote global adherence to chemical/biological nonproliferation objectives.

Chemical Weapons Convention

On April 25, 1997, the United States ratified the Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and their Destruction (known as the Chemical Weapons Convention or CWC). Four days later, the CWC entered into force with ratification by 87 of the 165 signatories. Thus far, 154 signatories have become State Parties to the CWC.

The CWC bans the development, production, stockpiling, or use of chemical weapons among its signatories and provides for an extensive verification regime to ensure compliance with its nonproliferation tenets. Its verification functions are the responsibility of the Organization for the Prohibition of Chemical Weapons (OPCW). Approximately 200 inspectors, drawn from among the State Parties to the CWC, inspect military and industrial chemical facilities throughout the world to verify compliance with the CWC's nonproliferation provisions.

Under the terms of the CWC, certain commercial chemical facilities are required to submit data declarations, which include information on chemical production and consumption levels. Companies exceeding certain thresholds are required to submit appropriate documents to BIS. This information is then compiled and forwarded to the OPCW's Technical Secretariat, which is charged with carrying out verification functions. To date, the OPCW has conducted 1,542 routine inspections at over 663 sites in 58 countries. Since the CWC's entry into force, the United States has hosted approximately one-third of all CWC inspections, and over half of the number of total inspection days.

During Fiscal Year 2003, 790 declarations and reports from 702 plant sites were received and verified by BIS staff. Of this number, 758 were forwarded to the OPCW and 32 were returned without action. BIS also hosted nine on-site inspections of U.S. facilities engaged in chemical-related activities during Fiscal Year 2003.

In response to requests from U.S. companies for assistance in preparing their facilities for inspection by the OPCW, BIS conducted 12 site assistance visits (SAVs) in Fiscal Year 2003. The SAVs were successful in assisting industry in the preparation of pre-inspection briefings and inspection plans, and providing industry with methods for identifying and protecting confidential business and national security information.

BIS also hosted a seminar on issues affecting industry's ability to meet the parameters of the CWC compliance program. The seminar, held in Arlington, Virginia, provided an overview of industry CWC reporting requirements and lessons learned from recent inspections, as well as a preview of potential changes to the United States CWC regulations. A second seminar on chemical sampling and analysis was held August 12-13, 2003, in Philadelphia, Pennsylvania.² The seminar was held at a chemical facility, and was open to U.S. chemical industry and U.S. Government representatives. The seminar provided the U.S. chemical industry an opportunity to witness how sampling and analysis might occur, and to evaluate the impact that sampling and analysis might have on an industrial facility during an inspection.

Biological Weapons Convention

The United States is one of three original depositories of the Biological Weapons Convention (BWC), which prohibits developing, producing, stockpiling, or otherwise acquiring or retaining of biological agents or toxins for non-peaceful purposes. The BWC entered into force in 1975 and currently has 146 State Parties as members.

BIS took an active role in Fiscal Year 2003 in strengthening international cooperation with BWC principles and implementation efforts. For example, BIS chaired numerous meetings with major biotechnology trade organizations to discuss the U.S. Government's approach to two issues being considered by State Parties in 2003: (1) enactment of comprehensive legislation that implements the prohibitions in the BWC, including enhanced export controls; and (2) enactment of biosecurity measures, such as transfer, registration, and personnel background checks to ensure that potential proliferators do not have access to dangerous toxins and pathogens. As part of this effort, BIS presented a briefing at the Experts Group Meeting in August 2003 on the role export controls play in enforcing the BWC's prohibitions.

Wassenaar Arrangement

The Wassenaar Arrangement is a multilateral arrangement regarding 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 (COCOM) regime that ended in 1994.

Wassenaar was designed to promote transparency, the exchange of views and information, and greater responsibility in transfers of conventional arms and dual-use goods and technologies. Through their national policies, Wassenaar members seek to ensure that transfers of arms and dual-use goods and technologies do not contribute to the development or enhancement of military capabilities that undermine international or regional security and stability. They also seek to ensure that such goods and technologies are not diverted to support those capabilities. Wassenaar does not target any state or group of states. All measures undertaken with respect to Wassenaar are in accordance with national legislation and policies of member countries, and are implemented on the basis of national discretion.

Wassenaar members undertake to maintain effective export controls for the items on its agreed control lists, which are reviewed periodically to respond to technological developments. Wassenaar's specific information-exchange requirements involve semi-annual notifications of arms transfers, covering seven categories derived from the UN Register of Conventional Arms. Members are also required to report approvals, transfers, and denials of certain controlled dual-use commodities and technologies. Reporting of denials helps to bring to the attention of member countries attempts to obtain strategic items that may undermine the objectives of Wassenaar.

During Fiscal Year 2003, there were several major accomplishments within Wassenaar, reflecting the changing nature of technology and the threat to global security. At the Wassenaar Plenary in Vienna, Austria, in December 2002, members agreed to implement significant initiatives to combat terrorism, including intensified cooperation among members to prevent the acquisition by terrorists of conventional arms and dual-use items, and adoption of new means for sharing information to strengthen controls over such items. Members also reached agreement on best practices guidelines and criteria for the export of small arms and light weapons. A Statement of Understanding that recognizes the importance of controlling arms brokering was also issued. In order to keep pace with advances in technology and developments in international security, Wassenaar members agreed to several control list amendments, including strengthened controls on radiation-hardened integrated circuits. Wassenaar members also acknowledged the widespread availability of certain items and the broad range of suppliers for them, and agreed to raise the control threshold for computers and eliminate controls on general purpose microprocessors. Work will continue during Fiscal Year 2004 on proposals to strengthen the effectiveness of the regime.

IAEA Additional Protocol

The U.S. Government led efforts to develop an Additional Protocol to the International Atomic Energy Agency (IAEA) Safeguards Agreement to enhance the IAEA's capabilities to detect proliferation activities by expanding declaration and inspection requirements to the entire nuclear fuel-cycle. In May 2002, President Bush transmitted the U.S. Additional Protocol to the Senate for its advice and consent, where, as of the end of Fiscal Year 2003, it was still pending.

In anticipation of the ratification of the Additional Protocol, and as part of the domestic implementation effort, BIS has been designated the lead agency for issues, declarations, and inspections related to industrial nuclear fuel cycle activities and locations not licensed by the Nuclear Regulatory Commission (NRC). The locations not licensed by NRC include equipment manufacturing facilities, research and development facilities, and uranium mines. BIS will also compile and submit the U.S. national declaration to the IAEA. To that end, BIS began developing draft declaration forms and regulations, and the Additional Protocol Reporting System, which will process BIS and NRC declarations and aggregate all agency submissions into a U.S. national declaration.

BIS also participated in numerous meetings on the Additional Protocol among the relevant U.S. Government agencies in order to develop the roles and responsibilities of lead agencies for inclusion in a draft national security presidential directive and draft implementing legislation. BIS conducted outreach with the nuclear industry to explain the Additional Protocol and BIS's planned role in its implementation. In addition, BIS published a Notice of Inquiry in the *Federal Register* in November 2002 seeking public comments on the impact of the Additional Protocol on the civil nuclear fuel cycle industry.

Goals For Fiscal Year 2004

Key goals for BIS's international programs for Fiscal Year 2004 include the following:

All Multilateral Regimes

BIS will continue to lead and support U.S. Government efforts to persuade members of the nonproliferation regimes to harmonize regime implementation in an attempt to globally strengthen multilateral export controls. BIS will also play a central role in U.S. engagement with nonproliferation regime members on issues that support U.S. national security goals, such as anti-terrorism measures, catch-all controls, and controls on intangible technology, and to updating regime controls to address developments in technology.

Wassenaar Arrangement

BIS will work with other U.S. Government agencies to strengthen the Wassenaar Arrangement in a number of ways to better address the challenges posed by international terrorism and non-state actors.

In the area of catch-all controls, BIS will continue to strongly support adoption of a process to ensure that goods and technology of all types be controlled to known or suspected uses in military activities or to proliferators and terrorism-supporting organizations. In the area of denial consultations, BIS hopes to seek a denial consultation mechanism in which member countries would consult with each other before one member could approve a transfer that another had denied out of security concerns. Such information sharing would promote the broad objectives of Wassenaar through increased transparency and responsibility among member nations. BIS also will continue to support U.S. advocacy for increased transparency and information-sharing in the area of transfers of small arms and light weapons to non-member countries.

Chemical Weapons Convention

BIS will work to modify the CWC data declaration system to accommodate the receipt of industry data via the Internet and, once successful, expand this system to accommodate any future treaty data declaration programs. BIS will also work to design and launch a global outreach program to encourage all State Parties to the CWC to establish a national legislative programs to fully implement the tenets of the CWC.

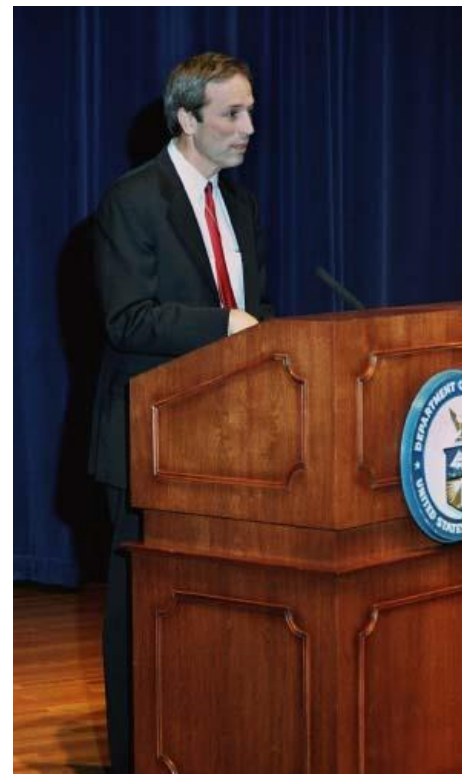
¹Catch-all controls impose export controls based on the end-use or end-user of an item or technology, instead of the capabilities of the equipment or technology, regardless of its intended use or user. In this regard, catch all controls relate to items that are not listed on the multilateral regime control lists.

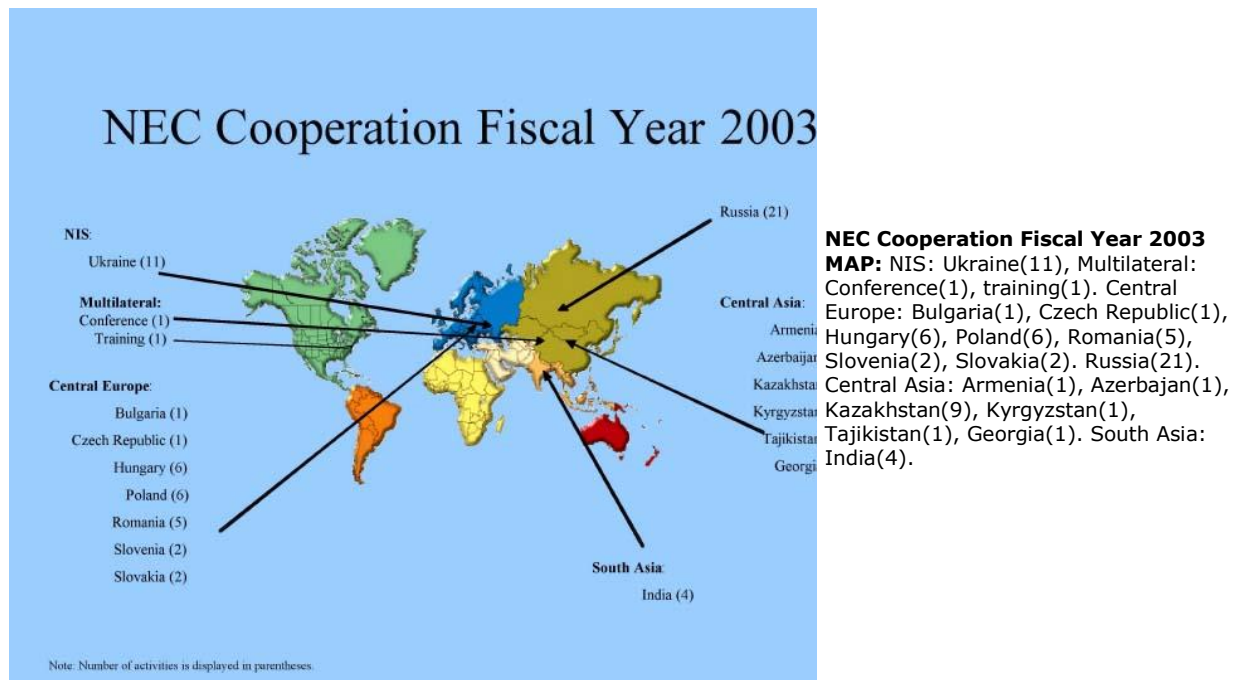
²Sampling and analysis refers to the OPCW process of requesting an analysis of the chemicals at a facility during a CWC inspection.



Secretary of Commerce Donald. L. Evans meets with members of the Bureau of Industry and Security's senior management team.

Deputy Under Secretary Mark Foulon addresses an "all-hands" meeting of the Bureau of Industry and Security.





Chapter 6: International Cooperation Programs

Mission

As part of the overall mission of the Department of Commerce to advance responsible economic growth and trade while protecting American security, the Bureau of Industry and Security (BIS) strives to enhance compliance with and enforcement of U.S. export controls worldwide, and endeavors to promote the development of effective export and transit control systems in key countries and transshipment hubs. By assisting in the development of effective indigenous infrastructures for export controls in other countries, BIS not only addresses issues of proliferation concern and terrorism, but also helps level the playing field for U.S. industry. BIS meets these objectives through a combination of international outreach seminars, technical exchange programs, and other mechanisms.

Accomplishments In Fiscal Year 2003

Nonproliferation and Export Control Cooperation

BIS conducts an active program of international collaboration with countries needing assistance in the development of effective export control systems. BIS's Nonproliferation Export Control Cooperation (NEC) program has a major role in BIS's bilateral and multilateral initiatives. Established in 1994, the NEC program was designed to work with selected countries to help them develop or strengthen their national export control systems so as to keep nuclear, chemical and biological weapons, delivery systems, and other sensitive materials out of the hands of terrorists and "states of concern." BIS carries out its mission to strengthen foreign national export control systems through bilateral and multilateral technical exchanges. Through these activities, BIS helps each cooperating nation create the infrastructure for an effective export control system that meets international standards.

During Fiscal Year 2003, BIS organized or coordinated 74 bilateral technical exchange workshops and one multilateral conference. The conference and each of the exchanges focused on one of the five key areas of export control systems necessary to address the growing threat of the proliferation of weapons of mass destruction: legal basis and framework of export controls; export control licensing procedures and practices; export enforcement; industry-government relations; and export control system automation.

The 75 total activities completed in Fiscal Year 2003 represent an increase of 42 percent over Fiscal Year 2002. As a function of these and prior exchanges, BIS helped remedy 39 targeted deficiencies in the export control systems of cooperating countries. This amounts to an increase of more than 50 percent over the number of deficiencies remedied in Fiscal Year 2002. The activities undertaken by BIS during Fiscal Year 2003 ranged from assisting in the drafting of legislation to helping companies adopt effective compliance programs. BIS conducted cooperative bilateral export control workshops with Armenia, Azerbaijan, Bulgaria, the Czech Republic, Georgia, Hungary, India, Kazakhstan, the Kyrgyz Republic, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Tajikistan, and Ukraine, and led the multilateral Southeast Asia Regional Forum on Transshipment Controls.

In addition to the exchanges and the conference that BIS hosted in Fiscal Year 2003, BIS participated in several other multilateral export control conferences, including the Secure Trade in the Asian Pacific Rim Conference; the 10th Asian Export Control Seminar; the 7th Central Asia and Caucasus Regional Forum on Export Controls and Border Security; the Nonproliferation, Disarmament Cooperation Initiative Conference; and the Berlin Export Control Seminar of 2003.

Internal Control Program Activities

The Internal Control Program (ICP), created in 1998, plays central role in the overall BIS export control and nonproliferation cooperative mission. The ICP software tool provides companies with self-paced training, searchable databases, and procedure development assistance related to their respective national export control systems. The ICP tool is widely used in Russia, Ukraine, Poland, and elsewhere. Through the ICP training program, BIS offers a basic ICP tool workshop, followed by a specialized workshop on product classification, to enhance industry export control compliance and improve industry-government relations.

The BIS program tailors and translates the ICP software into the national language of the recipient country. It has made the ICP software available to over 4,000 overseas-based exporting organizations in Russia, Ukraine, and Poland. In Fiscal Year 2003, Poland began requiring the ICP as an element of the International Organization for Standardization compliance for its exporters, and BIS offered four ICP software deployments to help meet this need. The more mature programs in Russia and Ukraine provided instruction in the next level of ICP training and ICP classification. BIS held six workshops in Ukraine and 13 workshops in Russia in Fiscal Year 2003. Along with these workshops, BIS and the host governments conducted ICP program reviews in Russia and Ukraine. The Russian program review addressed reporting requirements, electronic licensing, and ideas for improving the ICP program as the program matures, while the Ukrainian program review focused on changes resulting from the new export control law passed by the Government of Ukraine in March 2003.

In Fiscal Year 2003, BIS helped develop new ICP training tools for several countries, including Hungary, Romania, Slovakia, and Kazakhstan, thereby making the ICP development software available to approximately 1,000 overseas-based exporting companies. BIS is in the process of developing an ICP for the Czech Republic and the Baltic countries of Estonia, Lithuania, and Latvia, which have incorporated concepts conveyed by the ICP into their national export control laws.

Product Identification Tool

BIS unveiled a new instrument the Product Identification Tool (PIT) to combat weapons of mass destruction (WMD) proliferation in Fiscal Year 2003. The PIT provides computer-based self-paced training and case studies on screening shipments at the border, along with operational support to help front-line export control enforcement officials improve their capacity to target and respond to illicit traffic in dual-use items related to WMD proliferation. The PIT should significantly enhance cooperation between licensing and enforcement officials in intercepting illicit traffic of WMD-related items through its training component, search engine, aids for developing procedures manuals, and extensive database of controlled items (including photographs) that allow officials in the field to match such items with key trade document information. After fitting the baseline PIT to new Russian export control laws, regulations, and procedures, the Government of Russia has begun deploying the PIT in its regional customs centers in preparation of deployment to more than 150 customs posts. A similar project has been initiated with the Government of Ukraine.

Export Enforcement Training Modules

During Fiscal Year 2003, BIS, in cooperation with the U.S. State Department under the Export Control and Border Security program (EXBS), developed a new curriculum on Export Enforcement operations, methods, and procedures to train export enforcement agents in cooperating countries. The training curriculum for the program is divided into five areas: the export enforcement system, the legal framework that guides export policy, preventive enforcement, prosecution of violators, and outreach efforts. Training for the program is divided into three presentation levels according to competencies and responsibilities of agency leaders, supervisors, and export control officers. In addition, an instructor training program has been designed to familiarize BIS enforcement agents with the training materials and to enhance their presentation delivery techniques.

Transshipment Country Export Control Initiative

In Fiscal Year 2003, BIS's Transshipment Country Export Control Initiative (TECI) increased government-to-government cooperation and dialogue with regard to export controls and transshipment trade with the nine major transshipment hubs: Cyprus, Hong Kong, Malaysia, Malta, Panama, Singapore, Taiwan, Thailand, and the United Arab Emirates. With the development of "best practices" for industry, BIS made fundamental inroads into creating a new public-private partnership on export controls with companies and trade associations engaged in shipping, air cargo, freight forwarding, port operations, and other aspects of transshipment trade facilitation.

Now in its second year, TECI is a multi-faceted, cooperative initiative that seeks to strengthen the export control systems of countries that constitute global transshipment hubs, while improving compliance with relevant rules by companies engaged in trade in those hubs. In this way, BIS seeks to enhance security and confidence in international trade flows and to counter illegal diversions of controlled goods through the world's major transshipment hubs.

TECI functions on a two-prong basis: government-to-government and government-to-private sector. Under the first prong, BIS works with its counterpart trade and export control agencies in key transshipment hubs to assist them in the adoption of export and transshipment control regimes tailored to their economies, exchange data to facilitate more effective administration of trade controls, and encourage transshipment hubs to adopt certain measures to facilitate better enforcement of U.S. trade and export control laws. Under the government-to-private sector prong, BIS works with companies involved in the transportation of goods through transshipment

country hubs, and major consignees and end-users of goods located in those hubs, to enlist their support in preventing illicit transshipments.

In order to fulfill TECI objectives, BIS works with other Department of Commerce agencies, such as the International Trade Administration, and other relevant U.S. Government agencies, including the Departments of State, Energy, and Homeland Security. TECI builds on, coordinates with, and supports relevant existing and proposed programs and initiatives, including the Export Control and Border Security (EXBS) Program, the Container Security Initiative (CSI), the Customs-Trade Partnership Against Terrorism (C-TPAT), Operation Shield America, the Dangerous Materials Initiative, and the Proliferation Security Initiative (PSI).

Bangkok Regional Nonproliferation Transshipment Enforcement Forum

In December 2002, BIS partnered with the U.S. Department of Homeland Security, the Department of State, and the Government of Thailand in organizing the three-day Regional Nonproliferation Transshipment Enforcement Forum in Bangkok, Thailand. The conference discussed transshipment enforcement issues with governments of Southeast Asian countries and further addressed best practices for governments and industry with regard to improving transshipment enforcement.

Sydney Global Transshipment Control Enforcement Conference

In July 2003, BIS participated in the Global Transshipment Control Enforcement Conference in Sydney, Australia, which was co-hosted by the U.S. and Australian governments. The objective of the conference was to examine current and potential best practices for securing effective controls on transit, transshipment, and reexport of WMD-related items, technologies, and delivery systems in four areas: legislative and regulatory framework; inspections and investigations; detection technologies; and outreach. The Sydney Conference developed a set of "Principles" on transshipment trade controls in line with TECI objectives. A list of best practices developed at the Sydney conference supplemented the "Best Practices for Effective Export, Re-export, Transit and Transshipment Controls" adopted at the Transshipment Enforcement Conference held November 15-17, 2000, in San Diego, California. In addition to the discussion of these Best Practices, the Sydney Conference facilitated BIS bilateral discussions with the key transshipment hub countries in attendance at the conference.

Hong Kong Project

In Fiscal Year 2003, BIS deepened its cooperation with Hong Kong by working with the Hong Kong Trade and Industry Department to establish a new confidentiality arrangement for sharing information. Following the Eighth U.S.- Hong Kong Bilateral Export Control Discussions held in Washington, D.C., in April, 2003, BIS and the Hong Kong Trade and Industry Department launched a pilot project for more effective exchanges of licensing and enforcement information.

Panamanian Discussions

BIS engaged Panamanian authorities in Fiscal Year 2003 on export controls, including TECI, through several high-level bilateral meetings. These included a BIS-funded legal technical exchange that prompted the Government of Panama to conduct a comprehensive review of all its legal authorities to control the export, transit, and transshipment of sensitive items and to make export controls a regional priority for Central America.

Best Practices for Industry

During Fiscal Year 2003, BIS developed draft Best Practices for industry as part of TECI, with input from BIS's Regulations and Procedures Technical Advisory Committee. The Best Practices were targeted to assist U.S. exporters, foreign reexporters of U.S. products, and trade facilitators, including freight forwarders, cargo carriers, and customs brokers. They set forth a series of activities, such as screening of all parties in a transaction, obtaining confirmation of receipt of controlled items, and reporting suspicious transactions. BIS published the draft Best Practices in the *Federal Register* seeking comments from the private sector. The final Best Practices will be published in Fiscal Year 2004.

New Guidance on Reexports

In July 2003, BIS posted on its Web site, www.bis.doc.gov, revised guidance on the exports and reexports of U.S.-origin dual-use items. To assist U.S. exporters and reexporters worldwide to better understand U.S. reexport laws and regulations, BIS also translated the guidance into Arabic, Chinese, Spanish, and Japanese.

Goals For Fiscal Year 2004

In Fiscal Year 2004, BIS will continue to monitor, advise, and direct global strategies for adherence to nonproliferation objectives.

Through NEC, BIS plans to increase the number of technical exchanges conducted from 75 in Fiscal Year 2003 to 85 in Fiscal Year 2004, and will start new technical bilateral exchange programs in Malaysia, Taiwan, Thailand, and Turkey. BIS also plans to develop new means for conducting technical exchange programs, including by deploying new Web-based training tools. BIS will continue the ICP program with Russia, Ukraine, Hungary, and Kazakhstan, and expand the ICP program activities into the Czech Republic and the Baltic States. BIS will continue working with the customs service in Russia on the PIT program and expand activities beyond Russia into other countries, including Ukraine. BIS will promote TECI by engaging in dialogues with TECI partners in bilateral and multilaterals meetings and conferences. In addition, BIS will publish the final TECI Best Practices for industry. Additional translations of BIS export control regulations and guidance will be posted on the BIS Web site in foreign languages to help foreign companies and persons comply with U.S. export control requirements.



Former
Deputy
Under
Secretary
Karan Bhatia
addresses
the
Regional
Nonproliferation
Transshipment
Enforcement
Forum in
Bangkok,
Thailand.

Bureau of Industry and Security officials participate in a meeting with Panamanian government officials on transshipment and export control issues.



Under Secretary Kenneth I. Juster and other senior Bureau of Industry and Security officials participate in the Eighth Annual Bilateral U.S.-Hong Kong Discussion on Export Controls and Information Sharing.



Bureau of Industry and Security and Chinese government officials conduct a seminar on export controls in Shanghai, China.

Chapter 7: U.S. Defense Industrial and Technological Base Programs and Advocacy Activities

Mission

Through its Office of Strategic Industries and Economic Security, the Bureau of Industry and Security (BIS) is the focal point within the Department of Commerce for issues related to the strength and competitiveness of the U.S. defense industrial and technological base. In partnership with industry and other U.S. Government agencies, BIS implements programs to ensure that the U.S. defense industrial and technological base has the capacity and capability to meet current and future national security, economic security, and homeland security requirements. BIS supports the U.S. defense industrial and technological base by securing timely delivery of products for approved national defense, emergency preparedness, and critical infrastructure development programs; by conducting analyses of sectors important to U.S. national defense; and by promoting U.S. defense exports.

Accomplishments In Fiscal Year 2003

Supporting National Defense Requirements and Homeland Security

Administering the Defense Priorities and Allocations System

BIS's administration of the Defense Priorities and Allocations System (DPAS) has played an important role in support of the deployment of U.S. and allied forces in Iraq and Afghanistan, and for ongoing homeland security initiatives.

In Fiscal Year 2003, BIS worked closely with U.S. industry and the Department of Defense to utilize the DPAS to expedite the supply of defense articles needed to support Operation Iraqi Freedom and Operation Enduring Freedom. Noteworthy examples include ensuring the delivery of special ballistic material to produce lightweight body armor for U.S. Army and U.S. Marine Corps troops; securing the supply of satellite communications and search and rescue radio equipment to meet critical Department of Defense requirements; delivering of Identification Friend or Foe (IFF) transponder equipment to the U.S. Air Force; expediting shipments from a U.S. company of component parts needed for antenna equipment to support the U.S. Special Forces Command, and displays needed to assemble electronic translation equipment to support U.S. Army and U.S. Marine Corps ground forces in Iraq; and participating in the Department of Defense's Priorities and Allocations Industrial Resources group to assist in resolving industrial resource conflicts and supply issues associated with operational requirements.

In support of homeland security initiatives, BIS, in cooperation with the Department of Homeland Security (DHS), authorized use of DPAS to ensure the timely delivery of industrial items for several DHS emergency preparedness programs. Specifically, in Fiscal Year 2003, BIS issued DPAS priority ratings supporting the procurement of data processing and communications equipment for the Transportation Security Administration's seven-year, \$1 billion aviation security Information Technology Managed Services program to upgrade airport and airline security, and supporting data processing and communication equipment deliveries for the Bureau of Customs and Border Protection's five-year, \$1.3 billion Automated Commercial Environment (ACE) system to enhance port security, particularly as it pertains to the tracking and identification of containerized cargo.

The Aviation and Transportation Security Act of 2001 required that all major U.S. commercial airports be able to screen 100 percent of passenger baggage for explosives by the end of 2002. The Transportation Security Administration used the DPAS authorities granted by BIS to comply with this requirement for the deployment of explosive detection machines at airports across the United States. In Fiscal Year 2003, BIS also used DPAS authorities to support ongoing DHS continuity of operations programs.

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

BIS completed several major initiatives in Fiscal Year 2003 to monitor the strength of the U.S. defense industrial and technological base. In September 2003, BIS completed a comprehensive assessment of the U.S. textile and apparel industries, as requested by Congress. The final report relied heavily on data collected from responses to a BIS-administered survey sent to more than 1,600 companies. The final report analyzed the economic health and competitiveness of the textile and apparel industries; the contribution of the industries to the U.S. economy and, more specifically, to the U.S. armed forces; U.S. dependency on foreign sources for critical materials; and the effectiveness of the Department of Defense's implementation of Buy American Act and Berry Amendment requirements.¹

During Fiscal Year 2003, BIS also provided the sixth and seventh congressionally mandated reports on offsets in defense trade, covering data for 1999 and 2000, respectively. BIS also began to analyze data for the eighth report, covering data for 2001 and 2002. Offsets are mandatory compensation required by foreign governments when purchasing weapons systems and services. Offset practices include co-production, subcontracting, technology transfer, and foreign investment. These reports detail the impact of offsets in defense trade on U.S. defense preparedness, industrial competitiveness, employment, and trade.

BIS also completed an assessment of the U.S. biotechnology industry. Together with the Commerce Department's Technology Administration and other agencies of the U.S. Government, BIS surveyed more than 3,000 companies and assessed the economic health and competitiveness of U.S. companies that are part of the biotechnology industry. The preliminary results of the assessment were presented by the Department of Commerce at the June 2003 Biotechnology Industry Organization Conference.

In Fiscal Year 2003, BIS continued to work closely with the Department of Defense, other U.S. Government agencies, and U.S. industry on several ongoing U.S. defense industrial base assessments. For the U.S. Army, BIS continued analysis of the air delivery (parachute) industry; collected all data and began analyzing the precision-guided munitions power source industry; and completed an assessment of the potential economic impact on U.S. shipyards of the proposed Theater Support Vessel procurement. For the U.S. Air Force, BIS finalized a report on the concerns of high-technology commercial companies when considering research and development partnerships with the Department of Defense.

Working with the Department of Education and the Federal Laboratory Consortium, BIS also completed an assessment of the assistive technology industry, which manufactures products for people with disabilities. One important goal of this assessment was to facilitate the use of defense-related technologies in the industry's products. Based on the study's results and recommendations, the Department of Commerce proposed an eight-point initiative to advance the U.S. assistive technology industry and meet the technology needs of disabled Americans.

BIS's defense industrial and technological base responsibilities extend beyond the analysis of specific industry sectors. In Fiscal Year 2003, BIS, in coordination with the Department's International Trade Administration, conducted reviews of 42 foreign acquisition cases submitted to the interagency Committee on Foreign Investment in the United States to ensure that they did not threaten U.S. national security. BIS also examined 173 proposed memoranda of understanding and other types of international cooperative agreements that the Department of Defense planned to conclude with foreign governments. BIS's analysis of these documents focused on their commercial implications and potential effects on the international competitive position of U.S. industry. BIS reviewed 121 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 recommendations to ensure that these transfers would not interfere with ongoing sales or marketing activities of U.S. industry.

Public/Private Partnerships

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

BIS continues to work successfully with other U.S. Government agencies to help U.S. companies compete and win in the highly competitive international defense market. BIS advocates on behalf of U.S. companies for foreign defense contracts, and works closely with the Departments of State and Defense to engage foreign decision makers on the strategic, military, and economic issues associated with major defense procurements.

In Fiscal Year 2003, working with U.S. Government partners, BIS successfully assisted U.S. companies to obtain contracts to supply foreign governments with defense articles worth approximately \$4.5 billion, led by the \$3.5 billion sale of F-16 fighter aircraft to Poland. These sales help maintain the U.S. defense industrial and technological base and preserve high-technology employment. BIS also actively supported proposals by U.S. industry to satisfy the fixed wing and rotary aircraft requirements of a number of nations, with several multibillion dollar procurement decisions expected in Fiscal Year 2004.

BIS continued to work closely with the Commerce Department's global network of commercial offices, including Export Assistance Centers across the United States, to identify defense trade opportunities for U.S. industry, to support U.S. defense trade exhibitions overseas, and to provide export counseling to U.S. industry exploring emerging market opportunities, such as defense requirements in South Asia and Central Europe.

In addition, in Fiscal Year 2003, BIS was an active participant in the Administration's comprehensive assessment of U.S. defense trade policies designed to identify changes necessary to ensure that those policies continue to support U.S. national security and foreign policy goals.

Supporting the U.S. Maritime Industry

BIS has partnered with the U.S. Coast Guard to promote the export of an array of assets being developed through the U.S. Coast Guard's \$17 billion Integrated Deepwater System Program to modernize its fleet of ships, aircraft, sensors, communications, and logistics infrastructure over the next two decades. During Fiscal Year 2003, BIS participated, as part of the Deepwater team, in maritime trade events in Europe, South America, South Asia, and the United States to promote the sale of Deepwater assets to foreign navies, coast guards, fisheries, and environmental agencies. These sales are intended to bolster interoperability with allied and friendly nations, create business opportunities for U.S. industry at the prime and subcontractor levels, and lower unit procurement costs for the U.S. Coast Guard.

In Fiscal Year 2003, BIS and its partner organization, the U.S. Navy's Best Manufacturing Practices program, continued work with the Department of Transportation and other agencies participating in the Marine Transportation System (MTS) initiative on developing a best practices program for 350 U.S. ports,² covering port security, as well as other operational issues.

Strengthening International Cooperation by Supporting Allied Defense Requirements

BIS, in consultation with the Department of Defense, worked with U.S. industry to satisfy allied operational requirements in support of Operation Iraqi Freedom, Operation Enduring Freedom, and other defense-related needs using DPAS authorities. Such support included accelerating deliveries of communications equipment, infra-red night vision equipment, electronic cargo identification tags, and precision guided munition guidance system components; expediting the delivery of laser targeting equipment; and facilitating the shipment of telemetry equipment.

In addition, BIS represented the United States on the NATO Industrial Planning Committee (IPC), which addresses industrial base issues associated with the NATO's defense and civil emergency planning. BIS is actively working within the IPC to implement the NATO Members' June 2002 agreement on Security of Supply for industrial resources. This agreement, based on the principles and procedures of the BIS administered DPAS, recommends that NATO nations enter into bilateral and multilateral agreements on Security of Supply. In June 2003, the Department of Defense, with BIS support, entered into a bilateral Security of Supply agreement with Sweden. The Department of Defense concluded a similar agreement with the United Kingdom in February 2002. These agreements complement the NATO Security of Supply initiative.

BIS's advocacy and Deepwater export promotion efforts have also supported the interests of the Department of Defense and the U.S. Coast Guard in standardization and interoperability with the armed forces of allied and friendly nations.

Goals For Fiscal Year 2004

Building on Fiscal Year 2003's accomplishments, BIS will continue to partner with industry and other U.S. Government agencies to ensure that the U.S. defense industrial and technological base meets current and future national security requirements. Goals for Fiscal Year 2004 include:

Supporting National Defense Requirements and Homeland Security

BIS will continue to work closely with U.S. industry and interagency partners, under the authority of the DPAS program, to support the production and delivery of industrial resources needed to meet national defense and homeland security requirements.

For the U.S. Army, BIS plans to complete and publish assessments of the air delivery and munitions power sources industries and the economic impact of the proposed U.S. Army procurement of a Theater Support Vessel.

For the U.S. Air Force, BIS is on track to complete and publish a study on research and development partnerships.

BIS also will transmit its eighth report on offsets in defense trade to the Congress. With the completion of this report, BIS will have collected and analyzed data on offset agreements and transactions from 1993-2002. In an effort to provide more comprehensive data on offsets in defense trade, BIS will enhance the survey specifics and deepen its level of analysis in preparation for the ninth report, which will also be published during Fiscal Year 2004.

Public/Private Partnerships

BIS will continue to work with U.S. industry and interagency partners to support the sale of U.S. defense products overseas. Such sales can help maintain and enhance the U.S. industrial and technological base, preserve high-technology employment, and further the U.S. interest in standardization and interoperability with the armed forces of allied and friendly nations. BIS's

Deepwater export promotion activities will focus on South and Southeast Asia and the Persian Gulf regions.

Strengthening International Cooperation

BIS will continue to support the Department of Defense in negotiating bilateral Security of Supply agreements with allied and friendly nations. Using the Security of Supply agreements with the United Kingdom and Sweden as models, the Department of Defense, with BIS support, has initiated bilateral negotiations with other nations, including Italy, the Netherlands, Norway, and Spain.

¹ The Buy American Act and the Berry Amendment are parts of defense procurement law that require the Department of Defense to procure clothing and other textile and apparel articles from U.S. manufacturers.

² Nineteen federal departments and agencies are working together through the MTS initiative to address the security, environmental, infrastructure, competitiveness, and safety challenges facing individual port authorities across the country.



Working with interagency partners, the Bureau of Industry and Security successfully advocated for the sale of F-16 fighter aircraft to Poland, a contract worth approximately \$3.5 billion.

Former Deputy Under Secretary Karan Bhatia testifies on reauthorization of the Defense Production Act before the Subcommittee on Domestic and International Monetary Policy, Trade, and Technology of the Committee on Financial Services, U.S. House of Representatives.



Appendix A: Guiding Principles of the Bureau of Industry and Security

This statement of principles represents the guiding philosophy of the Commerce Department's Bureau of Industry and Security in approaching its activities and fulfilling its responsibilities. This statement is not intended to dictate any particular regulatory action or enforcement action.

- **The Bureau's paramount concern is the security of the United States.** The Bureau's mission is to protect the security of the United States, which includes its national security, economic security, cyber security, and homeland security.

- The Bureau's credibility within government, with industry, and with the American people depends upon its fidelity to this principle.

- For example, in the area of dual-use export controls, the Bureau will vigorously administer and enforce such controls to stem the proliferation of weapons of mass destruction and the means of delivering them, to halt the spread of weapons to terrorists or countries of concern, and to further important U.S. foreign policy objectives. Where there is credible evidence suggesting that the export of a dual-use item threatens U.S. security, the Bureau must act to combat that threat.

- **Protecting U.S. security includes not only supporting U.S. national defense, but also ensuring the health of the U.S. economy and the competitiveness of U.S. industry.**

- The Bureau seeks to promote a strong and vibrant defense industrial base that can develop and provide technologies that will enable the United States to maintain its military superiority.

- The Bureau must take great care to ensure that its regulations do not impose unreasonable restrictions on legitimate international commercial activity that is necessary for the health of U.S. industry. In protecting U.S. security, the Bureau must avoid actions that compromise the international competitiveness of U.S. industry without any appreciable national security benefits.

- **The Bureau strives to work in partnership with the private sector.** The Bureau will seek to fulfill its mission, where possible, through public-private partnerships and market-based solutions.

- U.S. security cannot be achieved without the active cooperation of the private sector, which today controls a greater share of critical U.S. resources than in the past. At the same time, the health of U.S. industry is dependent on U.S. security of our borders, our critical infrastructures, and our computer networks.

- The symbiotic relationship between industry and security should be reflected in the formulation, application, and enforcement of Bureau rules and policies.

- **The Bureau's activities and regulations need to be able to adapt to changing global conditions and challenges.** The political, economic, technological, and security environment that exists today is substantially different than that of only a decade ago. Bureau activities and regulations can only be justified, and should only be maintained, to the extent they reflect current global realities. Laws, regulations, or practices that do not take into account these realities and that do not have sufficient flexibility to allow for adaptation in response to future

changes ultimately harm national security by imposing costs and burdens on U.S. industry without any corresponding benefit to U.S. security.

- In the area of exports, these significant geopolitical changes suggest that the U.S. control regime that in the past was primarily list-based must shift to a mix of list-based controls and controls that target specific end-uses and end-users of concern.

- The Bureau also should be creative in thinking about how new technologies can be utilized in designing better export controls and enforcing controls more effectively.

- **The Bureau's rules, policies, and decisions should be stated clearly, applied consistently, and followed faithfully.** The Bureau's rules, policies, and decisions should be transparent and clearly stated. Once promulgated, Bureau rules and policies should be applied consistently, and Bureau action should be guided by precedent.

- Uncertainty, and the delay it engenders, constitutes a needless transaction cost on U.S. companies and citizens, hampering their ability to compete effectively. Voluntary compliance with Bureau rules and regulations should be encouraged and, to the extent appropriate, rewarded.

- These precepts are particularly important with respect to the application and enforcement of export controls. An effective export control regime necessarily depends upon the private sector clearly understanding and seeking to implement Bureau rules and policies voluntarily.

- **Decision making should be fact-based, analytically sound, and consistent with governing laws and regulations.** Bureau decisions should be made after careful review of all available and relevant facts and without any philosophical predisposition.

- A "reasonable person" standard should be applied to all decisions: How would a "reasonable person" decide this issue? The Bureau's mission does not lend itself to "ideological" decision making especially when it comes to its licensing and enforcement functions.

- It is inappropriate to recommend outcomes based on an assumption that a position will be reviewed and "pared back" by another party whether it be another office in the Bureau or another agency of the U.S. Government. Such an approach violates the public's trust, undermines the Bureau's credibility, and imposes substantial costs in terms of wasted time and effort.

- **The Bureau strives to work cooperatively with other parts of the U.S. Government and with state and local governments.**

- The Bureau shall seek to collaborate in a collegial and effective manner with other agencies and departments of the U.S. Government, including the National Security Council, the Office of Homeland Security, the State Department, the Defense Department, the Energy Department, and the Intelligence Community.

- The Bureau shall consult with its oversight committees and other appropriate Members of Congress and congressional staff on matters of mutual interest.

- The Bureau shall seek to enhance its relationships with state and local government officials and first responders to national emergencies.

• **International cooperation is critical to the Bureau's activities.** 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 principal trading partners.

• International cooperation, however, does not mean, settling on the "lowest common denominator." Where consensus cannot be broadly obtained, the Bureau will not abandon its principles, but should seek to achieve its goals through other means, including cooperation among smaller groups of like-minded partners.

Appendix B: Regulatory Changes in Fiscal Year 2003

Unverified List

The "Unverified List" consists of foreign end-users and consignees that have been involved in export transactions in which BIS officials (or other federal officials acting on BIS's behalf) have been unable to perform pre-license checks or post-shipment verifications for reasons outside the control of the U.S. Government. Participation of a person on the "Unverified List" in any proposed transaction is considered by BIS to raise a "red flag" for purposes of the "Know Your Customer" guidance set forth in Supplement No. 3 to Part 732 of the Export Administration Regulations (EAR). Under that guidance, the "red flag" requires heightened scrutiny by the exporter before proceeding with a transaction in which a listed person is a party.

On November 21, 2002, the Bureau of Industry and Security (BIS) published a notice removing S.B. Submarine Systems Co., Ltd. (located in the People's Republic of China), from the "Unverified List." (See 67 Fed. Reg. 70209.)

On March 28, 2003, BIS published a notice adding Brilliant Intervest (located in Malaysia) to the Unverified List and removing Xian XR Aerocomponents Co., Ltd. (located in the People's Republic of China). (See 68 Fed. Reg. 15151.)

Federal Republic of Yugoslavia: Lifting of United Nations Arms Embargo-Based Controls

On November 25, 2002, BIS published a rule removing the special controls on the export and reexport of arms-related items imposed on July 14, 1998 on the Federal Republic of Yugoslavia (Serbia and Montenegro) (FRY). This rule is consistent with United Nations Security Council (UNSC) Resolution 1367 of September 10, 2001, which terminated the international arms embargo against the FRY mandated by UNSC Resolution 1160 of March 3, 1998. (See 67 Fed. Reg. 70545.)

Microprocessors

On January 14, 2003, BIS published a rule implementing revisions to national security controls for microprocessors that were agreed upon in the February 2002 meeting of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies (Wassenaar Arrangement). This rule removed license requirements for exports and reexports of general purpose microprocessors to most destinations, retaining license requirements for designated terrorist-supporting countries. In addition, the rule established a new license requirement for the export or reexport of general purpose microprocessors if, at the time of the export or reexport, the exporter or reexporter knows, has reason to know, or is informed by BIS that the item will be or is intended to be used for a "military end-use" in a country that is of concern for national security reasons or by a "military end-user" in such a country. (See 68 Fed. Reg. 1796.)

Wassenaar Arrangement

On March 5, 2003, BIS published a rule implementing the revisions to the Wassenaar Arrangement List of Dual-Use Items that were agreed upon in the February 2002 meeting (and finalized in May 2002) and corresponding amendments. (Changes that affected microprocessors were published in a separate rule on January 14, 2003.) This rule made changes to the Commerce Control List (CCL) (specifically, certain entries controlled for national security reasons in Categories 2, 3, 4, 5 Part I (telecommunications), 5 Part II (information security), 6, 7, 8, and 9). (See 68 Fed. Reg. 10586.)

Missile Technology Control Regime

On April 2, 2003, BIS published a rule implementing revisions to the Export Administration Regulations Related to the Missile Technology Control Regime (MTCR). This rule amended the CCL to reflect the reformatted MTCR Annex of October 14, 1999, and added the Czech Republic, Korea (Republic of), Poland, Turkey, and Ukraine to Country Group A:2 to reflect their membership in the MTCR. (See 68 Fed. Reg. 16144.)

On September 22, 2003, BIS published a rule implementing revisions to the CCL agreed to by MTCR member countries at the September 2002 plenary. BIS also amended certain entries on the CCL to clarify the scope of and jurisdiction for controls on global navigation satellite receiving equipment. (See 68 Fed. Reg. 54655.)

Explosives Detection Equipment

On April 3, 2003, BIS published a rule expanding the scope of explosives detection equipment controlled under Export Classification Control Number (ECCN) 2A983, previously 2A993, to include equipment that detects the presence of explosives, explosive residue, or detonators, and added controls on related software and technology. The rule also imposed broader foreign policy controls on these items. (See 68 Fed. Reg. 16208.)

Specially Designated Global Terrorists

On June 6, 2003, BIS published a rule expanding controls on designated terrorists by imposing a license requirement on the export and reexport of any item subject to the EAR by a U.S. person or non-U.S. person to persons designated in or pursuant to Executive Order 13224 of September 23, 2001, also known as Specially Designated Global Terrorists. (See 68 Fed. Reg. 34192.)

Australia Group and Chemical Weapons Convention

On June 10, 2003, BIS published a rule implementing the understandings reached at the June 2002 plenary meeting of the Australia Group (AG). These AG-related changes to the EAR include: (1) revising the control threshold on fermenters; (2) adding eight new toxins; and (3) amending AG-based licensing policy. This rule also implemented an AG intersessional decision by revising the control threshold for cross (tangential) flow filtration equipment. Finally, this rule updated the list of States Parties to the Chemical Weapons Convention by adding Andorra, Guatemala, Palau, Saint Vincent and the Grenadines, Samoa, and Thailand. (See 68 Fed. Reg. 34526.)

Encryption

On June 17, 2003, BIS published a rule clarifying when encryption commodities and software may be given *de minimis* treatment, when short-range wireless devices incorporating encryption may be given mass market or retail treatment, and when exporters are required to submit encryption review requests. It also expanded the authorizations according to which travelers departing the United States may take encryption for their personal use, clarified that specially designed medical equipment and software are not controlled as encryption items under the EAR, and implemented Wassenaar Arrangement List changes (agreed upon in the September 2002 meeting and finalized in December 2002) that eliminated certain controls on certain types of "personalized smart cards" and equipment controlling access to copyright protected data. (See 68 Fed. Reg. 35783.)

Export Clearance

On August 21, 2003, BIS published a rule, effective September 22, 2003, that added references to the Automated Export System (AES) and conformed the EAR to certain provisions of the Foreign Trade Statistics Regulations. (See 68 Fed. Reg. 50470.)

Penalty Guidance

On September 17, 2003, BIS published a rule proposing to incorporate guidance on how BIS makes penalty determinations when settling administrative enforcement cases. This guidance would also address related aspects of how BIS responds to violations of the EAR, such as charging decisions. (See 68 Fed. Reg. 54402.)

Appendix C: Bureau of Industry and Security Organizational Structure and Administrative Information

The Bureau of Industry and Security (BIS) had a number of administrative accomplishments during Fiscal Year 2003, including: (1) development and implementation of a human capital initiative, (2) development and testing of emergency preparedness procedures, (3) enhancement of performance reporting capabilities, and (4) deployment of new personal computers to increase employee productivity while ensuring data integrity and IT security.

Enhanced the Strategic Management of Our Human Capital

To meet current and future human capital needs, BIS has entered into an agreement with the Office of Personnel Management to develop a Succession Plan that will address competency gaps, and provide a framework to address critical human resources needs in the next few years. BIS has implemented a New Employee Orientation Program to provide employees with an understanding of the Bureau's activities. The Under Secretary and other senior officials make

presentations at these sessions. BIS also has instituted a Career Development Detail Program to provide opportunities to employees to expand their career opportunities, enhance their competencies in mission critical occupations, and develop skills in new areas. This program provides supervisors with additional manpower to complete critical work assignments, and an opportunity to work with employees who may have potential for new opportunities in their organizations. Brown bag lunches were held where employees met senior officials to discuss programmatic activities. Employees have found these sessions to be informative.

Developed and Tested Emergency Preparedness Procedures

In accordance with the requirements of Federal Preparedness Circular 65, BIS conducted a Continuity of Operations Plan (COOP) exercise in January 2003. The objective of the exercise was to implement the COOP in response to a simulated attack in the vicinity of the Herbert Clark Hoover Building (HCHB), in Washington, DC. This exercise allowed senior officials to practice relocating to an alternate location and test communication and management systems that would be needed to perform the Bureau's mission critical functions. The Department of Commerce Office of Security, the Department of Defense (Acquisition, Technology and Logistics), and the Federal Emergency Management Agency (FEMA) participated in our COOP exercise.

BIS continued to enhance its emergency preparedness by storing additional emergency medical and office supplies and equipment at the HCHB and at the emergency relocation sites. BIS also purchased escape hoods for all employees and contractors working at HCHB, and they received training on when and how to use this equipment. Additionally, BIS employees volunteered to serve as floor wardens and stairwell monitors during emergency drills at HCHB.

Cooperated with Auditing Agencies and Responded to Numerous Requests from the Public and the Courts

Auditing Agencies

BIS continues to work with the General Accounting Office (GAO) and the Office of Inspector General (OIG) on their studies of our programs and control systems, as well as to address all audit findings and recommendations.

The GAO completed four studies that dealt directly or indirectly with BIS programs in Fiscal Year 2003, including the Joint Strike Fighter (JSF) International Program, Intelligence Sharing, Performance and Accountability, and Freedom of Information Act (FOIA) Implementation.

At the end of Fiscal Year 2003, five GAO studies addressing BIS programs and activities were active, with final reports anticipated in Fiscal Year 2004, including the review of Monitoring Exports of Controlled Technology to Countries of Concern, International Controls of Proliferation of Cruise Missiles and Unmanned Aerial Vehicles, Implementation of the Chemical Weapons Convention (CWC), Obtaining Equipment and Services from the Supplier Base on a Priority Basis, and the State Department's Nonproliferation, Anti-Terrorism, Demining, and Related Programs Account.

Three OIG reviews addressing BIS programs and activities were completed during Fiscal Year 2003, including the Annual Follow-Up Report on Previous Export Control Recommendations, as Mandated by the National Defense Authorization Act for Fiscal Year 2000, review of Export Enforcement, and (3) the Interagency review of Federal Enforcement Efforts.

At the end of Fiscal Year 2003, two OIG studies addressing BIS programs and activities were active, with a final report anticipated in Fiscal Year 2004, including the review of Deemed Exports and the review of Government-issued travel cards.

Public Requests for Information and Court-Ordered Searches

BIS processed 192 Freedom of Information Act (FOIA) requests for export licensing and enforcement, and other types of management information. BIS processed 10 Court requests for information, mostly related to bankruptcy filings.

Improved Organizational Performance Management

In Fiscal Year 2003, BIS took additional steps to improve organizational performance. BIS conducted management studies of various program offices and recommended steps to improve their efficiency. BIS continued to improve its performance goals and measures by continuing the trend of focusing on outcomes instead of outputs, and measuring performance that is under BIS control. BIS also is continuing its data validation program to ensure that its performance data is accurate, complete, reliable, and timely. In Fiscal Year 2003, the GAO found that BIS had refined its performance goals and measures by focusing on quality and exporter satisfaction, developing measures using plain language, and developing new measures that accurately monitor BIS's program performance. GAO added that our goals and measures directly support our major management challenge - the control of exports of dual-use commodities and chemical weapons for national security and foreign policy (including nonproliferation) purposes. (See GAO's Report, *Performance and Accountability: Reported Agency Actions and Plans to Address 2001 Management Challenges and Program Risks*, dated October 2002 (GAO-03-225).)

Another important accomplishment for BIS in Fiscal Year 2003 was the introduction of the Monthly Performance Measurement Reporting System.

Provided Our Employees with the Latest Technology to Increase Efficiency in Completing Mission Essential Functions While Ensuring the Integrity of Data and of the Computer System

IT Security

The Department of Commerce (DOC) Information Technology (IT) Security Compliance Review for BIS found that: (1) the March 2003 IT systems inventory was accurate, (2) progress had been made in completing system certification and accreditations, (3) all corrective actions recommended by the GAO in their Fiscal Year 2001 and Fiscal Year 2002 reports were implemented, and (4) there were no Department of Commerce recommendations requiring corrective action by BIS.

In Fiscal Year 2003, BIS provided IT security role-based training for all BIS IT employees and contractors using the Department's Automated Learning Management System. BIS also provided IT Security Awareness training to all of its employees and contractors.

BIS completed certification and accreditation on all operational IT systems, enhanced IT security controls by deploying intrusion detection and configuration management software on its critical

servers, and deployed software for automated distribution of workstation patches over the network.

BIS Web Site Redesign

The BIS Web Site Redesign project was delivered on time, under budget, and in compliance with all applicable policies, guidelines, and regulations (including Section 508 accessibility). One major improvement to the web site is posting re-export guidance in four foreign languages to assist BIS customers.

The new BIS Web site provides a presence on the Internet that: (1) better reflects the Bureau's mission, (2) is easier to navigate, and (3) facilitates better use of the Web site through improved graphics and information presentation.

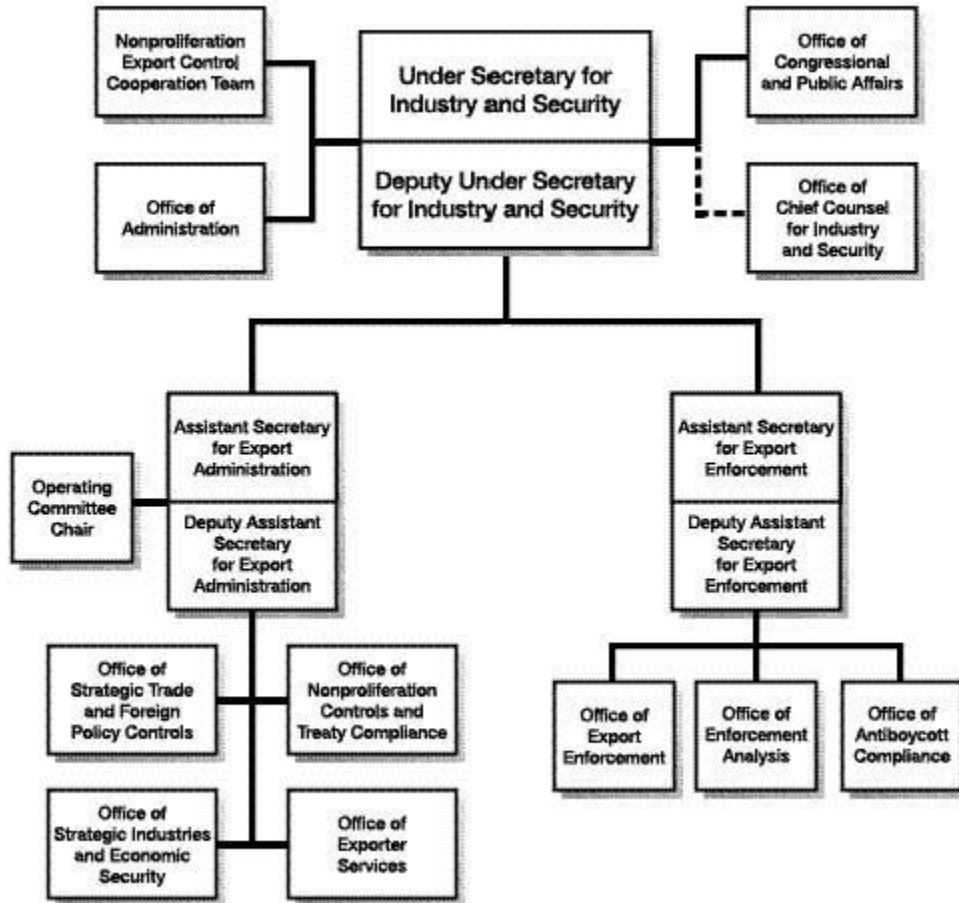
Technological Advances

In June 2003, all BIS employees received new personal computers, and all workstations were migrated to the Herbert C. Hoover Building network (HCHBnet) in accordance with the planned migration schedule. BIS is committed to effectively serving the public by implementing improved information technology services to support business processes for employees and customers.



Bureau of Industry and Security officials participate in a continuity of operations exercise.

Bureau of Industry and Security Organizational Chart



Appendix D: Summaries of Closed Criminal and Administrative Export Enforcement Cases

Significant Criminal Cases

Ihsan Elashyi

On October 23, 2002, Ihsan Elashyi was sentenced in the U.S. District Court in Dallas, Texas, to 48 months imprisonment and three years probation and ordered to pay \$281,892.52 in restitution and to forfeit several properties. In June 2002, Ihsan Elashyi pled guilty to shipping computers and monitors to Saudi Arabia in violation of a previously issued Temporary Denial Order, access device fraud, money laundering, and wire fraud.

In June 2003, based upon this conviction, the Commerce Department denied the export privileges of Elashyi and related parties for a seven-year period ending October 23, 2009.

The investigation was conducted by the Bureau of Industry and Security's (BIS) Dallas Field Office.

Silicon Graphics, Inc.

On January 6, 2003, Silicon Graphics, Inc. (SGI) of Mountain View, California, was ordered to pay \$1 million in criminal fines. SGI pled guilty to two felony charges that the company violated the EAR by illegally exporting high performance computers to a Russian nuclear laboratory in 1996. In a related administrative case, SGI agreed to pay \$182,000 the maximum penalty authorized by the Export Administration Regulations (EAR) to settle civil charges arising from the same exports to the Russian nuclear laboratory, as well as additional charges relating to illegal exports of computers to Israel and for failure to meet reporting requirements for exports to China, Qatar, and the United Arab Emirates.

BIS's allegations included that, on two occasions in 1996, SGI exported four Challenge L computer systems, upgrades, and peripheral equipment to the All-Russian Institute for Technical Physics (Chelyabinsk-70) in violation of U.S. export control regulations. Chelyabinsk-70, located in Snezhinsk, Russia, is a nuclear laboratory operated by Russia's Ministry of Atomic Energy and is engaged in research, development, testing, and maintenance of nuclear devices.

In addition to the monetary penalties, the civil settlement provided for the denial of SGI's exporting privileges to Russia for three years. The denial of export privileges is suspended provided that SGI does not commit any export control violations involving Russia during the suspension period.

The investigation was conducted by the San Jose Field Office.

Eduard Yamnik, D.B.A. Edsons Worldwide

On February 14, 2003, Eduard Yamnik (Edsons Worldwide Service) was sentenced in the U.S. District Court for the District of Minnesota. Pursuant to the plea agreement, Yamnik received two years supervised probation, a \$2,000 criminal fine and \$100 special assessment.

On March 20, 2002, Yamnik was indicted for exporting fingerprint materials to Belarus. Yamnik had previously submitted an application to export these commodities in 2000, which was rejected. After being denied a license to export, Yamnik exported the fingerprint materials to Belarus, in violation of the EAR.

The investigation was conducted by the Chicago Field Office.

E.H. Wachs Company

On April 17, 2003, E.H. Wachs of Wheeling, Illinois (Wachs) was sentenced to pay a fine of \$506,000, serve probation for 24 months, and institute an export compliance program after pleading guilty to exporting pipe cutting machines and spare parts to Iran without the required U.S. Government authorization. The sentencing and plea took place in U.S. District Court in Chicago.

In the related civil case, on June 3, 2003, the Commerce Department imposed the maximum penalty of \$159,000 and a three year suspended denial of export privileges on Wachs to settle the allegations that Wachs committed multiple violations of the EAR when it conspired to export and did export pipe cutting machines and spare parts to the National Iranian Gas Company

without the required U.S. Government authorization. Wachs split orders for more than 50 pipe-cutting machines and spare parts into small shipments and then exported the items through Canada to conceal the fact that they were destined for Iran. Wachs also paid a civil penalty of \$85,000 to the Office of Foreign Assets Control (OFAC), U.S. Department of Treasury, for the associated violations of OFAC regulations stemming from the unauthorized exports.

The investigation was conducted by the Chicago Field Office.

John Clements, Minequip Corporation, Sigma Enterprises and Jeffrey Woodbridge

On April 23, 2003, Minequip Corporation of Florida was sentenced to one year of corporate probation and a criminal fine of \$3,000 and John Clements, President of Minequip, was sentenced to two years probation and a criminal fine of \$1,000. Minequip and Clements previously pled guilty to conspiracy to make false statements. On January 13, 2003, Sigma Enterprises Limited (Sigma) pled guilty to conspiracy to violating IEEPA, and was ordered to pay a criminal fine of \$20,000. On November 8, 2002, Jeffrey Woodbridge, Manager of Sigma, was convicted of conspiracy, and was sentenced to 2 years probation and a criminal fine of \$7,000.

The investigation revealed that a foreign national had attempted to purchase goods from an industry source in Chicago's area of responsibility. During an undercover operation the sale of the products was negotiated with the foreign national. The products, which were tracked and delivered to Minequip in Miami, Florida, were destined for illegal export through an Sigma in the United Kingdom on their way to the Great Man-Made River Project in Libya.

The investigation was jointly conducted by the Chicago and Los Angeles field offices.

Bosnian Trade Center

On May 29, 2003, Zlatko Brkic, Vice President of Bosnian Trade Center, Inc. (BTC), was sentenced to pre-trial diversion for one year. Brkic pled guilty to attempting to export handcuffs controlled for crime control reasons to Bosnia after having been advised that an export license was required. Even after BTC's long-time freight forwarder refused to ship the goods without the required export license, Brkic recruited a second freight forwarder to ship the goods to Bosnia.

The investigation was conducted by the Chicago Field Office.

Robert Tsai

On July 1, 2003, Robert Tsai, d/b/a Tsai and Associates of Basking Ridge, New Jersey, a broker of copper wire and other recyclables, was sentenced to 15 months in federal prison followed by three years of supervised release for conspiracy to commit wire fraud. Tsai was also ordered to pay \$101,230 in restitution and a \$5,000 criminal fine.

A four-year investigation disclosed that Robert Tsai, a convicted felon with ties to organized crime, together with other unindicted co-conspirators who controlled businesses in California known as McCanne Enterprises, Napa International Corp., and Eternity Marketing Corp., devised a scheme to defraud companies in China and South Korea by arranging to have shipping containers filled primarily with low grade scrap metal and construction debris in lieu of high grade copper wire called for in several contracts. In furtherance of this scheme, Tsai was instrumental in submitting bogus inspection reports to the Asian companies and arranged for the

creation of fraudulent shipping documents including Shipper's Export Declarations and commercial invoices.

The investigation was conducted jointly by the New York Field Office and the Bureau of Immigration and Customs Enforcement (BICE), Newark, New Jersey.

Norfolk Recycling Inc.

On July 9, 2003, in the U.S. District Court for the Eastern District of Texas, Joseph D'Allesio was sentenced to two years probation and a \$100 special assessment and Anthony Cordae was ordered to pay a \$100 special assessment. On March 17, 2003, D'Allesio and Cordae both pled guilty in that court to charges that they filed false export control documents with the U.S. Government to conceal the fact that D'Allesio and Cordae exported tank tracks to Thailand without the required license.

The investigation was conducted jointly by the Dallas Field Office, BICE and the Defense Criminal Investigative Service (DCIS) in Houston.

Dosmatic U.S.A. and Reza Pirasteh

On July 10, 2003, Dosmatic U.S.A., Inc. of Carrollton, Texas, was sentenced to pay a fine of \$50,000 and serve probation for a three year period, after having pled guilty to illegally exporting liquid injectors from the United States to Iran. On May 29, 2003, Reza Pirasteh, Dosmatic's former Chief Operating Officer, was sentenced to pay a fine of \$2,000 and serve probation for three years, after having pled guilty to making a false statement to a federal investigator in the course of the investigation into Dosmatic's export activities.

In the related civil cases, Dosmatic agreed to pay a \$44,000 penalty and to a 30-month suspended denial of its export privileges to settle allegations that it exported liquid injectors to Iran without the required U.S. Government authorization. Mr. Pirasteh agreed to pay a \$4,500 civil penalty and his export privileges were denied for seven years in settlement of administrative charges against him related to the shipments to Iran. The Commerce Department issued orders implementing these settlements on September 30, 2003.

The investigation was conducted by the Dallas Field Office and the North Texas Joint Terrorism Task Force.

DSV Samson Transport, Inc.

On July 17, 2003, DSV Samson Transport, Inc., a freight forwarding company based in New Jersey, pled guilty in the U.S. District Court for the District of Columbia and was sentenced to pay a \$250,000 criminal fine and serve five years corporate probation for violations of U.S. export laws. DSV Samson also agreed to pay a \$399,000 civil penalty to the Department of Commerce to settle the administrative case relating to these illegal exports.

Between November 1999 and May 12, 2001, DSV Samson made 30 exports to organizations on the Entity List in India without the required Department of Commerce export licenses. Despite being informed by Special Agents from the Office of Export Enforcement on at least three occasions about the regulations controlling such shipments, DSV Samson forwarded these shipments and caused violations of Department of Commerce export controls designed to prevent nuclear proliferation.

The investigation was jointly conducted by the Boston and New York Field Offices.

Kiarash Arastafar

Kiarash Arastafar was sentenced on July 25, 2003, in the U.S. District Court for the Southern District of New York to six months of incarceration comprised of jail time and home detention, two years of supervised release, a \$100 special assessment, and immediate deportation by the Department of Homeland Security upon the completion of his incarceration. Arastafar, a Dutch national of Iranian descent, pled guilty to unlawfully, knowingly and willfully attempting to procure industrial parts for the purpose of shipping such parts to the Islamic Republic of Iran.

On or about January 28, 2003, Arastafar met with an undercover agent who had posed as a sales person for a company in the United States. Arastafar attempted to entice the undercover agent to break U.S. export control laws by offering more money for the goods than they were worth. He was subsequently arrested.

The investigation was conducted by the New York Field Office.

Bushnell Corporation

On August 5, 2003, Worldwide Sports & Recreation Inc., currently doing business as Bushnell Corporation, (Bushnell) of Overland Park, Kansas, was sentenced in the U.S. District Court in Washington, D.C., to a \$650,000 criminal fine and five years probation for illegally exporting over 500 generation II night vision goggles to 15 different countries. Bushnell also agreed to pay a \$223,000 civil penalty to the Commerce Department and to receive a one-year denial of export privileges (suspended) to settle the administrative charges relating to illegal sales of night vision goggles to Japan. The Department of Commerce issued an order implementing this settlement on August 6, 2003. An investigation revealed that during a two-year period, Bushnell had knowingly participated in a scheme to sell night vision goggles from the United States without obtaining the required export licenses from the Department of Commerce.

The investigation was conducted jointly by the Boston Field Office and the Operations Division in Washington, D.C.

Hakko Ltd Japan/Hideo Nakagawa

On April 10, 2002, Hakko Ltd of Japan (Hakko) was sentenced to pay a \$68,000 fine and was placed on probation for five years, and Hideo Nakagawa, an employee of Hakko, was sentenced to time served and deported from the United States to Japan. Hakko and Nakagawa had pled guilty to conspiring to violate U.S. export control laws by participating in a scheme to export night vision goggles from the United States without obtaining the required export licenses from the Department of Commerce. These cases are related to the Bushnell case.

In the related civil cases, Hakko agreed to pay a \$20,000 penalty and to a five year denial of export privileges (suspended) to settle administrative charges. Nakagawa agreed to pay a \$20,000 penalty and to a five year denial of export privileges (both the monetary penalty and denial were suspended) to settle administrative charges. The Department of Commerce issued orders implementing these settlements on August 6, 2003.

The investigation was conducted jointly by the Boston Field Office and the Operations Division in Washington, D.C.

Advance Technical Systems

On September 30, 2003, Tariq Ahmed was sentenced in U.S. District Court in Connecticut to a prison term of two years, followed by three years of supervised release. On September 5, 2003, also in that court, Alan Haller was sentenced to a prison term of two years, followed by three years of supervised release and Mart Haller, Inc. was sentenced to a criminal fine of \$50,000 and three years supervised release. On September 4, 2003, Yasmin Ahmed was sentenced in U.S. District Court in Connecticut to a prison term of six months, a fine of \$50,000, and three years of supervised release.

On June 11 and 12, 2003, respectively, Tariq and Yasmin Ahmed pled guilty to one count of conspiracy each, after having been arrested upon entering the United States from Pakistan. On June 9, 2003, Alan Haller and his company Mart Haller, Inc., pled guilty to one count of conspiracy each. The charges against the Ahmeds, Haller, and the company were a result of their participation in a conspiracy to divert controlled commodities, including space radar and armored personnel carrier parts, exported from the United States to Pakistan.

Alan Haller and Advance Technical Systems both provided false end-user information on a Department of State license application for radar components. The end-user statement indicated that the ultimate consignee was the Bangladesh Air Force when in fact it was determined that the components were transhipped through the United Arab Emirates to Pakistan. The Ahmeds facilitated the shipment from Pakistan.

The investigation, which initially focused on alleged violations of the EAR, resulted in a guilty pleas regarding items on the State Department's U.S. Munitions List. OEE's Boston Field Office participated in this investigation.

Omega Engineering Inc., Ralph Michel

On September 23, 2003, Omega Engineering Inc. (Omega) and on September 22, 2003, Ralph Michel, Vice President and Chief Financial Officer of Omega, were sentenced in U.S. District Court in Connecticut. Michel received ten months imprisonment, followed by three years of supervised probation, and fined \$50,000. Omega was fined \$313,000, placed on corporate probation for five years, and ordered to implement an export compliance program. Michel and Omega had previously pled guilty to violating U.S. export control laws by exporting laboratory equipment to Pakistan without the required export license from the Department of Commerce. Omega and Michel accomplished the export to Pakistan by a series of shipments through Newport Electronics GmbH, a related firm in Germany.

The investigation was conducted by the Boston Field Office.

Significant Administrative Cases

Embargoed Destinations

BIS and the Department of the Treasury's Office of Foreign Assets Control (OFAC) share jurisdiction over exports and some reexports to countries subject to U.N. or U.S. trade embargos. To avoid duplicate licensing responsibilities, the EAR in some cases (e.g., certain exports to Iran, Iraq, and Libya) provide that authorization from OFAC for an export also constitutes authorization under the EAR, and that exporting without OFAC authorization is a violation of the EAR. The following cases illustrate the enforcement of export controls to embargoed countries:

Pars Company Inc.

On October 21, 2002, BIS imposed a nine year denial of export privileges on Pars Company Inc., pursuant to Section 11(h) of the Export Administration Act, following its criminal conviction for its role in exporting two gas monitors from the United States to Iran through the United Arab Emirates. On September 4, 2001, Pars Company Inc., entered a guilty plea in a U.S. District Court in North Carolina, and was ordered to pay a \$10,000 criminal fine.

The investigation was conducted by the Washington Field Office.

Oerlikon Schweisstechnik AG and Reweld AG

On November 12, 2002, the Commerce Department issued an order implementing settlement terms under which Oerlikon Schweisstechnik AG (Oerlikon) agreed to pay \$33,000 and Reweld AG (Reweld) agreed to pay \$22,000 in civil penalties to settle allegations that they conspired to export industrial materials from the United States to Iran in violation of the EAR. In addition to the fines, a one-year denial of export privileges was imposed on Oerlikon, six months of which are suspended, provided that Oerlikon does not commit any export control violations during the suspension period.

BIS alleged that, between June 1999 and March 2000 these two firms conspired to purchase 30,000 pounds of Solka-Flok 200 cellulose valued at \$21,000 for resale and transshipment to Iran. Solka-Flok 200 cellulose has a number of industrial uses including welding applications. BIS alleged that Oerlikon solicited Reweld to export the cellulose to Switzerland, where Oerlikon intended to take possession of the materials and reexport them to Iran.

The investigation was conducted by the Miami Field Office.

Randolph Engineering, Inc.

On March 14, 2003, the Commerce Department issued an order implementing settlement terms under which Randolph Engineering, Inc. (REI), of Randolph, Massachusetts, agreed to pay a \$12,000 civil penalty to settle charges that it attempted to ship aviator sunglasses to Iran through Italy without obtaining prior authorization from OFAC, as required by the EAR. In connection with the attempted export, REI caused a Shipper's Export Declaration to be filed stating that the country of ultimate destination was Italy, when the actual country of destination was Iran.

The investigation was conducted by the Boston Field Office.

Yaudat Mustafa Talyi, International Business Services, Ltd., Top Oil Tools, Ltd., Uni-Arab Engineering and Oil Field Services, Dean Sehweil, and Radi Mustafa

On March 26, 2003, the Commerce Department renewed a temporary denial (TDO) of export privileges for 180 days on Yaudat Mustafa Talyi and related persons International Business Services, Ltd. (IBS) and Top Oil Tools, Ltd. (Top Oil). The renewal was based on evidence that Talyi, through his company IBS, had violated a previous TDO issued on September 30, 2002; exported or participated in the export of U.S.-origin items to Libya and Sudan without obtaining the required authorizations from BIS or OFAC; and attempted to mislead U.S. suppliers about the ultimate destination and end-user of the items ordered.

On July 24, 2003, the Commerce Department modified the TDO against Talyi and his companies to include as related persons Uni-Arab Engineering and Oil Field Services, Dean Sehweil, and Radi Mustafa, based on evidence that these persons had close business relationships with Talyi and IBS; that they had participated in transactions with Talyi in violation of the TDO; and that they had engaged in business activities with Libya without obtaining the required U.S. Government authorizations.

On September 24, 2003, the Department of Commerce renewed the TDO for 180 days against all persons subject to its terms.

The investigation was conducted by the Dallas Field Office.

Industrial Scientific Corporation

On April 16, 2003, pursuant to a settlement agreement, the Commerce Department imposed a \$30,000 civil penalty on Industrial Scientific Corporation. BIS alleged that in June 1998, Industrial Scientific Corporation conspired with Pars Company Inc. to export two gas monitors to the United Arab Emirates without obtaining an export license. Furthermore, BIS alleged that Industrial Scientific Corporation knew the monitors would be further reexported from the United Arab Emirates to Iran.

The investigation was conducted by the Washington Field Office.

Zooma Enterprises Inc. and Issa Salomi

On June 24, 2003, the Commerce Department imposed a combined civil penalty of \$32,000 on Zooma Enterprises, Inc. (Zooma), of San Diego, California, and its president, Issa Salomi, to settle charges that they made false statements to the U.S. Government in connection with an attempted export of medical equipment to Iraq. Mr. Salomi was fined \$24,000 and Zooma was fined \$8,000 for their actions.

BIS charged that Zooma violated the EAR by listing the country of ultimate destination on a Shipper's Export Declaration as Jordan, when the destination was, in fact, Iraq. BIS also charged that Issa Salomi committed three violations of the EAR by filing a petition with the U.S. Customs Service that falsely represented facts about the sale of the medical equipment, an ampul filling and sealing machine, and its ultimate destination.

The investigation was conducted by the Boston Field Office.

Bio Check, Inc.

On June 24, 2003, the Commerce Department issued an order implementing the terms of a settlement agreement under which Bio Check, Inc., of Burlingame, California, Inc. (Bio Check), agreed to pay a \$22,500 civil penalty to settle allegations it exported medical diagnostic equipment to Iran, through freight forwarders in Italy and the United Arab Emirates, without approval from OFAC, as required by the EAR. BIS also alleged that Bio Check failed to file Shipper's Export Declarations as required by the EAR. The alleged transactions occurred between May 1998 and May 2002.

The investigation was conducted by the San Jose Field Office.

Abdulmir Mahdi, OTS Refining Equipment Corporation

On September 29, 2003, the Commerce Department imposed a 20-year denial of export privileges on OTS Refining Equipment Corporation (OTS), of Markham, Ontario, Canada, and its president, Abdulamir Mahdi. In November 1999, Mahdi pled guilty in U.S. District Court in Orlando, Florida, to conspiring with the owner of a Florida firm to violate U.S. export controls and was sentenced to 51 months in prison. Mahdi used OTS to buy U.S. oil-field and industrial equipment for export to Iran and other countries in the Middle East. The exports to Iran in which Mahdi and OTS participated were not authorized by OFAC.

The investigation was conducted by the Miami Field Office.

Knowledge-Based Controls under the Enhanced Proliferation Control Initiative (EPCI)

As part of the Enhanced Proliferation Control Initiative (EPCI), BIS requires a license for exports and reexports known to involve certain proliferation-related end-uses or end-users. The following case illustrates BIS's role in enforcing these requirements:

Astro-Med, Inc.

On September 26, 2003, the Commerce Department issued an order implementing the terms of a settlement agreement under which Astro-Med, Inc. of Warwick, Rhode Island (Astro-Med) agreed to pay a \$5,000 civil penalty to settle charges that it attempted to export a Dash 10M data recorder to the Nuclear Power Corporation of India without the required Department of Commerce license. BIS charged that Astro-Med knew or had reason to know that the item to be exported would be used directly or indirectly in an unsafeguarded nuclear activity.

The case was investigated by the Boston Field Office.

National Security

The following cases illustrate BIS's role in enforcing national security export controls:

Howmet Corporation

On May 6, 2003, the Commerce Department issued an order implementing settlement terms under which Howmet Corporation, of Darien, Connecticut, agreed to pay a \$10,000 civil penalty to settle charges that it exported ceramic core technology to the United Kingdom and Japan and casting furnace equipment to Japan without obtaining the necessary licenses for these exports.

The investigation was conducted by the New York Field Office.

Bassem Alhalabi

On June 24, 2003, BIS imposed a one-year denial of export privileges on Bassem Alhalabi pursuant to a settlement of a charge that Alhalabi caused the export of a thermal imaging camera to Syria without the required Department of Commerce export license.

BIS alleged that, on March 12, 1998, Alhalabi caused the unlicensed export of a thermal imaging camera to Syria. Thermal imaging cameras are controlled for export to Syria for national security, regional stability, and anti-terrorism reasons.

The investigation was conducted by the San Jose Field Office.

Crime Control

BIS controls the export of certain items that have crime control or police uses that also could be used to commit human rights violations. The following cases illustrate BIS's efforts to enforce these controls.

Sturm, Ruger and Company, Inc.

On November 8, 2002, BIS imposed a civil penalty of \$11,000 on Sturm, Ruger and Company, (Sturm, Ruger) Inc., of Southport, Connecticut, in settlement of an allegation that it exported rifle scopes to Oman without the required license. BIS alleged that Sturm, Ruger had sent a shipment of 12 rifle scopes from the United States to Oman without obtaining the required export license. A license is required to export rifle scopes to most destinations in order to ensure that the scopes will not be used to violate human rights. The \$11,000 penalty is the maximum authorized for that charge.

The investigation was conducted by the Boston Field Office.

Frank Curic

On April 16, 2003, Frank Curic, of Bosnia and Herzegovina, agreed to a three-year denial of export privileges to resolve charges that he attempted to export a shotgun to Bosnia and Herzegovina without the required Commerce Department license.

BIS charged that Curic attempted to export a Mossberg shotgun in July 2000 by concealing it in a vehicle that he was shipping from the United States. In addition, BIS charged that Curic falsely claimed that the export was authorized under a license exception that required that the vehicle not contain any personal belongings.

The investigation was jointly investigated by the Miami and Washington field offices.

Toxic Chemicals, Chemical Precursors and Related Equipment

BIS maintains export controls on certain toxic chemicals, chemical precursors, biological toxins, and equipment that can be used to manufacture chemical or biological weapons. The following cases are examples of BIS's work to enforce these controls.

Sigma-Aldrich Corporation

On November 4, 2002, the Commerce Department imposed a \$1,760,000 civil penalty on Sigma-Aldrich Corporation of St. Louis, Missouri, and two of its subsidiaries ("Sigma-Aldrich"), to settle charges involving illegal exports of biological toxins. The settlement is based on 318 charges, including charges of unlicensed exports of biological toxins made by a business that was acquired by Sigma-Aldrich. The penalty is the largest imposed by the Commerce Department in a case involving biological toxins, and one of the largest penalties ever paid to the Department for export control violations. The Department had instituted administrative enforcement actions against the Sigma-Aldrich companies alleging that a company they had acquired in 1997 had made unauthorized exports of controlled biological toxins to Europe and Asia on numerous occasions prior to the acquisition and that Sigma-Aldrich had continued the unlicensed exports of

toxins, made false statements to the U.S. Government, and failed to maintain the required records.

This case puts companies on notice that, when acquiring another business, a company should scrutinize the export control practices of the acquired company to avoid the risk of incurring liability for its past conduct. In this case, BIS alleged that the acquiring companies not only failed to discover the prior unlicensed exports, but also allowed them to continue for more than one year after the acquisition.

The investigation was conducted by the Boston Field Office.

W.R. Grace & Co.

On August 28, 2003, the Commerce Department imposed a \$178,500 civil penalty on W.R. Grace & Co.-Conn., (W.R. Grace) to settle allegations that W.R. Grace violated the EAR by shipping chemicals without the required export licenses.

BIS alleged that W.R. Grace exported triethanolamine on 51 occasions to end-users in Brazil, the Dominican Republic, Hong Kong, Mexico, the Philippines, Singapore, Thailand, and Venezuela without the required licenses from BIS. Exports of triethanolamine require a license because the substance can be used to manufacture chemical weapons. W.R. Grace voluntarily disclosed the violations to BIS and cooperated fully in the investigation. The payment of the penalty will be subject to the outcome of bankruptcy proceedings involving W.R. Grace in the U.S. Bankruptcy Court for the District of Delaware.

The investigation was conducted by the Boston Field Office.

Hamilton Sundstrand Corporation

On July 28, 2003, the Commerce Department issued an order implementing the terms of a settlement agreement under which Hamilton Sundstrand Corporation (Sundstrand), of Windsor Locks, Connecticut, agreed to pay \$171,500 to settle allegations that it violated the EAR.

BIS alleged that three subsidiaries of Sundstrand exported or reexported centrifugal pumps to various endusers in China, Taiwan, Israel, and Saudi Arabia, without obtaining the required Department of Commerce export licenses. BIS also alleged that Sundstrand made false statements on Shipper's Export Declarations (SEDs), failed to file SEDs, and failed to provide required information on SEDs it did file. Sundstrand is a manufacturer of centrifugal pumps used for general, industrial, and chemical process application. These pumps are controlled for chemical and biological weapons reasons, as well as for antiterrorism reasons.

The investigation was jointly conducted by the Chicago and Los Angeles field offices.

Versa-Matic Pump Corp.

On May 8, 2003, the Commerce Department issued an order implementing settlement terms under which Versa-Matic Pump Corp (Versa-Matic), located in Export, Pennsylvania, agreed to pay \$55,000 to settle charges of illegally exporting diaphragm pumps, which are controlled for export because, among other applications, they can be used in the production process for chemical weapons. The settlement also included allegations that Versa-Matic made false statements on Shipper's Export Declarations.

The investigation was conducted by the New York Field Office.

High Performance Computers

BIS maintains controls on exports of high performance computers in recognition of their strategic and proliferation significance. The following cases highlight enforcement of these controls:

E & M Computing Ltd.

On August 18, 2003, the Department of Commerce imposed a \$165,000 fine and a three-year denial of export privileges on E & M Computing Ltd. (E&M), of Ramat-Gan, Israel, to settle charges that the company violated the EAR when it sold and serviced computers and computer components to three customers in Israel, including a nuclear research center. The denial period was suspended for three years, and will thereafter be waived if the company does not violate U.S. export control laws during the period of suspension.

BIS's allegations included that E&M caused the export of central processing units (CPUs), a workstation, a server, and a high performance computer to Israel without the required export licenses. BIS also charged that E&M evaded the EAR by purchasing computers from another vendor after learning that BIS would deny the first vendor's license application to export the items.

The investigation was conducted by the San Jose Field Office.

Jet Info Systems International

On December 4, 2002, pursuant to a settlement agreement, BIS imposed a \$40,000 civil penalty and a two year denial of export privileges on Jet Info Systems International. BIS alleged that on two occasions in 1996, Jet Info Systems International shipped computers from Germany, via the Netherlands, to the Russian Federal Nuclear Center for the Russian Research Institute of Experimental Physics in violation of U.S. export laws. While the computers were manufactured abroad, they remained subject to U.S. regulations because they were produced with U.S.-origin technology. BIS agreed to suspend the denial period provided Jet Info Systems International does not commit any export control violations during the suspension period.

BIS also imposed a \$20,000 civil penalty and a five year denial of export privileges on Alexander Zisman pursuant to a settlement agreement. Zisman is a Russian national who arranged for the transportation of one of the shipments from Germany to Russia.

The investigation was conducted by the Washington Field Office.

Antiboycott Cases

The U.S. Government stands firm in its policy of opposing restrictive trade practices and boycotts against its allies. BIS is committed to enforcing the antiboycott provisions of the EAR, as illustrated by the cases discussed below.

Serfilco, Ltd.

On March 14, 2003, a \$65,000 administrative penalty was imposed on Serfilco, Ltd., of Northbrook, Illinois, in a settlement of allegations that Serfilco violated a 1996 order denying its export privileges. Serfilco, a manufacturer of commercial filtration and pumping equipment,

violated the terms of a denial order imposed by the Department of Commerce by selling goods to companies in the United States for export to Bahrain and Saudi Arabia in 1996, and by negotiating the sale of goods to companies in the United Arab Emirates and Saudi Arabia in 1996 and 1997. The 1996 denial order was imposed after Serfilco violated the antiboycott provisions of the EAR by giving information about its business relationship with Israel when it responded to a boycott questionnaire from an Iraqi distributor. In addition to the monetary penalty imposed in March 2003, Serfilco's export privileges to Bahrain, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, and the Republic of Yemen were denied for three years.

The investigation was jointly conducted by the Chicago Field Office and the Office of Antiboycott Compliance in Washington, DC.

Rockwell Automation Inc.

On May 23, 2003, the Commerce Department imposed a \$9,000 civil penalty on Rockwell Automation Inc, a Milwaukee, Wisconsin-based corporation and successor company to Reliance Electric Company, and two of Reliance's foreign subsidiaries to settle allegations that the Reliance companies committed four violations of the antiboycott provisions of the EAR.

BIS alleged that Dodge International, a division of Reliance Electric Company, violated the EAR's antiboycott provisions by failing to report a request from a Kuwaiti purchaser for a declaration from Dodge that the goods at issue did not originate in Israel and that Dodge was not affiliated with any Israeli boycotted or blacklisted company. BIS further alleged that Dodge failed to maintain records containing information relating to a reportable boycott request as required by the EAR's antiboycott provisions. BIS also alleged that the foreign subsidiaries furnished prohibited business information in separate transactions involving the United Arab Emirates and Pakistan.

The investigation was conducted by the Office of Antiboycott Compliance.

Cook Composites and Polymers Company (Cook Composites)

On June 17, 2003, the Commerce Department imposed a civil penalty of \$6,000 on Cook Composites and Polymers Company (Cook Composites), of North Kansas City, Missouri, pursuant to an agreement to settle allegations that the company violated the antiboycott provisions of the EAR.

BIS charged that Cook Composites furnished information about its business relationships with Israel when, in January 1998, in connection with a shipment to a customer in Bahrain, it provided a certificate to a bank stating that the goods being shipped were not of Israeli origin and did not contain Israeli materials. BIS also alleged that Cook Composites failed to report its receipt of the request for the information as required by the EAR.

The investigation was conducted by the Office of Antiboycott Compliance.

Jagro Customs Brokers and International Freight Forwarders, Inc.

On June 24, 2003, the Commerce Department imposed a civil penalty of \$5,700 on Jagro Customs Brokers and International Freight Forwarders, Inc. (Jagro), of Irvington, New Jersey, pursuant to an agreement to settle allegations that the company violated the antiboycott provisions of the EAR.

BIS alleged that, in January 1998, in connection with a shipment of goods to Bahrain, Jagro furnished information about another company's business relationships with Israel when it furnished a commercial invoice that contained the statement: "We confirmed that the goods are not of Israeli origin nor do they contain any Israeli material." BIS also alleged that Jagro failed to report its receipt of the request for such an attestation.

The investigation was conducted by the Office of Antiboycott Compliance.

McMaster-Carr Supply Company (McMaster-Carr)

On July 28, 2003, the Commerce Department imposed a civil penalty of \$8,000 on McMaster-Carr Supply Company (McMaster-Carr), an Elmhurst, Illinois, supplier of industrial and commercial hardware, pursuant to an agreement to settle allegations that McMaster-Carr committed eight violations of the antiboycott provisions of the EAR.

BIS charged that McMaster-Carr failed to report its receipt of boycott-related requests within the time period required by the EAR. The alleged violations occurred in eight transactions involving sales of goods from the United States to Oman, the United Arab Emirates, Kuwait, Qatar, and Saudi Arabia. McMaster-Carr voluntarily disclosed the alleged violations to the Department.

The investigation was conducted by the Office of Antiboycott Compliance.

Other Cases

During Fiscal Year 2003, BIS also investigated the following cases:

Bing Sun and Patte Sun

On October 4, 2002, the Office of Exporter Services, in consultation with the Office of Export Enforcement, denied the export privileges of Bing Sun for ten years and Patte Sun for eight years, pursuant to Section 11(h) of the Export Administration Act, based on their December 18, 2000, convictions of violating the Arms Export Control Act by knowingly and willfully attempting to export defense articles on the United States Munitions List from the United States to the People's Republic of China, without having first obtained authorization from the State Department. Both Bing and Patte Sun are currently incarcerated in federal prison.

The investigation was conducted by the Washington Field Office.

All Ports, Incorporated

On October 4, 2002, the Office of Exporter Services, in consultation with the Office of Export Enforcement, denied the export privileges of All Ports, Incorporated for ten years pursuant to Section 11(h) of the Export Administration Act, based on the December 18, 2000, conviction of violating the Arms Export Control Act by knowingly and willfully attempting to export defense articles on the United States Munitions List from the United States to the People's Republic of China, without having first obtained authorization from the State Department.

The investigation was conducted by the Washington Field Office.

Gunter Kohlke

On September 5, 2003, the Office of Exporter Services, in consultation with the Office of Export Enforcement, denied the export privileges of Gunter Kohlke for ten years, pursuant to Section 11(h) of the Export Administration Act, based on his July 18, 2002, conviction of violating the Arms Export Control Act by knowingly and willfully attempting to export items on the United States Munitions List from the United States to Switzerland, without having first obtained authorization from the State Department. Mr. Kohlke is currently incarcerated in federal prison.

The investigation was conducted by the New York Field Office.

Compaq Computer Corporation (Digital Equipment Corporation)

On October 29, 2002, pursuant to a settlement agreement, the Commerce Department imposed a \$39,000 civil penalty on Compaq Computer Corporation. BIS alleged that on ten occasions, Digital Equipment Corporation and two of its overseas subsidiaries, now merged with and known as Compaq Computer Corporation, exported computers and computer equipment to various destinations in Asia. The shipments were made in violation of U.S. export laws and involved exports to the People's Republic of China and to South Korea and reexports of U.S.-origin goods from Hong Kong to the People's Republic of China and from Singapore to India.

This investigation was conducted by the Washington Field Office.

Maria Elena Ibanez

On October 31, 2002, the Commerce Department imposed a civil penalty of \$115,000 and a five-year denial of export privileges on Maria Elena Ibanez of Miami, Florida. The five-year denial period for Ibanez will be suspended provided Ibanez does not commit any violations during the five-year period.

Ibanez agreed to the penalty to settle charges that she caused, aided, and abetted violations of the EAR by International High Tech Marketing (IHTM), a firm that she previously operated. BIS alleged that, on 265 occasions between May 1996 and September 1998, Ibanez caused, aided, and abetted IHTM in various export control violations, including improperly avoiding the requirement to file Shipper's Export Declarations.

In March 2002, a U.S. District Court judge in Miami placed Ibanez on probation for 18 months and fined her \$5,000 for conspiring to falsify commercial invoices. Previously, in March 2000, IHTM pled guilty in U.S. District Court in Miami to five counts of export violations in connection with exports to Libya and Sudan and providing false information on commercial invoices. IHTM was fined \$250,000 for these violations. IHTM is no longer in business.

The investigation was conducted by the Miami Field Office.

Realtek Semiconductors Corporation

On December 12, 2002, BIS imposed a civil penalty of \$44,000 on Realtek Semiconductor Corporation (Realtek) of Hsinchu, Taiwan, a manufacturer of integrated circuits, in settlement of allegations that Realtek violated an order denying its export privileges. The settlement also involved imposition of an order denying Realtek's export privileges for two years, all of which was suspended. BIS alleged that, in December 1996 and December 1999, Realtek violated the terms of a Commerce-imposed denial order when it purchased U.S.-origin air-conditioning equipment and when it attempted to purchase U.S.-origin computer software. The denial order against Realtek had been imposed in August 1995 because Realtek participated in an export of U.S.-origin microprocessor technology without the written assurance from the end-user that the

EAR then required. Realtek is no longer subject to an effective (that is, non-suspended) denial order.

The investigation was conducted by the Boston Field Office.

Koch Petroleum Group LP

On June 3, 2003, the Commerce Department imposed a \$200,000 civil penalty against Flint Hill Resources LP, formerly known as Koch Petroleum Group LP, of Wichita, Kansas (Koch), to settle allegations that the company committed 40 violations of the EAR by exporting crude petroleum from the United States to Canada without the required Department of Commerce licenses. The Commerce Department controls the export of crude petroleum to any foreign destination to protect the domestic supply. The investigation was conducted by the Dallas Field Office.

Kamino Transport

On June 10, 2003, pursuant to a settlement agreement, the Commerce Department imposed a civil penalty of \$5,000 on Kamino International Transport, Inc. (Kamino), a freight forwarder with offices in the United States and overseas, to resolve allegations that Kamino violated the EAR when an employee of the company made misstatements in connection with its retention of export control documents. BIS alleged that a Kamino employee told a BIS investigator that Kamino had disposed of export control documents that the investigator had requested Kamino to produce. In fact, Kamino had not disposed of the records. The EAR requires that such records be retained for five years and produced upon the request of a BIS representative.

The investigation was conducted by the New York Field Office.

Expeditors International

On September 3, 2003, BIS imposed a civil penalty of \$5,000 on Expeditors International of Washington, Inc. (Expeditors), a Seattle, Washington-based freight forwarder, in settlement of allegations that Expeditors facilitated an export to a company in Taiwan that was, at the time, denied U.S. export privileges. BIS charged that, in December of 1996, Expeditors violated the terms of a Department of Commerce order denying the export privileges of Realtek Semiconductor Co., Ltd. (Realtek), in Taiwan, when it forwarded commercial air-conditioning units to Realtek. The Department settled related charges against Realtek in December of 2002.

The investigation was conducted by the Boston Field Office.

Export Enforcement Cases Closed October 1, 2002 to September 30, 2003

Order Sections Date Cases Charges Violated¹ Respondents Disposition¹The number shown in brackets is the number of violations alleged.

10/04/02 In the Matter of Knowingly and willfully attempted Section 38 of Bing Sun Export privileges Bing Sun to export defense articles on the the AECA denied until United States Munitions List, from December 18, 2010 the United States to the People's Republic of China, without having first obtained from the Department of State a license or written authorization for such export

10/04/02 In the Matter of Knowingly and willfully attempted Section 38 of Patte Sun Export privileges Patte Sun to export defense articles on the the AECA denied until United States Munitions List, from December 18, 2008 the United States to the People's Republic of China, without having first obtained from the Department of State a license or written authorization for such export

10/04/02 In the Matter of Knowingly and willfully attempted Section 38 of All Ports, Export privileges All Ports, to export defense articles on the the AECA Incorporated denied until Incorporated United States Munitions List, from December 18, 2010 the United States to the People's Republic of China, without having first obtained from the Department of State a license or written authorization for such export

10/21/02 In the Matter of Exported and attempted to export Section Pars Company, Inc. Export privileges Pars Company, Inc. goods and technology to a person 1705(b) denied until in a third country with knowledge of the IEEPA September 4, 2010 that the goods and technology were intended to be supplied to Iran

10/29/02 In the Matter of Made false or misleading 764.2(g)[6] Compaq Computer Settlement representations or statements of 764.2(a)[2] Corporation (Digital agreement material fact to a United States Equipment civil penalty agency in connection with the Corporation) of \$25,000 preparation, submission or use of export control documents; exported certain computer equipment to South Korea without obtaining the proper authorization; exported certain computers and computer equipment to China in violation of the conditions of the U.S. export license

10/29/02 In the Matter of Reexported one AlphaServer and 764.2(a)[1] Compaq Computer Settlement Compaq Computer four dual CPU modules, originally Corporation (Digital agreementcivil Corporation (Digital exported from the United States to Equipment penalty of \$8,000 Equipment Method Research Center in International, Ltd.) International, Ltd.) Beijing, China without obtaining (Hong Kong) the proper authorization

10/29/02 In the Matter Reexported nine U.S.-origin 700 764.2(a)[1] Compaq Computer Settlement Compaq Computer MHZ dual CPU modules from Corporation (Digital greement Corporation (Digital Singapore to India without Equipment Asia civil penalty Equipment Asia obtaining the proper authorization Pacific Pte. Ltd.) of \$6,000 Pacific Pte. Ltd.)

10/31/02 In the Matter of Caused, aided, and abetted 787A.2[77] Maria Elena Ibanez Settlement Maria Elena Ibanez International High Tech Marketing 764.2(b)[188] agreement (IHTM) in various export control civil penalty of violations, including improperly \$115,000; export avoiding the requirement to file privileges denied Shipper's Export Declarations for five years, (SEDs) by understating values on all of which is commercial invoices, submitting suspended falsified SEDs to the U.S. Government, and supplying its freight forwarder with undervalued commercial invoices that were used by the freight forwarder to prepare inaccurate SEDs and air waybills

11/04/02 In the Matter of Sigma Exported biological toxins to 787A.6 [6] Sigma Aldrich Settlement Aldrich Business various destinations, including 764.2(a) [262] Business Holdings, agreement Holdings, Inc.(SABH), France, Sweden, Netherlands, 764.2(g) [25] Inc., Sigma Aldrich civil penalty of Sigma Aldrich Germany, Korea, United Kingdom, 764.2(i) [25] Corporation and \$1,760,000 Corporation (SAC) Japan and Taiwan without the Sigma Aldrich and Sigma obtaining the required export Research AldrichResearch licenses; made or caused to be Biochemicals, Inc. Biochemicals, made false and misleading material Inc. (SARBI) misrepresentations on Shipper's Export Declarations concerning the authority to export; and failed to maintain the records required under the Regulations

11/08/02 In the Matter of Sturm, Exported 12 rifle scopes to Oman 764.2(a) [1] Sturm, Ruger & Settlement Ruger & Company, Inc. without the required export license Company, Inc. agreementcivil penalty of \$11,000

11/12/02 In the Matter of Conspiracy; solicited the export of 764.2(d) [1] Oerlikon Settlement Oerlikon cellulose from the United States to 764.2(c) [1] Schweisstechnik AG agreement Schweisstechnik AG Iran without the required 764.2(e) [1] export privileges authorization from the Office of denied for one year, Foreign Assets Control knowing last six months that it would be exported in suspended; civil violation of the Regulations penalty of \$33,000

11/12/02 In the Matter of Conspiracy; attempted to export 764.2(b) [1] Reweld AG Settlement Reweld AG 30,000 pounds of Cellulose Solka- 764.2(d) [1] agreementcivil Floe to Iran via Switzerland without penalty of \$22,000 the required authorization from the Office of Foreign Assets Control

12/04/02 In the Matter of Arranged for the transportation of 764.2(b) [1] Alexander Zisman Settlement Alexander Zisman computers from Germany to the 764.2(e) [1] agreementcivil Netherlands and from the penalty of \$20,000; Netherlands to the Russian Federal export privileges Nuclear Center, Russian Research denied for five years Institute of Experimental Physics (Arzamas-16), Russia without obtaining the necessary license for the shipment that he knew or had reason to know was required

12/04/02 In the Matter of Reexported computers from 787A.4 [1] Jet Info Systems Settlement Jet Info Systems Germany to the Netherlands and 787A.6 [1] International agreementcivil International reexported from the Netherlands 764.2(a) [1] penalty of \$40,000; to the Russian Federal Nuclear 764.2(e) [1] export privileges Center, Russian Research Institute denied for two of Experimental Physics years, all of which (Arzamas-16), Russia without is suspended obtaining the individual validated license it knew or had reason to know was required

12/10/02 In the Matter Violated the terms of an order 764.2(k) [2] Realtek Settlement of Realtek denying all of its U.S. export 764.2(e) [2] Semiconductors agreementcivil Semiconductors privileges by participating in Corporation penalty of \$44,000, Corporation transactions involving export privileges commodities that were subject denied for two years, to the Regulations with knowledge all of which is that a violation of an order issued suspended had occurred and was about to occur

01/06/03 In the Matter of Exported high performance 787A.2 [1] Silicon Graphics, Inc. Settlement Silicon Graphics, Inc. computers to Israel and Russia 787A.4 [2] agreementcivil without the required licenses and 787A.6 [2] penalty of \$182,000; with knowledge or reason to know 764.2(a)[8] export privileges that a violation of the Act or any 764.2(b)[1] export privileges regulation, order or license issued 764.2(e)[4] export privileges thereunder has occurred, was 764.2(g)[1] denied for three about to occur or was intended to years, all of which occur; engaged in prohibited is suspended conduct; made false or misleading statement of material fact in connection with the preparation, submission, issuance or use of an export control document; failed to comply with the National Defense Authorization Act reporting requirements for shipments it made from its manufacturing facility in Switzerland to the People's Republic of China, Qatar and the United Arab Emirates

03/14/03 In the Matter of Sold commodities to companies in 787A.3 [1] Serfilco, Ltd. Settlement Serfilco the United States to be exported to 787A.4 [1] agreementcivil Bahrain and Saudi Arabia, and 764.2(a) [4] penalty of \$65,000; negotiated the sale of commodities export privileges to be exported to the United Arab denied to Bahrain, Emirates and Saudi Arabia, contrary Iraq, Kuwait, to the terms of the June 10, 1996 Lebanon, Libya, Order denying all of Serfilco's export Oman, Qatar, privileges to Bahrain, Iraq,

Kuwait, Saudi Arabia, Syria, Lebanon, Libya, Oman, Qatar, Saudi the United Arab Arabia, Syria, the United Arab Emirates, and the Emirates or the Republic of Yemen Republic of Yemen For three years

03/14/03 In the Matter of Attempted to export aviator 764.2(a) [1] Randolph Settlement Randolph sunglasses through Italy to Iran 764.2(g) [1] Engineering, Inc. agreement civil Engineering Inc. without obtaining the required penalty of \$12,000 authorization from the Office of Foreign Assets Control; made a false or misleading statement of Shipper's Export Declaration concerning ultimate destination

03/26/03 In the Matter of [TDO: Reason to believe that 764.2(a) Yaudat Mustafa Talyi, Order Yaudat Mustafa there was a risk of an imminent 764.2(d) also known as temporarily Talyi, also known as violation based on evidence that 764.2(g) Joseph Talyi, and denying export Joseph Talyi, and Talyi, through his company International privileges renewed International International Business Services, Business Services, for 180 days Business Services, Ltd. Inc., exported or participated in the Ltd. and Top and Top Oil Tools, Ltd. export of U.S.-origin items to Libya Oil Tools, Ltd. and Sudan without obtaining the necessary authorizations from BIS or the Treasury Department's Office of Foreign Assets Control; attempted to mislead U.S. suppliers about the ultimate destination and end-user of the items ordered by falsely claiming that they were bound for destinations such as the United Arab Emirates or Venezuela while the items were designed for oil field equipment in Libya and Sudan]

04/16/03 In the Matter of Attempted to export a Mossberg 764.2(c) [1] Frank Curic Settlement Frank Curic shotgun from the United States to 764.2(e) [1] Agreementexport Bosnia and Herzegovina without 764.2(g)(1)[1] privileges denied obtaining the required license that for three years he knew or had reason to know was required; made a false and misleading material misrepresentation on Shipper's Export Declaration

04/16/03 In the Matter of Exported two STX gas monitors 764.2(a)[1] Industrial Scientific Settlement Industrial Scientific from the United States to United 764.2(a)[1] Corporation Agreementcivil Corporation Arab Emirates (UAE) without 764.2(d)[1] penalty of \$30,000 obtaining the required authorization; transferred the gas monitors to the UAE with knowledge that they would be reexported to Iran; conspiracy

05/06/03 In the Matter of Exported or caused to be exported 764.2(a) [3] Howmet Settlement Howmet Corporation technology for the production of Corporation Agreement civil ceramic cores from the United States penalty of \$10,000 to the United Kingdom and Japan and exported parts for a directional solidification casting furnace from the United States to Japan without obtaining the required licenses

05/08/03 In the Matter of Exported or caused to be exported 764.2(a) [7] Versa-Matic Pump Settlement Versa-Matic Pump diaphragm pumps from the United 764.2(g) [3] Company Agreementcivil Company States to Israel, China and Egypt penalty of \$55,000 without the required licenses; submitted Shipper's Export Declarations containing false statements regarding the commodity classification and license requirements

06/03/03 In the Matter of Conspiracy; exported or caused the 764.2(d) [1] E. H. Wachs Settlement E. H. Wachs export of pipe cutting machines 787A.2 [5] Company, Inc. Agreementcivil Company, Inc. and spare parts from the United 764.2(a) [2] penalty of \$159,000; States to Iran without prior 787A.4 [5] export privileges authorization from the Office of 764.2(e) [2] denied for three Foreign Assets Control of the U.S. years, all of which Department of Treasury; sold pipe is suspended cutting machines and spare parts with knowledge that they were to be exported from the United States to Iran

06/03/03 In the Matter of Exported crude petroleum from the 764.2(a)[40] Flint Hill Resources, Settlement Flint Hill Resources, United States to Canada without L.P., formerly known Agreementcivil L.P., formerly known the required export licenses; failed as Koch Petroleum penalty of \$200,000 as Koch Petroleum to file Shipper's Export Declarations Group, L.P. Group, L.P. for exports of crude petroleum from the United States to Canada

06/10/03 In the Matter of Made a false or misleading 764.2(g) [1] Kamino International Settlement
Kamino International statement of a material fact to Transport, Inc. Agreementcivil
Transport, Inc. BIS in the course of an penalty of \$5,000
investigation

06/19/03 In the Matter of Knowingly and willfully violated a Section 1701 Ihsan Elashyi also
Export privileges
Ihsan Elashyi also regulation and order of the United of IEEPA known as Ihsan denied until
known as Ihsan Elashi States Department of Commerce, Elashi and Sammy October 23, 2009
and Sammy Elashyi, to wit, the Temporary Denial Elashyi, Tetrabal Tetrabal Corporation, Order
of September 6, 2001, by Corporation, Inc., Inc., Maysoon Al participating in a transaction
Maysoon Al Kayali, Kayali, Mynet.Net involving the export and attempted Mynet.Net Corp. and
Corp. and Al Kayali export of commodities from the Al Kayali Corporation Corporation United
States to Saudi Arabia,
Jordan, Egypt, and Lebanon

06/24/03 In the Matter of Exported items through Italy or the 764.2(a) [15] Bio Check, Inc.
Settlement Bio Check, Inc. United Arab Emirates to Iran without 764.2(h) [15] Agreementcivil
obtaining the required authorization penalty of \$22,500 from Office of Foreign Assets Control;
failed to file the required Shipper's Export Declaration

06/24/03 In the Matter of Caused to be exported a thermal 764.2(b) [1] Bassem A. Alhalabi
Settlement Bassem A. Alhalabi imaging camera from the United Agreementexport States to Syria
without the required privileges denied
license for one year

06/24/03 In the Matter of Made a false or misleading 764.2(g) [1] Zooma Settlement Zooma
Enterprises, representation to an official of a Enterprises, Inc. Agreementcivil Inc. U.S.
Government agency in penalty of \$8,000 connection with the preparation, submission, and use
of an export control document

06/24/03 In the Matter of Made false or misleading 764.2(g) [3] Issa Salomi Settlement Issa
Salomi representations to the U.S. Agreementcivil Customs Service in the course penalty of
\$24,000 of an investigation

07/17/03 In the Matter of Caused the export of items to 764.2(b) [33] DSV Samson Settlement
DSV Samson organizations listed on the BIS 764.2(e) [23] Transport, Inc. Agreement civil
Transport, Inc. Entity List without the required 764.2(g) [3] penalty of \$399,000 license, with
knowledge that the goods would be exported in violation of the Regulations; made false and
misleading material misrepresentations on Shipper's Export Declaration concerning
the authority to export

07/24/03 In the Matter of [TDO: Reason to believe that 764.2(a) Uni-Arab Modification Yaudat
Mustafa Talyi, there was a risk of an imminent 764.2(d) Engineering and of Order also known as
Joseph violation based on evidence that 764.2(g) Oil Field Services, Temporarily Talyi, and
International Talyi, through his company Jaime Radi Denying Export
Business Services, Ltd. International Business Services, Mustafa and Privileges by and Top Oil

Tools, Ltd. Inc., exported or participated in the Nureddin Shafiff adding Uni-Arab export of U.S.-origin items to Libya Sehweil Engineering and and Sudan without obtaining the Oil Field Services, necessary authorizations from BIS Jaime Radi Mustafa or the Treasury Department's Office and Nureddin Shafiff of Foreign Assets Control; attempted Sehweil to mislead U.S. suppliers about the ultimate destination and end-user of the items ordered by falsely claiming that they were bound for destinations such as the United Arab Emirates or Venezuela while the items were designed for oil field equipment in Libya and Sudan]

07/28/03 In the Matter of Exported and reexported pumps to 764.2(a) [33] Hamilton Sundstrand Settlement Hamilton Sundstrand various countries without obtaining 764.2(g) [16] Corporation Agreementcivil Corporation the required licenses; made false or penalty of \$171,500 misleading statements on Shipper's Export Declarations (SEDs) stating that no license was required, when in fact a license was required; failed to file SEDs as required and failed to provide certain required information on SEDs

08/06/03 In the Matter of Conspiracy; caused to be exported 764.2(d) [1] Hakko Co. Ltd. Settlement Hakko Co. Ltd. to Japan 100 units of generation II 764.2(b) [1] Agreementcivil night vision equipment without the penalty of \$20,000; required export license export privileges denied for five years, all of which is suspended

08/06/03 In the Matter of Conspiracy; caused to be exported 764.2(d) [1] Hideo Nakagawa Settlement Hideo Nakagawa to Japan 100 units of generation II 764.2(b) [1] Agreementcivil night vision equipment without the penalty of \$20,000, required export license all of which is suspended; export privileges denied for five years, all of which is suspended

08/06/03 In the Matter of Conspiracy; sold night vision 764.2(d) [1] Worldwide Sports & Settlement Worldwide Sports & scopes to an end-user in Japan 787A.4 [4] Recreation Inc. Agreementcivil Recreation Inc. with knowledge that violations 787A.5 [4] currently d/b/a penalty of \$223,000; currently d/b/a would occur; evaded the 764.2(e) [6] Bushnell Corporation export privileges Bushnell Corporation Regulationsby omitting the name 764.2(h) [6] denied for one year, of the Japanese company and its all of which is address from the invoices to conceal suspended the identity of ultimate end-user and ultimate destination of the night vision scopes

08/18/03 In the Matter of Caused the export of high 764.2(b) [4] E&M Computing Ltd. Settlement E&M Computing Ltd. performance computers and 764.2(e) [4] agreementcivil equipment from the United States 764.2(h) [4] penalty of \$165,000; to Israel without the required BIS 764.2(g)(1)[3] export privileges licenses; evaded the Regulations denied for three by purchasing computer equipment years, all of which from another vendor after learning is suspended that BIS would deny the first vendor's license application to export the items; loaned or sold computers to customers until BIS licenses could be obtained, and provided false and misleading information in support of the license applications and NDAA authorizations; attempted to avoid detection of unauthorized sales or loans by removing the computers and equipment from end-users when they were notified that BIS officials were planning to conduct a post-shipment verification; upgraded computers above the export control threshold with CPUs

08/28/03 In the Matter of W. R. Exported chemical products 764.2(a) [51] W. R. Grace & Settlement Grace & Co. - Conn. containing triethanolamine from Co. - Conn. Agreementcivil the United States to Mexico, penalty of \$178,500

Thailand, Hong Kong, Venezuela, Philippines, Taiwan, Dominican Republic, Brazil and Singapore without obtaining the required licenses

09/03/03 In the Matter of Violated the terms of an order 764.2(k) [1] Expeditors Settlement Expeditors denying all of the U.S. export International of Agreementcivil International of privileges of Realtek Washington, Inc. penalty of \$5,000 Washington, Inc. Semiconductors Co. Ltd. by participating in a transaction with Realtek involving commodities that were subject to the Regulations and that were exported from the United States

09/05/03 In the Matter of Knowingly and willfully attempted Section 38 Gunter Kohlke Export privileges Gunter Kohlke to export items on the United States of the AECA denied until July 18, Munitions List, from the United 2012 States to Switzerland, without first obtaining the required approval from the Department of State

09/24/03 In the Matter of TDO: Reason to believe that there 764.2(a) Yaudat Mustafa Order Yaudat Mustafa Talyi, was a risk of an imminent violation 764.2(d) Talyi, also known as temporarily also known as Joseph based on evidence that Talyi, 764.2(g) Joseph Talyi, and denying export Talyi, and International through his company International International privileges renewed Business Services, Business Services, Inc., exported Business for 180 days Ltd. and Top Oil or participated in the export of Services, Ltd. and Tools, Ltd., Uni-Arab U.S.-origin items to Libya and Top Oil Tools, Ltd., Engineering and Oil Sudan without obtaining the Uni-Arab Engineering Field Services, Jaime necessary authorizations from BIS and Oil Field Radi Mustafa and or the Treasury Department's Office Services, Jaime Nureddin Shaffi of Foreign Assets Control; attempted Radi Mustafa Sehweil to mislead U.S. suppliers about the and Nureddin ultimate destination and end-user Shaffi Sehweil of the items ordered by falsely claiming that they were bound for destinations such as the United Arab Emirates or Venezuela while the items were designed for oil field equipment in Libya and Sudan

09/26/03 In the Matter of Attempted to export a Dash 10M 764.2(c) [1] Astro-Med, Inc. Settlement Astro-Med, Inc. data recorder to the Nuclear Power Agreementcivil Corporation of India, an organization penalty of \$5,000 listed on BIS's Entity List, without the required license

09/29/03 In the Matter of Conspiracy: exported oil field 764.2(d) [1] Abdulmir Mahdi Export privileges Abdulmir Mahdi equipment, from the United States 764.2(a) [2] and OTS Refining denied for 20 years and OTS Refining through Canada to Iran, without prior 764.2(c)[1] Equipment Equipment Corporation authorization from the Office of 764.2(g) [1] Corporation Foreign Assets Control; solicited or 764.2(e)[1] attempted the export of oil field equipment from the United States through Canada to Iran without prior authorization; made a false and misleading statement of material fact directly or indirectly to a United States agency in connection with the preparation of an export control document; transferred and forwarded goods with knowledge that they have been exported in violation of the Regulations

09/30/03 In the Matter of Aided and abetted the export of 764.2(b) [2] Reza Moghadam Settlement Reza Moghadam liquid injectors from the United 764.2(h) [1] Pirasteh Agreementcivil Pirasteh States to Iran without prior 764.2(g)(1) [1] penalty of \$4,500; authorization from the Office of export privileges Foreign Assets Control; evaded denied for seven the provisions of the Regulations years relating to Iran; made a false and misleading statement to an OEE Special Agent in the course of an investigation

09/30/03 In the Matter of Exported or caused the export of 764.2(a) [2] Dosmatic U.S.A., Settlement Dosmatic U.S.A., Inc. liquid injectors from the United 764.2(g) [2] Inc. Agreementcivil States to Iran without prior penalty of \$44,000; authorization from the Office of export privileges Foreign Assets Control; made denied for false statements to the U.S. 30 months, all of Government by filing or causing which is suspended to be filed a Shipper's Export Declaration regarding the ultimate destination and the ultimate consignee

Summary of Cases Closed FY 2003Office of Anti-boycott Compliance

Company Name & Date Order Location Signed Alleged Violations Penalty Amount

Serfilco Ltd. 03/15/03 6 violations: \$65,000 and 3 year denial to 11 Middle Northbrook, IL 1 violation of 787A3 (act to solicit or East countries. attempt to violate an EAR order.) 1 violation of 787A4 (selling for export knowing of a violation of an EAR order) 4 violations of 764.2(a).(engaged in conduct contrary to an EAR order.)

Rockwell 05/23/03 2 violations of 760.5: \$5,000 Automation Inc. 1 Failure to Report; 1 Record Keeping

Rockwell International, 05/23/03 1 violation of 760.2(d) [Furnishing \$2,000 GmbH (Germany) prohibited business information]

Rockwell Automation, 05/23/03 1 violation of 760.2(d) [Furnishing \$2,000 AG (Switzerland) prohibited business information]

Cook Composites and 06/17/03 2 violations: \$6,000 Polymers Co. 1-760.2(d) [Furnished prohibited (N. Kansas City, MO.) business information]; 1-760.5 [Failed to report].

Jagro Customs Brokers 06/24/03 2 violations: \$5,700 and International 1-760.2(d) [Furnished prohibited Freight Forwarders, Inc. business information]; Irvington, NJ 1-760.5 [Failed to report].

McMaster-Carr 07/28/03 8 violations of 760.5 \$8,000 Supply Company [Failed to report]. Elmhurst, IL

10/23/02 Ihsan Elashyi Shipping and attempting to ship Commerce 48 months imprisonment, goods to Libya and Syria without 3 years probation and authorization from the United \$281,892.52 in restitution States and related charges of access device fraud, money laundering, and wire fraud.

11/08/02 Jeffrey Woodbridge Conspiracy to violate the Commerce Jeffrey Woodbridge was International Emergency Economic sentenced to two years Powers Act. probation and a \$7,000 fine.

01/06/03 Silicon Graphics Two felony charges that the Commerce Silicon Graphics agreed to company violated Commerce pay \$1 million in criminal Department regulations by illegally fines. Exporting high performance computers to a Russian nuclear laboratory in 1996.

01/13/03 Sigma Enterprises, Conspiracy to violate the Commerce Sigma Enterprises paid a LTD International Emergency \$20,000 fine. Economic Powers Act.

02/14/03 Eduard Yamnik, Illegal export of crime control Commerce Two years supervised release D.B.A. Edsons items to Belarus. and a \$2,000 criminal fine. Worldwide

04/17/03 E.H. Wachs Unauthorized export of Commerce Sentenced to twenty-four Company goods to Iran. months probation, a \$506,000 fine and was ordered to institute an export compliance program.

04/23/03 Minequip Conspiracy to violate the Commerce Minequip was sentenced to International Emergency Economic one year corporate probation Powers Act. [Have S/A Nardella and a \$3,000 criminal fine. verify whter plea was to 18 USC 1001 or IEEPA and make any necessary changes here and in the text].

04/23/03 John Clements Conspiracy to violate 18 USC 1001 Commerce John Clements was (false statements) sentenced to two years probation and a \$1,000 criminal fine.

05/29/03 Zlatko Brkic Knowingly and willfully Commerce Was sentenced to one-year attempting to export crime control pre-trial diversion items to Bosnia.

Criminal Convictions Returned During Fiscal Year 2003

Sentencing Enforcement Date Defendant(s) Charge(s) Organization(s) Sanction

07/01/03 Robert Tsai Conspiracy to defraud companies Commerce/ 15 Months in prison, 3 years in China and Syria by arranging Homeland Security supervised release, \$101,230 to ship low grade scrap metal in in restitution and a \$5,000 lieu of high grade copper wire criminal fine.

07/09/03 Joesph D'Allesio Filing false export control Commerce D'Allesio received two years documents. probation and paid a \$100 special assessment.

07/09/03 Anthony Cordae Filing false export control documents. Commerce Cordae paid a \$100 special assessment.

07/10/03 Dosmatic U.S.A. Illegal export of items subject Commerce/ Dosmatic received three to the EAR. North Texas Joint years probation and a Terrorism Task Force \$50,000 fine.

07/10/03 Reza Pirasteh Making false statements Commerce/ Reza Pirasteh received three regarding export activities. North Texas Joint years probation and a \$2,000 Terrorism Task Force fine.

07/17/03 DSV Samson Thirty counts of violation of the Commerce Five years corporate Transport, Inc. International Emergency Economic probation and a \$250,000 criminal fine. Powers Act by shipping to listed parties in India.

07/25/03 Kiarash Arastafar Knowingly and willfully attempting Commerce Received six months jail and to procure industrial parts for Iran. home detention

08/05/03 Bushnell Corporation Illegal export of over 500 units Commerce Five years corporate of night vision goggles. probation and a \$650,000 criminal fine.

08/05/03 Hakko Ltd. Conspiracy to make illegal exports Commerce Sentenced to five years of night vision goggles. probation and a \$68,000 corporate fine.

08/05/03 Hideo Nakagawa Conspiracy to make illegal exports Commerce Sentenced to time served of night vision goggles. and deportation to Japan.

09/04/03 Yasmin Ahmed Conspiracy to divert controlled Commerce Yasmin Ahmed: Six months Alan Haller commodities to Pakistan. imprisonment, three years Mart Haller, Inc. supervised release and a Tariq Ahmed \$50,000 criminal fine;
Alan Haller: Two years imprisonment and three years supervised release. Mart Haller: Three years supervised release and a \$50,000 criminal fine. [Verify that company received supervised release.] Tariq Ahmed: Two years imprisonment and three years supervised release.

09/22/03 Ralph Michel Violation of the International Commerce Michel was sentenced to ten Emergency Economic Powers months imprisonment, Act and the Export Administration followed by three years of Regulations by exporting to supervised probation, Pakistan without the required and fined \$50,000.00. export license

09/23/03 Omega Violation of the International Commerce Omega was fined Engineering, Inc. Emergency Economic Powers Act \$313,000.00, placed on and the Export Administration corporate probation Regulations by exporting to Pakistan for five years, and without the required export license ordered to implement an export compliance program.

Appendix E: Tables of Antiboycott Settlements and Reporting Data

Number of Individual Firms, Transactions, Requesting Documents, and Restrictive Trade Practices by Firm Type

October 2002 through September 2003

ALL TRANSACTIONS (Summary Totals) (1)

(Footnotes (*) are located at the end of Appendix E-1(e))

(The column "Other" includes but is not limited to law firms, consulting firms, and general contractors)

Item Total	Item	Exporter	Bank	Forwarder	Carrier	Insurer	Other
Individual Firms Reporting	158	37	13	3	0	86	297
Transactions Reported	616	260	24	3	0	340	1,243
Requesting Documents Involved	616	260	24	3	0	340	1,243
Restrictive Trade Practices Requests (2)	730	287	31	3	0	386	1,437

Number of Individual Firms, Transactions, Requesting Documents, and Restrictive Trade Practices by Firm Type

October 2001 through September 2002

Appendix E-1(a) All Transactions

Category	Take Action(3)	Refuse(4)	Undecided	Total(5)
Exporter				
Number of Requests	95	521	0	616
Dollar Amount (\$000)	8,326	599,521	0	607,847
Bank				
Number of Requests	193	67	0	260
Dollar Amount (\$000)	23,428	25,854	0	49,282
Forwarder				
Number of Requests	5	19	0	24
Dollar Amount (\$000)	410	3,378	0	3,788
Carrier				

Number of Requests	0	3	0	3
Dollar Amount (\$000)	0	1,600	0	1,600
Insurer				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Other				
Number of Requests	101	239	0	340
Dollar Amount (\$000)	306,699	1,906,089	0	2,212,788
Total				
Number of Requests	394	849	0	1,243
Dollar Amount (\$000)	338,863	2,536,442	0	2,875,305
Number of Individual Firms, Transactions, Requesting Documents, and Restrictive Trade Practices by Firm Type October 2001 through September 2002 Appendix E-1(b) Prohibited Transactions				
Category	Take Action(3)	Refuse(4)	Undecided	Total(5)
Exporter				
Number of Requests	2	243	0	245
Dollar Amount (\$000)	112	432,556	0	432,668
Bank				
Number of Requests	1	5	0	6
Dollar Amount (\$000)	2,898	585	0	3,483
Forwarder				
Number of Requests	1	3	0	4
Dollar Amount (\$000)	3	841	0	844
Carrier				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Insurer				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Other				
Number of Requests	3	113	0	116
Dollar Amount (\$000)	200	267,575	0	267,775
Total				
Number of Requests	7	364	0	371
Dollar Amount (\$000)	3,213	701,557	0	704,770
Number of Individual Firms, Transactions, Requesting Documents, and Restrictive				

Trade Practices by Firm Type

October 2001 through September 2002

Appendix E-1(c) Prohibited as First Received, But Amended

Category	Take Action(3)	Refuse(4)	Undecided	Total(5)
Exporter				
Number of Requests	2	25	0	27
Dollar Amount (\$000)	250	4,126	0	4,376
Bank				
Number of Requests	9	44	0	53
Dollar Amount (\$000)	1,427	22,769	0	24,196
Forwarder				
Number of Requests	0	6	0	6
Dollar Amount (\$000)	0	1,141	0	1,141
Carrier				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Insurer				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Other				
Number of Requests	0	13	0	13
Dollar Amount (\$000)	0	1,571,933	0	1,571,933
Total				
Number of Requests	11	88	0	99
Dollar Amount (\$000)	1,677	1,599,969	0	1,601,646

Number of Individual Firms, Transactions, Requesting Documents, and Restrictive Trade Practices by Firm Type

October 2001 through September 2002

Appendix E-1(d) Exceptions to Prohibited

Category	Take Action(3)	Refuse(4)	Undecided	Total(5)
Exporter				
Number of Requests	85	203	0	288
Dollar Amount (\$000)	7,441	140,269	0	147,710
Bank				
Number of Requests	23	0	0	23
Dollar Amount (\$000)	1,497	0	0	1,497
Forwarder				
Number of Requests	1	4	0	5

Dollar Amount (\$000)	49	542	0	591
Carrier				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	0	0	0
Insurer				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Other				
Number of Requests	97	99	0	196
Dollar Amount (\$000)	306,254	60,908	0	367,162
Total				
Number of Requests	206	307	0	513
Dollar Amount (\$000)	315,241	201,719	0	516,960
Number of Individual Firms, Transactions, Requesting Documents, and Restrictive Trade Practices by Firm Type October 2001 through September 2002 Appendix E-1(e) Not Prohibited				
Category	Take Action(3)	Refuse(4)	Undecided	Total(5)
Exporter				
Number of Requests	6	50	0	56
Dollar Amount (\$000)	522	22,569	0	23,091
Bank				
Number of Requests	160	160	18	178
Dollar Amount (\$000)	17,606	2,500	0	20,106
Forwarder				
Number of Requests	3	6	0	9
Dollar Amount (\$000)	358	853	0	1,211
Carrier				
Number of Requests	0	2	0	2
Dollar Amount (\$000)	0	1,600	0	1,600
Insurer				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Other				
Number of Requests	1	14	0	15
Dollar Amount (\$000)	245	5,672	0	5,917
Total				
Number of Requests	170	90	0	260
Dollar Amount (\$000)	18,731	33,194	0	51,925

Footnotes:

(1) Totals, other than the number of firms reporting, are enhanced to the extent that an exporter and one or more other organizations report on the same transaction.

(2) Two or more types of restrictive trade practices are often reported in connection with one transaction.

(3) Transactions in this table are characterized as "take action" or "refuse" in terms of action taken on the original request, not on amended or deleted requests.

(4) "Refuse" does not necessarily mean that business was lost because a firm refused to comply with a prohibited boycott request. Rather, it indicates that firms refused to comply with the request in bidding on contracts totaling the dollar amounts indicated. Prohibited boycott language is often amended or deleted to permit U.S. firms to comply with U.S. law. Amendments and deletions are not reflected in these statistics.

(5) Dollar values may not add due to rounding.

Appendix E-2**Number of Restrictive Trade Practices by****Firm Type and Type of Restrictive Trade Practice**

October 2002 through September 2003

ALL TRANSACTIONS

Restrictive Trade Practice	Exporte r	Ban k	Forwarde r	Carrie r	Insure r	Other(1)	Total(2)
Carrier	76	204	15	2	0	22	319
Manufacturer/Vendor/Buyer	51	10	1	0	0	30	92
Insurance	0	3	0	0	0	1	4
Finance	1	2	0	0	0	2	5
Origin of Goods	356	53	11	1	0	102	523
Marked Goods/Packages	0	0	0	0	0	0	0
War Reparations	0	0	0	0	0	1	1
Observe Boycott Laws	153	5	3	0	0	60	221
Race/Religion/Sex/Origin	0	0	0	0	0	0	0
Relations with Boycotted	23	8	1	0	0	23	55

Country							
Risk of Loss	0	0	0	0	0	0	0
Destination of Goods	47	0	0	0	0	135	182
Other Restrictive Trade Practices	23	2	0	0	0	10	35
Totals	730	287	31	3	0	386	1,437

OTHER: Includes but are not limited to law firms, consulting firms, and general contractors.

TOTALS: Enhanced to the extent that an exporter and one or more other organizations report on the same transaction.

Appendix E-3

Number ⁽¹⁾ of Restrictive Trade Practices

by Originating Country and Type of Practice

October 2002 through September 2003

Country	Carrier	Manufacturer/ Vendor / Buyer	Insurance	Finance	Origin of Goods	Marked Goods/ Packaging	War Reparations	Observed Boycott Laws	Race/Religion/ Sex/Ori gin	Relations with Boycotted Country	Risk of Loss	Destination of Goods	Other Restrictive Practices	Total
Bahrain	11	5	2	0	4	0	0	14	0	0	0	1	1	38
Egypt	1	0	0	0	1	0	0	0	0	0	0	0	0	2
Iraq	0	0	0	0	0	0	0	0	0	1	0	0	0	1
Jordan	0	0	0	0	3	0	0	0	0	5	0	0	0	8
Kuwait	62	2	0	0	33	0	0	4	0	1	0	1	1	104
Lebanon	44	1	0	0	14	0	0	2	0	0	0	0	0	61
Libya	1	1	0	0	11	0	0	1	0	1	0	0	1	16
Qatar	28	0	0	0	7	0	0	38	0q1	1	0	35	6	115
Saudi	0	14	0	1	35	0	0	27	0	5	0	4	1	87

di Arabia														
Syria	18	5	0	0	26	0	0	51	0	18	0	0	20	138
UAE	130	53	2	1	326	0	1	59	0	16	0	20	4	612
Other (2)	24	11	0	3	63	0	0	25	0	7	0	121	1	255
Total	319	92	4	5	523	0	1	221	0	55	0	182	35	1,437
Percent (3)	22	6	0	0	36	0	0	15	0	4	0	13	2	98

1) All figures are enhanced to the extent that an exporter and one or more other organizations reports on the same transaction.

2) Includes Algeria, Djibouti, Iran, Mauritania, Malaysia, Nigeria, Oman, Pakistan, Somalia, Sudan, Tunisia, and Yemen.

3) Percentages may not add due to rounding.

Appendix E-4

Number ⁽¹⁾ of Restrictive Trade Practices

by Originating Country and Type of Document

October 2002 through September 2003

Country	Bid or Tender Proposal	Carrier Blacklist	Letter of Credit	Questionnaire	Requisition / Purchase Order	Unwritten	Other Written	Total
Bahrain	14	0	16	0	4	1	1	36
Egypt	0	0	0	0	2	0	0	2
Iraq	0	0	0	1	0	0	0	1
Jordan	0	0	0	1	3	0	2	6
Kuwait	4	0	87	0	6	0	1	98
Lebanon	2	0	50	0	0	0	2	54
Libya	12	0	1	0	1	0	0	14

Qatar	51	0	23	1	37	0	0	112
Saudi Arabia	53	0	8	3	7	0	6	77
Syria	53	0	21	11	6	20	10	121
UAE(2)	178	0	125	0	185	0	4	492
Other (3)	101	0	38	0	65	2	24	230
Total	468	0	369	17	316	23	50	1,243
Percentage (4)	38	0	30	1	25	2	4	100

(1) All figures are enhanced to the extent that an exporter and one or more other service organizations reports on the same transaction.

(2) Includes Abu Dhabi, Sharjah, Ajman, Umm Al-Qaiwan, RA's Al-Khaimah and Fujairah

(3)Algeria, Djibouti, India, Iran, Mauritania, Malaysia, Nigeria, Oman, Pakistan, Somalia, Sudan, Tunisia, and Yemen Arab Republic, and the People's Democratic Republic of Yemen.

(4) Percentage do not add due to rounding.

Appendix E-5				
Number and Value of Exporter Transactions by Originating Country and Decision on the Request				
October 2002 through September 2003				
Footnotes (*) are located at the end of Appendix E-5(a)				
All Transactions(1)				
Country	Take Action(2)	Refuse(3)	Undecided	Total(4)
Bahrain				
Number of Requests	2	10	0	12
Dollar Amount (\$000)	17	7082	0	7099
Egypt				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	72	0	72
Iraq				

Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Jordan				
Number of Requests	1	0	0	1
Dollar Amount (\$000)	3	0	0	3
Kuwait				
Number of Requests	1	22	0	23
Dollar Amount (\$000)	0	3434	0	3434
Lebanon				
Number of Requests	0	9	0	0
Dollar Amount (\$000)	0	571	0	571
Libya				
Number of Requests	0	11	0	11
Dollar Amount (\$000)	0	37354	0	37354
Qatar				
Number of Requests	10	43	0	53
Dollar Amount (\$000)	101	2158	0	2259
Saudi Arabia				
Number of Requests	1	43	0	44
Dollar Amount (\$000)	0	136674	0	136674
Syria				
Number of Requests	4	82	0	86
Dollar Amount (\$000)	429	21198	0	21627
UAE				
Number of Requests	44	230	0	274
Dollar Amount (\$000)	454	229291	0	229745
Other(5)				
Number of Requests	32	70	0	102
Dollar Amount (\$000)	7321	161685	0	169006
Total (4)				
Number of Requests	95	521	0	616
Dollar Amount (\$000)	8326	599521	0	607847

Number and Value of Exporter Transactions by Originating Country and Decision on the Request

October 2002 through September 2003

Appendix E-5(b) Prohibited Transactions

Country	Take Action(2)	Refuse(3)	Undecided	Total(4)
Bahrain				
Number of Requests	0	7	0	7
Dollar Amount (\$000)	0	7028	0	7028
Egypt				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	72	0	72
Iraq				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Jordan				
Number of Requests	1	0	0	1
Dollar Amount (\$000)	0	3	0	3
Kuwait				
Number of Requests	0	6	0	6
Dollar Amount (\$000)	0	602	0	602
Lebanon				
Number of Requests	0	2	0	2
Dollar Amount (\$000)	0	112	0	112
Libya				
Number of Requests	0	9	0	9
Dollar Amount (\$000)	0	37341	0	37341
Qatar				
Number of Requests	0	28	0	28
Dollar Amount (\$000)	0	1794	0	1794
Saudi Arabia				
Number of Requests	0	30	0	30
Dollar Amount (\$000)	0	32409	0	32409
Syria				
Number of Requests	1	60	0	61
Dollar Amount (\$000)	109	19511	0	19620
UAE				
Number of Requests	0	64	0	64
Dollar Amount (\$000)	0	176092	0	176092
Other (5)				

Number of Requests	0	36	0	36
Dollar Amount (\$000)	0	157595	0	157595
Total (4)				
Number of Requests	2	243	0	245
Dollar Amount (\$000)	112	432556	0	432668

Number and Value of Exporter Transactions by Originating Country and Decision on the Request

October 2002 through September 2003

Appendix E-5(c) Prohibited as First Received, but Amended

Country	Take Action(2)	Refuse(3)	Undecided	Total(4)
Bahrain				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	34	0	34
Egypt				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Iraq				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Jordan				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Kuwait				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	572	0	572
Lebanon				
Number of Requests	0	7	0	7
Dollar Amount (\$000)	0	459	0	459
Libya				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Qatar				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	9	0	9

Saudi Arabia				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Syria				
Number of Requests	2	6	0	8
Dollar Amount (\$000)	250	682	0	932
UAE				
Number of Requests	0	3	0	3
Dollar Amount (\$000)	0	1464	0	1464
Other (5)				
Number of Requests	0	6	0	6
Dollar Amount (\$000)	0	906	0	906
Total (4)				
Number of Requests	2	25	0	27
Dollar Amount (\$000)	250	4126	0	4376

Number and Value of Exporter Transactions by Originating Country and Decision on the Request				
October 2002 through September 2003				
Appendix E-5(d) Exceptions to Prohibited Transactions				
Country	Take Action(2)	Refuse(3)	Undecided	Total(4)
Bahrain				
Number of Requests	2	0	0	2
Dollar Amount (\$000)	17	0	0	17
Egypt				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Iraq				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Jordan				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Kuwait				
Number of Requests	1	7	0	8
Dollar Amount (\$000)	0	1376	0	1376
Lebanon				
Number of Requests	0	0	0	0

Dollar Amount (\$000)	0	0	0	0
Libya				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Qatar				
Number of Requests	10	4	0	14
Dollar Amount (\$000)	101	41	0	142
Saudi Arabia				
Number of Requests	1	12	0	13
Dollar Amount (\$000)	0	104262	0	104262
Syria				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
UAE				
Number of Requests	41	154	0	195
Dollar Amount (\$000)	146	31452	0	31598
Other (5)				
Number of Requests	30	26	0	56
Dollar Amount (\$000)	7177	3139	0	10316
Total (4)				
Number of Requests	85	203	0	288
Dollar Amount (\$000)	7441	140270	0	147711

Number and Value of Exporter Transactions by Originating Country and Decision on the Request

October 2002 through September 2003

Appendix E-5(e) Prohibited as First Received, but Amended

Country	Take Action(2)	Refuse(3)	Undecided	Total(4)
Bahrain				
Number of Requests	0	2	0	2
Dollar Amount (\$000)	0	20	0	20
Egypt				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Iraq				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0

Jordan				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Kuwait				
Number of Requests	0	8	0	8
Dollar Amount (\$000)	0	885	0	885
Lebanon				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Libya				
Number of Requests	0	2	0	2
Dollar Amount (\$000)	0	13	0	13
Qatar				
Number of Requests	0	10	0	10
Dollar Amount (\$000)	0	314	0	314
Saudi Arabia				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	3	0	3
Syria				
Number of Requests	1	16	0	17
Dollar Amount (\$000)	70	1005	0	1075
UAE				
Number of Requests	3	9	0	12
Dollar Amount (\$000)	308	20284	0	20592
Other (5)				
Number of Requests	2	2	0	4
Dollar Amount (\$000)	145	45	0	190
Total (4)				
Number of Requests	6	50	0	56
Dollar Amount (\$000)	523	22,569	0	23,092

Footnotes:

(1) Transactions figures and dollar values include bids, tenders and trade opportunities. Such figures may be duplicated and include dollar values for potential transactions that never resulted in a sale.

(2) Dollar values may not add due to rounding

(3) Includes Abu Dhabi, Sharjah, Ajman, Umm Al-Qaiwan, RA's Al-Khaimah and Fujairah.

(4) Includes Algeria, Djibouti, India, Iran, Mauritania, Malaysia, Nigeria, Oman, Pakistan, Somalia, Sudan, Tunisia, Yemen Arab Republic, and the People's Democratic Republic of Yemen.

(5) This figure does not represent business lost due to refusals with Boycott Requests. Instead it indicates that U.S. companies refused to comply with the boycott request in bidding on contracts totalling this amount. The boycott language is often revised or eliminated to allow U.S. companies to bid consistent with U.S. Law. Such revisions are not reflected in these statistics.

(7) Transactions in this table are characterized as "take action" or "refuse" in terms of action taken on the original request, not on amended or deleted requests in bidding on contracts totaling the dollar amounts indicated. Prohibited boycott language is often amended or deleted to permit U.S. firms to comply with U.S. law.

Appendix E-6

Number of Individual Firms, Transactions, Requesting Documents and Restrictive Trade Practices Received by ("Controlled-in-Fact") Foreign Subsidiaries

October 2002 through September 2003

(Footnotes are located at the end of Appendix E-6(e))

ALL TRANSACTIONS (Summary Totals)

Country	Individual Firms Reporting	Transactions Reported	Requesting Documents Involved	Restrictive Trade Practices Requests
United Kingdom	18	27	27	50
France	4	4	4	7
Germany	4	5	5	5
Netherlands	5	41	41	41
Belgium	3	3	3	6
Switzerland	4	7	7	7
Canada	2	2	2	4
Italy	3	9	9	9
Other (European Nations) (1)	6	32	32	36
Other (Arab Nations) (2)	46	217	217	265
All Other Nations	9	32	32	36
Total	104	379	379	466

Number of Individual Firms, Transactions, Requesting Documents and Restrictive Trade Practices Received by ("Controlled-in-Fact") Foreign Subsidiaries

October 2002 through September 2003

ALL TRANSACTIONS (Summary Totals)

Appendix E-6(a) All Transactions

Country	Take Action	Refuse	Undecided	Total
United Kingdom				
Number of Requests	4	23	0	27
Dollar Amount (\$000)	200	87,550	0	87,750
France				
Number of Requests	0	4	0	4
Dollar Amount (\$000)	0	13,345	0	13,345
Germany				
Number of Requests	0	5	0	5
Dollar Amount (\$000)	0	2,342	0	2,342
Netherlands				
Number of Requests	0	41	0	41
Dollar Amount (\$000)	0	2,041	0	2,041
Belgium				
Number of Requests	0	3	0	3
Dollar Amount (\$000)	0	147	0	147
Switzerland				
Number of Requests	1	6	0	7
Dollar Amount (\$000)	0	25,969	0	25,969
Canada				
Number of Requests	0	2	0	2
Dollar Amount (\$000)	0	0	0	0
Italy				
Number of Requests	2	7	0	9
Dollar Amount (\$000)	250	4,234	0	4,484
Other European Nations (1)				
Number of Requests	0	32	0	32
Dollar Amount (\$000)	0	37,392	0	37,392
Other Arab Nations (2)				
Number of Requests	1	216	0	217
Dollar Amount (\$000)	245	1,728,644	0	1,728,889
All Other Nations				

Number of Requests	18	14	0	32
Dollar Amount (\$000)	5,434	25,938	0	31,372
Total				
Number of Requests	26	353	0	379
Dollar Amount (\$000)	6,129	1,927,602	0	1,933,731

Number of Requests of Individual Firms, Transactions, Requesting Documents and Restrictive Trade Practices Received by ("Controlled-in-Fact") Foreign Subsidiaries

October 2002 through September 2003

Appendix E-6(b) Prohibited Transactions

Country	Take Action	Refuse	Undecided	Total
United Kingdom				
Number of Requests	1	12	0	13
Dollar Amount (\$000)	200	31,521	0	31,721
France				
Number of Requests	0	4	0	4
Dollar Amount (\$000)	0	13,345	0	13,345
Germany				
Number of Requests	0	5	0	5
Dollar Amount (\$000)	0	2,342	0	2,342
Netherlands				
Number of Requests	0	14	0	14
Dollar Amount (\$000)	0	816	0	816
Belgium				
Number of Requests	0	3	0	3
Dollar Amount (\$000)	0	147	0	147
Switzerland				
Number of Requests	0	6	0	6
Dollar Amount (\$000)	0	25,969	0	25,969
Canada				
Number of Requests	0	2	0	2
Dollar Amount (\$000)	0	0	0	0
Italy				
Number of Requests	0	6	0	6
Dollar Amount (\$000)	0	4,234	0	4,234
Other European Nations (1)				
Number of Requests	0	14	0	14

Dollar Amount (\$000)	0	35,570	0	35,570
Other Arab Nations (2)				
Number of Requests	0	125	0	125
Dollar Amount (\$000)	0	89,676	0	89,676
All Other Nations				
Number of Requests	0	8	0	8
Dollar Amount (\$000)	0	538	0	538
Total				
Number of Requests	1	199	0	200
Dollar Amount (\$000)	200	204,158	0	204,358
Number of Requests of Individual Firms, Transactions, Requesting Documents and Restrictive Trade Practices Received by ("Controlled-in-Fact") Foreign Subsidiaries October 2002 through September 2003 Appendix E-6(c) Prohibited as First Received, but Amended				
Country	Take Action	Refuse	Undecided	Total
United Kingdom				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	236	0	236
France				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Germany				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	0	0	0
Netherlands				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	148	0	148
Belgium				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Switzerland				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Canada				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Italy				
Number of Requests	2	1	0	3
Dollar Amount (\$000)	250	0	0	250

Other European Nations (1)				
Number of Requests	0	7	0	7
Dollar Amount (\$000)	0	1,419	0	1,419
Other Arab Nations (2)				
Number of Requests	0	13	0	13
Dollar Amount (\$000)	0	1,571,567	0	1,571,567
All Other Nations				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	400	0	400
Total				
Number of Requests	2	24	0	26
Dollar Amount (\$000)	250	1,573,770	0	1,574,020

Number of Requests of Individual Firms, Transactions, Requesting Documents and Restrictive Trade Practices Received by ("Controlled-in-Fact") Foreign Subsidiaries

October 2002 through September 2003

Appendix E-6(d) Exceptions to Prohibitions

Country	Take Action	Refuse	Undecided	Total
United Kingdom				
Number of Requests	3	6	0	9
Dollar Amount (\$000)	0	51,566	0	51,566
France				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Germany				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Netherlands				
Number of Requests	0	15	0	15
Dollar Amount (\$000)	0	686	0	686
Belgium				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Switzerland				
Number of Requests	1	0	0	1
Dollar Amount (\$000)	0	0	0	0
Canada				

Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Italy				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Other European Nations (1)				
Number of Requests	0	1	0	1
Dollar Amount (\$000)	0	19	0	19
Other Arab Nations (2)				
Number of Requests	0	60	0	60
Dollar Amount (\$000)	0	64,923	0	64,923
All Other Nations				
Number of Requests	17	5	0	22
Dollar Amount (\$000)	5,409	25,000	0	30,409
Total				
Number of Requests	21	87	0	108
Dollar Amount (\$000)	5,409	142,194	0	147,603

Number of Requests of Individual Firms, Transactions, Requesting Documents and Restrictive Trade Practices Received by ("Controlled-in-Fact") Foreign Subsidiaries

October 2002 through September 2003

Appendix E-6(e) Not Prohibited

Country	Take Action	Refuse	Undecided	Total
United Kingdom				
Number of Requests	0	4	0	4
Dollar Amount (\$000)	4,228	0	0	4,228
France				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Germany				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Netherlands				
Number of Requests	0	11	0	11
Dollar Amount (\$000)	0	391	0	391

Belgium				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Switzerland				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Canada				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Italy				
Number of Requests	0	0	0	0
Dollar Amount (\$000)	0	0	0	0
Other European Nations (1)				
Number of Requests	0	10	0	10
Dollar Amount (\$000)	0	383	0	383
Other Arab Nations (2)				
Number of Requests	1	18	0	19
Dollar Amount (\$000)	245	2,478	0	2,723
All Other Nations				
Number of Requests	1	0	0	1
Dollar Amount (\$000)	25	0	0	25
Total				
Number of Requests	2	43	0	45
Dollar Amount (\$000)	270	7,480	0	7,750

Footnotes:

(1) Includes Austria, and Sweden.

(2) Includes Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Saudia Arabia, UAE, Qatar, and Yemen.

APPENDIX F:

APPROVED APPLICATIONS FOR COUNTRY GROUP D:1 AND CUBA

	CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE	
ALBANIA					
TOTAL APPLICATIONS: 0					
TOTAL CCL'S: 0					
TOTAL DOLLAR VALUE: \$0					
ARMENIA					
	3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$32,500	
	3A233	MASS SPECTROMETERS	1	\$158,000	
	3E002	OTHER TECHNOLOGY FOR ITEMS IN CATEGORY 3	1	\$0	
TOTAL APPLICATIONS: 3					
TOTAL CCL'S: 3					
TOTAL DOLLAR VALUE: \$190,500					
AZERBAIJAN					
	1A985	FINGERPRINTING POWDERS, DYES, AND INKS	1	\$5,150	
	3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$306,000	
	6A001	ACOUSTICS	1	\$2,700,000	
	7A101	ACCELEROMETERS, OTHER THAN THOSE IN 7A001	1	\$6,732	
TOTAL APPLICATIONS: 4					
TOTAL CCL'S: 4					
TOTAL DOLLAR VALUE: \$3,017,882					

BELARUS					
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	1	\$250,000	
	5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$7,392	
TOTAL APPLICATIONS: 2					
TOTAL CCL'S: 2					
TOTAL DOLLAR VALUE: \$257,392					
BULGARIA					
	0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	1	\$13,987	
	0A985	DISCHARGE TYPE ARMS	1	\$130,000	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	5	\$181,943	
	1C111	PROPELLANTS AND CONSTITUENT CHEMICALS	1	\$64,000	
	3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$3,000	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	2	\$2	
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	2	\$2	
	4E980	TECHNOLOGY FOR DEV/PROD/USE OF ITEMS IN 4A980	1	\$1	
	5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	3	\$241,393	
	5D002	SOFTWARE FOR INFORMATION SECURITY	4	\$32,774	
	5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	2	\$2	
	6A003	CAMERAS	1	\$110,000	
TOTAL APPLICATIONS: 18					
TOTAL CCL'S: 12					
TOTAL DOLLAR VALUE: \$777,104					
CAMBODIA					
TOTAL APPLICATIONS: 0					

TOTAL CCL'S: 0					
TOTAL DOLLAR VALUE: \$0					
CHINA (PRC)					
	EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	17	\$6,908,759	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	1	\$456,928	
	1A999	SPECIFIC PROCESSING EQUIPMENT, N.E.S	6	\$1,163,842	
	1B101	OTHER EQUIPMENT FOR PRODUCTION OF FIBERS/PREFORMS/	1	\$0	
	1B201	FILAMENT WINDING MACHINES	4	\$511,500	
	1C008	NON-FLUORINATED POLYMERIC SUBSTANCES	3	\$45,977	
	1C202	ALUMINUM AND TITANIUM ALLOYS IN THE FORM OF TUBES/	3	\$809,588	
	1C210	FIBROUS/FILAMENTARY MATERIALS NOT CONTROLLED BY 1C	2	\$635,900	
	1C231	HAFNIUM	6	\$667,378	
	1C234	ZIRCONIUM, WITH A HAFNIUM CONTENT	3	\$453,330	
	1C350	CHEMICALS, PRECURSORS FOR TOXIC CHEMICAL AGENTS	24	\$23,332,060	
	1C351	HUMAN PATHOGENS, ZOOSES, AND TOXINS	1	\$436	
	1C352	ANIMAL PATHOGENS	1	\$1,400	
	1C991	VACCINES, IMMUNOTOXINS AND MEDICAL PRODUCTS	1	\$160	
	1E001	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT UNDER 1A00	4	\$3	
	1E002	OTHER TECHNOLOGY	3	\$3	
	1E101	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT UNDER 1A10	1	\$1	
	1E103	TECHNOLOGY TO REGULATE TEMPERATURE OF COMPOSITES	1	\$1	
	1E201	TECHNOLOGY FOR USE OF 1A002, 1A202, 1A225 TO 1B225	2	\$2	
	2B001	NUMERICAL CONTROL UNITS/MOTION CONTROL BOARDS	4	\$1,558,224	
	2B006	DIMENSIONAL INSPECTION/MEASURING SYSTEMS OR EQUIPM	4	\$1,085,445	

	2B226	VACUUM AND CONTROLLED ENVIRONMENT INDUCTION FURNAC	4	\$5,131,600	
	2B227	VACUUM AND CONTROLLED ATMOSPHERE MELTING/CASTING F	1	\$12,380,000	
	2B230	PRESSURE TRANSDUCERS	44	\$956,120	
	2B231	VACUUM PUMPS	10	\$463,535	
	2B350	CHEMICAL MANUFACTURING FACILITIES AND EQUIPMENT	54	\$8,698,970	
	2B351	TOXIC GAS MONITORING SYSTEMS & DEDICATED DETECTORS	60	\$1,070,842	
	2B352	EQUIPMENT FOR HANDLING BIOLOGICAL MATERIALS	12	\$2,918,863	
	2E001	TECHNOLOGY SUPPORTING EQUIPMENT/SOFTWARE IN 2A/2B/	1	\$3,000,000	
	2E002	TECHNOLOGY SUPPORTING EQUIPMENT/PRODUCTION IN 2A/2	1	\$3,000,000	
	2E003	OTHER TECHNOLOGY	3	\$93,000	
	2E201	TECHNOLOGY FOR USE OF COMMODITIES CONTROLLED BY 2A	1	\$0	
	2E301	TECHNOLOGY FOR USE OF COMMODITIES CONTROLLED BY 2B	5	\$3,000,001	
	3A001	ELECTRONIC DEVICES/COMPONENTS	14	\$978,214,582	
	3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	14	\$1,373,367	
	3A225	INVERTERS/CONVERTERS/FREQUENCY CHANGERS/GENERATORS	1	\$22,000	
	3A228	SWITCHING DEVICES	1	\$26,000	
	3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	2	\$2,603,660	
	3A233	MASS SPECTROMETERS	3	\$384,486	
	3A992	GENERAL PURPOSE ELECTRONIC EQUIPMENT	7	\$63,630	
	3A999	SPECIFIC PROCESSING EQUIPMENT, N.E.S.	4	\$24,295	
	3B001	EPITAXIAL EQUIPMENT FOR SEMICONDUCTORS	36	\$137,742,962	
	3B002	ION IMPLANTATION EQUIPMENT FOR SEMICONDUCTORS	3	\$66,427,819	
	3C002	RESIST MATERIALS	5	\$1,976,300	
	3C003	ORGANO-INORGANIC COMPOUNDS	6	\$3,712,362	

		DESCRIBED IN THIS ENTRY			
	3C004	HYDRIDES OF PHOSPHORUS, ARSENIC, OR ANTIMONY	25	\$9,941,141	
	3D001	SOFTWARE FOR DEV OR PROD OF EQUIP CERTAIN ITEMS IN	1	\$1	
	3D002	SOFTWARE FOR USE OF CERTAIN EQUIPMENT CONTROLLED B	3	\$3,000,001	
	3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	29	\$1,116,025	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	173	\$165	
	3E002	OTHER TECHNOLOGY FOR ITEMS IN CATEGORY 3	32	\$30	
	3E003	OTHER "TECHNOLOGY"	3	\$2	
	3E201	TECHNOLOGY FOR THE USE OF CERTAIN ITEMS IN 3A	1	\$1	
	3E991	MANUFACTURING AND TEST EQUIPMENT FOR 3B991/92	2	\$0	
	4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	1	\$3,840,550	
	4D001	SOFTWARE FOR CERTAIN EQUIPMENT/SOFTWARE IN 4A-4D	8	\$8	
	4D002	SOFTWARE TO SUPPORT TECHNOLOGY CONTROLLED BY 4E	4	\$4	
	4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	39	\$39	
	4D994	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 4A994/4B994/	1	\$7,800	
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	71	\$71	
	5A001	TELECOMMUNICATIONS/TRANSMISSION EQUIPMENT	3	\$125,001	
	5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	5	\$701,347	
	5B001	EQUIPMENT FOR DEV/PROD OR USE OF ITEMS IN 5A001	3	\$200,001	
	5D001	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 5A001/5B001/	5	\$3	
	5D002	SOFTWARE FOR INFORMATION SECURITY	6	\$20,160	
	5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	109	\$1,103,264	

	5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	12	\$10	
	6A001	ACOUSTICS	6	\$2,423,076	
	6A002	OPTICAL SENSORS	1	\$49,000	
	6A003	CAMERAS	96	\$4,074,095	
	6A005	OPTICAL EQUIPMENT (LASERS)	2	\$988,271	
	6A203	CAMERAS/COMPONENTS NOT CONTROLLED BY ECCN 6A003	1	\$99,000	
	6E001	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT/MATERIALS/	2	\$2	
	6E002	TECHNOLOGY FOR PRODUCTION OF EQUIPMENT/MATERIALS I	1	\$200,000	
	7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	13	\$4,825,014	
	7D003	OTHER SOFTWARE	1	\$0	
	7D101	SOFTWARE FOR COMMODITIES CONTROLLED BY 7A001/004,	1	\$0	
	7E001	TECHNOLOGY FOR DEVELOPMENT OF EQ. CONTROLLED BY 7A	1	\$0	
	7E004	OTHER TECHNOLOGY	2	\$28,000,001	
	CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE	
	7E101	TECHNOLOGY FOR EQUIPMENT/SOFTWARE CONTROLLED BY 7A	1	\$0	
	9A991	AIRCRAFT AND CERTAIN GAS TURBINE ENGINES N.E.S.	1	\$60,000,000	
	9E003	OTHER TECHNOLOGY	2	\$12,501	
TOTAL APPLICATIONS: 847					
TOTAL CCL'S: 83					
TOTAL DOLLAR VALUE: \$1,394,658,415					
CUBA					
	EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	441	\$1,850,650,020	
	0A001	NUCLEAR REACTORS	4	\$20,287,924	
	2A994	PORTABLE ELECTRIC GENERATORS AND SPECIALLY DESIGNE	2	\$5,000	

	3A992	GENERAL PURPOSE ELECTRONIC EQUIPMENT	3	\$117,000	
	3E991	MANUFACTURING AND TEST EQUIPMENT FOR 3B991/92	1	\$2,600	
	4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	6	\$168,280	
	4E992	TECHNOLOGY FOR DEV/PROD/USE OF 4A994/4B994/4C994	1	\$21,000	
	5A991	TRANSMISSION ITEMS NOT W/I PARAMETERS IN 5A001	1	\$34,220	
	5A992	INFORMATION SECURITY EQUIPMENT	1	\$3,250	
	5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$21,000	
	5D992	SOFTWARE NOT CONTROLLED BY 5D002	1	\$21,000	
	5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	1	\$21,000	
	5E992	TECHNOLOGY FOR INFORMATION SECURITY/CRYPTOLOGY	1	\$21,000	
	7A994	OTHER NAVIGATION/AIRBORNE COMMUNICATION EQUIPMENT	1	\$20,182	
	8A992	UNDERWATER CAMERA EQUIPMENT	39	\$475,440,000	
	9A991	AIRCRAFT AND CERTAIN GAS TURBINE ENGINES N.E.S.	44	\$405,368,050	
	9A992	CANOPIES, HARNESSES, AND PLATFORM MECHANISMS	2	\$49,500,000	
TOTAL APPLICATIONS: 528					
TOTAL CCL'S: 17					
TOTAL DOLLAR VALUE: \$2,801,701,526					
ESTONIA					
	0A979	POLICE HELMETS, SHIELDS AND PARTS	4	\$25,802	
	0A982	Restraint devices, and parts and accessories	2	\$120,460	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	9	\$263,414	
	3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$1,250	
	3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	1	\$1	
	3E001	TECHNOLOGY FOR DEV OR PROD OF	2	\$2	

		CERTAIN ITEMS IN 3A/			
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	1	\$1	
	5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	1	\$1	
	6A003	CAMERAS	1	\$15,000	
TOTAL APPLICATIONS: 20					
TOTAL CCL'S: 9					
TOTAL DOLLAR VALUE: \$425,931					
GEORGIA					
	0A982	Restraint devices, and parts and accessories	1	\$765	
	1C351	HUMAN PATHOGENS, ZOOSES, AND TOXINS	1	\$10,000	
TOTAL APPLICATIONS: 2					
TOTAL CCL'S: 2					
TOTAL DOLLAR VALUE: \$10,765					
KAZAKHSTAN					
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	1	\$40,000	
	1A985	FINGERPRINTING POWDERS, DYES, AND INKS	3	\$43,208	
	1B201	FILAMENT WINDING MACHINES	2	\$1,940,000	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	2	\$1	
	5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$9,277	
	6A001	ACOUSTICS	1	\$362,500	
	6A003	CAMERAS	3	\$125,000	
	7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	1	\$86,000	
	9A004	SPACECRAFT	2	\$256,345	
TOTAL APPLICATIONS: 16					
TOTAL CCL'S: 9					

TOTAL DOLLAR VALUE: \$2,862,331					
KOREA, NORTH					
TOTAL APPLICATIONS: 0					
TOTAL CCL'S: 0					
TOTAL DOLLAR VALUE: \$0					
KYRGYZSTAN					
	4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	1	\$1	
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	1	\$1	
TOTAL APPLICATIONS: 1					
TOTAL CCL'S: 2					
TOTAL DOLLAR VALUE: \$2					
LAOS					
TOTAL APPLICATIONS: 0					
TOTAL CCL'S: 0					
TOTAL DOLLAR VALUE: \$0					
LATVIA					
	0A001	NUCLEAR REACTORS	1	\$13,000	
	0A982	Restraint devices, and parts and accessories	1	\$28,000	
	0A984	SHOTGUNS, BUCKSHOT,SHOTGUN SHELLS	1	\$12,000	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	5	\$109,146	
	3A001	ELECTRONIC DEVICES/COMPONENTS	2	\$358,500	
	5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$11,556	
	5D001	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 5A001/5B001/	1	\$1	

	5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$6,250	
	5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	1	\$1	
	6A003	CAMERAS	2	\$60,000	
TOTAL APPLICATIONS: 13					
TOTAL CCL'S: 10					
TOTAL DOLLAR VALUE: \$598,454					
LITHUANIA					
	0A979	POLICE HELMETS, SHIELDS AND PARTS	1	\$3,000	
	0A982	Restraint devices, and parts and accessories	2	\$125,000	
	0A985	DISCHARGE TYPE ARMS	2	\$39,000	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	6	\$236,888	
	1A005	BODY ARMOR	1	\$25,000	
	3A001	ELECTRONIC DEVICES/COMPONENTS	2	\$23,820	
	3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$75,294	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	1	\$1	
	5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$1,740	
	6A003	CAMERAS	3	\$120,000	
	6A005	OPTICAL EQUIPMENT (LASERS)	1	\$33,550	
TOTAL APPLICATIONS: 19					
TOTAL CCL'S: 11					
TOTAL DOLLAR VALUE: \$683,293					
MOLDOVA					
TOTAL APPLICATIONS: 0					
TOTAL CCL'S: 0					
TOTAL DOLLAR VALUE: \$0					

MONGOLIA					
	0A985	DISCHARGE TYPE ARMS	1	\$6,875	
	7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	1	\$147,000	
	9E001	TECHNOLOGY FOR DEV OF EQUIPMENT OR SOFTWARE IN 9A/	1	\$0	
TOTAL APPLICATIONS: 3					
TOTAL CCL'S: 3					
TOTAL DOLLAR VALUE: \$153,875					
ROMANIA					
	0A985	DISCHARGE TYPE ARMS	3	\$33,293	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	5	\$121,000	
	1A985	FINGERPRINTING POWDERS, DYES, AND INKS	3	\$73,658	
	2B230	PRESSURE TRANSDUCERS	1	\$860	
	2D002	ADAPTIVE CONTROL/ELECTRONIC DEVICE SOFTWARE	1	\$483,200	
	3A101	ELECTRONIC EQUIPMENT/DEVICES NOT CONTROLLED BY 3A0	1	\$209,904	
	3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	1	\$33,690	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	4	\$3	
	4A980	COMPUTERS FOR FINGERPRINT EQUIPMENT, N.E.S.	1	\$450,000	
	4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	1	\$1	
	4D980	SOFTWARE FOR DEV/PROD/USE WITH 4A980 ITEMS	1	\$400	
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/STW	1	\$1	
	5A001	TELECOMMUNICATIONS/TRANSMISSION	EQUIPMENT	1	\$1,884
	5D002	SOFTWARE FOR INFORMATION SECURITY	7	\$128,141	
	5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	3	\$2	

	6A003	CAMERAS	7	\$297,850	
	9E003	OTHER TECHNOLOGY	2	\$2	
TOTAL APPLICATIONS: 36					
TOTAL CCL'S: 17					
TOTAL DOLLAR VALUE: \$1,833,889					
RUSSIA					
	EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	28	\$1,834,587	
	0A984	SHOTGUNS, BUCKSHOT,SHOTGUN SHELLS	2	\$28,020	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	9	\$552,469	
	0D999	SPECIFIC SOFTWARE	2	\$2,600	
	1A999	SPECIFIC PROCESSING EQUIPMENT, N.E.S	12	\$1,830,211	
	1C350	CHEMICALS, PRECURSORS FOR TOXIC CHEMICAL AGENTS	2	\$43,820	
	1D002	SOFTWARE UTILIZED FOR DEVELOPMENT OF ORGANIC MATRI	2	\$21,177	
	1E001	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT UNDER 1A00	2	\$1	
	1E101	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT UNDER 1A10	1	\$1	
	1E201	TECHNOLOGY FOR USE OF 1A002,1A202,1A225 TO 1B225	1	\$1	
	2A291	NUCLEAR REACTOR AND NUCLEAR POWER PLANT RELATED EQ	1	\$88,354	
	2B350	CHEMICAL MANUFACTURING FACILITIES AND EQUIPMENT	2	\$33,134	
	2B351	TOXIC GAS MONITORING SYSTEMS & DEDICATED DETECTORS	1	\$26,600	
	2D290	SOFTWARE SPECIALLY DESIGNED OR MODIFIED FOR 2A290/	2	\$140,000	
	2E201	TECHNOLOGY FOR USE OF COMMODITIES CONTROLLED BY 2A	1	\$1	
	2E301	TECHNOLOGY FOR USE OF COMMODITIES CONTROLLED BY 2B	1	\$1	
	3A001	ELECTRONIC DEVICES/COMPONENTS	22	\$186,345	
	3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$42,734	

	3A228	SWITCHING DEVICES	1	\$40,000	
	3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$200,000	
	3A292	OSCILLOSCOPES AND TRANSIENT RECORDERS	1	\$32,000	
	3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	3	\$47,600	
	3A992	GENERAL PURPOSE ELECTRONIC EQUIPMENT	3	\$273,300	
	3A999	SPECIFIC PROCESSING EQUIPMENT, N.E.S.	4	\$73,604	
	3B001	EPITAXIAL EQUIPMENT FOR SEMICONDUCTORS	1	\$350,000	
	3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	3	\$3	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	19	\$19	
	3E002	OTHER TECHNOLOGY FOR ITEMS IN CATEGORY 3	3	\$3	
	3E003	OTHER "TECHNOLOGY"	2	\$2	
	3E201	TECHNOLOGY FOR THE USE OF CERTAIN ITEMS IN 3A	1	\$2,500	
	3E991	MANUFACTURING AND TEST EQUIPMENT FOR 3B991/92	1	\$10,000	
	4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	6	\$242,623	
	4D001	SOFTWARE FOR CERTAIN EQUIPMENT/SOFTWARE IN 4A-4D	4	\$4	
	4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	207	\$207	
	4D994	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 4A994/4B994/	1	\$1,656	
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	210	\$210	
	4E992	TECHNOLOGY FOR DEV/PROD/USE OF 4A994/4B994/4C994	1	\$8	
	5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$8,262	
	5D001	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 5A001/5B001/	3	\$14,001	
	5D002	SOFTWARE FOR INFORMATION SECURITY	5	\$3,765	
	5D992	SOFTWARE NOT CONTROLLED BY 5D002	3	\$28,004	

	5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	9	\$17,807	
	5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	189	\$189	
	6A001	ACOUSTICS	2	\$465,500	
	6A003	CAMERAS	81	\$3,379,662	
	6A225	VELOCITY INTERFEROMETERS FOR MEASURING VELOCITIES	1	\$126,000	
	7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	8	\$8,154,279	
	7D003	OTHER SOFTWARE	2	\$0	
	7E004	OTHER TECHNOLOGY	3	\$28,000,000	
	9A004	SPACECRAFT	4	\$15,448,734	
	9A012	UNMANNED AIR VEHICLE SYSTEMS	1	\$84,000	
TOTAL APPLICATIONS: 424					
TOTAL CCL'S: 51					
TOTAL DOLLAR VALUE: \$61,833,998					
TAJIKISTAN					
TOTAL APPLICATIONS: 0					
TOTAL CCL'S: 0					
TOTAL DOLLAR VALUE: \$0					
TURKMENISTAN					
	3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$51,000	
TOTAL APPLICATIONS: 1					
TOTAL CCL'S: 1					
TOTAL DOLLAR VALUE: \$51,000					
UKRAINE					
	EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	1	\$368	

	0A984	SHOTGUNS, BUCKSHOT,SHOTGUN SHELLS	2	\$185,700	
	0A986	SHOTGUN SHELLS (EXCEPT BUCKSHOT SHELLS) AND PARTS	1	\$30,000	
	0A987	OPTICAL SIGHTING DEVICES FOR FIREARMS	4	\$407,000	
	2B005	PROCESSING EQUIPMENTOF INORGANIC OVERLAYS/COATINGS	2	\$1,101,880	
	2D001	SOFTWARE FOR EQUIPMENT IN CATEGORY 2A/2B	2	\$0	
	2E003	OTHER TECHNOLOGY	2	\$0	
	3A001	ELECTRONIC DEVICES/COMPONENTS	2	\$118,640	
	3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	2	\$49,438	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	3	\$2	
	4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	1	\$1	
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	1	\$1	
	5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$1	
	6A003	CAMERAS	9	\$381,833	
	8A002	SYSTEMS OR EQUIPMENT FOR SUBMERSIBLE VEHICLES	1	\$19,990	
TOTAL APPLICATIONS: 27					
TOTAL CCL'S: 15					
TOTAL DOLLAR VALUE: \$2,294,854					
UZBEKISTAN					
	2B230	PRESSURE TRANSDUCERS	1	\$1,500	
TOTAL APPLICATIONS: 1					
TOTAL CCL'S: 1					
TOTAL DOLLAR VALUE: \$1,500					
VIETNAM					
	1C234	ZIRCONIUM, WITH A HAFNIUM CONTENT	1	\$688	

	2B230	PRESSURE TRANSDUCERS	1	\$860	
	2B350	CHEMICAL MANUFACTURING FACILITIES AND EQUIPMENT	1	\$7,412	
	2B351	TOXIC GAS MONITORING SYSTEMS & DEDICATED DETECTORS	3	\$7,090	
	3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$58,301	
	3A225	INVERTERS/CONVERTERS/FREQUENCY CHANGERS/GENERATORS	1	\$13,035	
	3A232	DETONATORS/MULTIPOINT INITIATION SYSTEMS	1	\$44,500	
	3A980	VOICE PRINT IDENTIFICATION AND ANALYSIS EQUIPMENT	1	\$8,700	
	3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	1	\$1	
	3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	1	\$1	
	3E002	OTHER TECHNOLOGY FOR ITEMS IN CATEGORY 3	1	\$1	
	4D001	SOFTWARE FOR CERTAIN EQUIPMENT/SOFTWARE IN 4A-4D	1	\$1	
	4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	1	\$1	
	4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	1	\$1	
	5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$550	
	6A003	CAMERAS	1	\$40,000	
	7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	2	\$1,159,676	
	8A018	COMMODITIES ON THE INTERNATIONAL MUNITIONS LIST	1	\$40,400	
	8A992	UNDERWATER CAMERA EQUIPMENT	1	\$12,000	
	9A018	COMMODITIES ON THE INTERNATIONAL MUNITIONS LIST	2	\$318,630	
TOTAL APPLICATIONS: 20					
TOTAL CCL'S: 20					
TOTAL DOLLAR VALUE: \$1,711,848					

APPENDIX G: REPORT ON DOMESTIC IMPACT OF U.S. EXPORTS TO CONTROLLED COUNTRIES

In accordance with Section 14(e) of the Export Administration Act of 1979 (EAA), as amended, the Bureau of Industry and Security (BIS) continues to assess the impact on U.S. industry and employment of output from "controlled countries"^[1] resulting, in particular, from the use of U.S. exports of turnkey plants and manufacturing facilities.

Section 14(e), which was added as an amendment to the Act in 1985, requires the following:

"...a detailed description of the extent of injury to U.S. industry and the extent of job displacement caused by U.S. exports of goods and technology to controlled countries."

"...a full analysis of the consequences of exports of turnkey plants and manufacturing facilities to controlled countries...to produce goods for export to the United States or compete with U.S. products in export markets."

Turnkey Plants and Facilities Exports

The Export Administration Regulations (EAR) require a license to export certain turnkey plants and facilities (and related software and technology) to controlled destinations. In Fiscal Year 2003, BIS did not process any license applications for export of turnkey plants to a controlled country.

As a result of several revisions to the EAR in recent years, an increasing number of turnkey plants and facilities (and related software and technology) have become eligible for export to controlled destinations either without a license or under a license exception. For example, a license is generally not required for exports to controlled destinations (except Cuba and North Korea) of turnkey plants and facilities (and related software and technology) that are classified as EAR99 (the designation for items that are subject to the EAR, but not specifically listed on the Commerce Control List). In addition, certain turnkey plants and facilities (and related software and technology) may be listed in a Commerce Control List entry where the applicable Reason for Control does not require a license to one or more controlled destinations, as indicated in the appropriate Reason for Control column of the Commerce Country Chart. Other turnkey plants and facilities (and related technology and software) may be eligible for export to controlled destinations under a license exception, such as License Exception CIV (which authorizes exports of certain national security controlled items to civil end-users, for civil end-uses, in most controlled countries, except Cuba and North Korea) or License Exception TSU (which authorizes exports of operation technology and software, sales technology, and software updates, subject to certain conditions).

BIS does not maintain data on actual U.S. exports, regardless of whether or not a license is required. In addition, U.S. export data that are available from the Bureau of the Census do not provide the level of specificity needed to identify exports of turnkey plants and facilities. These factors preclude a thorough assessment of the impact of U.S. exports of turnkey plants and facilities to controlled countries. However, the small number of such exports in the past, coupled with the low percentage of U.S. exports destined for controlled countries (see below), make it reasonable to conclude that the ultimate impact on U.S. production is insignificant.

Goods and Technology Exports

Historically, the dollar value of trade with controlled destinations has been low. In calendar year 2002, U.S. exports to these countries totaled \$25.7 billion, which represents an increase of \$2.9

billion from 2001 levels, and about 4 percent of total U.S. exports. China is, by far, the largest single export market among the controlled country group, with over 80 percent of the total: Russia ranks a distant second with 9 percent of the total. A breakdown of exports by commodity category indicates that capital goods items, including machinery and transportation equipment, represented about half of the total U.S. exports to controlled countries (especially China). Given the small share of U.S. exports to controlled countries, relative to total U.S. exports, the overall adverse impact through injury to U.S. industry and job displacement is probably minimal.

Controlled Destination	Calendar Year 2002 U.S. Exports (in millions of dollars)
Albania	\$14.7
Armenia	\$84.6
Azerbaijan	\$69.1
Belarus	\$18.6
Bulgaria	\$98.4
China	\$20,553.0
Cuba	\$144.1
Estonia	\$77.5
Georgia	\$98.3
Kazakstan	\$602.8
Kyrgyzstan	\$31.1
Latvia	\$88.0
Lithuania	\$98.0
Moldova	\$30.0
Mongolia	\$66.1
North Korea	\$25.0
Romania	\$241.8
Russia	\$2,331.3
Tajikistan	\$32.7
Tibet	Not A Country for Census Trade Statistics
Turkmenistan	\$47.1
Ukraine	\$248.0
Uzbekistan	\$137.1
Vietnam	\$551.9
TOTAL, CONTROLLED DESTINATIONS	\$25,689.2
TOTAL, U.S. EXPORTS WORLDWIDE	\$659,599.0
U.S. Exports to Controlled Destinations as a Percent of Overall U.S. Exports	3.9%

Although the bases for our export controls are national security, foreign policy, and short supply, BIS, as part of its defense industrial base monitoring responsibilities, reviews, on an ongoing basis, the potential impact of U.S. technology transfers. In this regard, in 1999 BIS conducted a study that examines the extent to which access to the Chinese market is conditioned upon technology transfers, including those related to the establishment of turnkey plants and facilities. The study found that the Chinese government routinely seeks to obtain technology from foreign bidders through formal and informal means. Such technology transfer occurs in the form of local content requirements, investment requirements, establishment of R&D facilities, and other concessions. U.S. and other Western companies accede to these demands in order to capture the sale or establish a joint venture. Such trade-related investment requirements and commercial offset demands are not limited to China, but are contrary to free trade principles adhered to by

members of the World Trade Organization (WTO). It is yet to be seen what the impact of China's recent accession to the WTO will be on such requirements.

U.S. and other Western firms also choose to establish production facilities in China for competitive reasons, such as to take advantage of China's large pool of quality labor, to be close to the market for their products, and in response to business incentives created by Chinese local and national governments. The United States runs an enormous trade deficit with China (\$104.2 billion in 2002), and a very high percentage of China's exports (more than 50percent) originate from foreign-invested enterprises. Thus, these practices and trends do raise concerns with regard to their impact on the competitiveness of U.S. industry and employment over the long term.

While few full turnkey plants could be identified, a review of export licenses applied for China in the past fiscal years shows that a significant number involve exports of components, manufacturing equipment, and/or technology for use in foreign invested production facilities. Among the components being exported (for incorporation into products manufactured in China) are aircraft bearings, microprocessors for personal computers, and aluminum forgings. Examples of equipment are vacuum measurement equipment, semiconductor production and test equipment, milling machines, and oscilloscopes. Again, many other types of components, equipment, and technology are doubtless exported without the need for an export license (i.e., because they are not controlled for national security reasons or are eligible for shipment under a license exception).

BIS also monitors certain forms of technology transfer as part of its overall responsibilities for the defense industrial base. Among these responsibilities are: reviewing the impact of offsets on defense trade; participating in the Treasury Department-chaired Committee on Foreign Investment in the United States (CFIUS); and assessing the health and competitiveness of strategic industry sectors. Further information on these activities, including copies of the industrial sector assessments, is available from BIS's Office of Strategic Industries and Economic Security (SIES) webpage at www.bis.doc.gov/OSIES/.

[1] For the purpose of this section, "controlled countries" are: Albania; Armenia; Azerbaijan; Belarus; Bulgaria; China (PRC); Cuba; Estonia; Georgia; Kazakhstan; Kyrgystan; Latvia; Lithuania; Moldova; Mongolia; North Korea; Romania; Russia; Tajikistan; Tibet; Turkmenistan; Ukraine; Uzbekistan; and Vietnam.

Appendix H:

Agricultural Supply Tables and Information

Note: All data for this appendix was provided by the U.S. Department of Agriculture.

Wheat

Domestic Situation

Projected U.S. 2003/04 ending stocks of wheat are 11 million bushels lower than last month as a 45-million-bushel increase in production is more than offset by reduced imports and increased feed and residual use. A 50-million-bushel increase in feed and residual is the result of larger-than-expected feed and residual use in the first quarter of the marketing year implied by September 1 grain stocks. The projected price range is lowered 10 cents on the top end of the range to \$3.10 to \$3.50 per bushel because of lower than expected prices during the past month.

World Supply and Trade

Projected 2003/04 global wheat production and stocks are up from last month. Projected production is up nearly 3 million tons, largely due to increases in the U.S. and Canadian crops. Smaller increases occurred in Brazil, Kazakhstan, Iraq, and other countries. However, smaller crops are forecast in the EU, Ukraine, and several other countries. The larger crops in Canada and Kazakhstan increased those countries' exports and stocks. The production drop in Ukraine is offset by larger imports. As a consequence of the drop in production, EU exports are projected to decline. Global wheat imports are down slightly from last month.

Coarse Grains

(corn, sorghum, barley oats and rye)

Domestic Situation

This month's outlook for 2003/04 U.S. feed grains is for larger beginning stocks, larger production, increased use, and larger ending stocks. Beginning corn stocks are up 77 million bushels. Forecast 2003 corn production is up 263 million bushels from last month and a record crop. The sorghum crop forecast is 9 million bushels lower than last month. Projected corn feed and residual use is increased by 75 million bushels but food and industrial use is lowered by 25 million bushels because of reduced demand for high-fructose corn syrup. Projected corn ending stocks are up 289 million bushels from last month. All feed grain stocks are up 7.7 million tons from last month. The projected price range for corn is reduced 20 cents on each end to \$1.90 to \$2.30 per bushel.

World Supply and Trade

Global 2003/04 coarse grain supply is up but use projections are down from last month. The increase in the U.S. corn crop more than offsets smaller crops in China, the EU, and Eastern Europe. China's smaller crop results in an equal decline in its projected ending stocks. The smaller EU coarse grain crops result in reduced domestic use, exports, and stocks. Eastern Europe's smaller corn crop results in a similar decline in projected ending stocks. Projected global coarse grain imports are down slightly from last month. The United States accounts for most of an increase in projected global coarse grain ending stocks, although smaller increases in stocks are projected for the nations of the former Soviet Union, Argentina, Columbia, Syria, and Iraq.

Rice

Domestic Situation

U.S. rice production for 2003/04 is forecast at 197.3 million cwt, down about 1 million cwt from last month. Average yield is forecast at a record 6,624 pounds per acre, but 31 pounds per acre below last month. Long-grain production is forecast at 145.3 million cwt, about 2 million cwt below last month, while combined medium- and short-grain production, at 52.0 million cwt, is 1 million cwt above last month. Imports for 2003/04 are projected at a record 16 million cwt, 0.5 million above last month and 1.2 million cwt above the revised 2002/03 estimate.

On the use side, exports are unchanged at 91 million cwt. However, long-grain exports are lowered 1 million cwt to 70 million cwt, while combined medium- and short-grain exports are raised 1 million to 21 million cwt. Ending stocks are projected at 24.9 million cwt, down fractionally from last month. The season-average price range for 2003/04 is lowered 15 cents per cwt on each end to \$6.10 to \$6.60 per cwt compared to \$4.22 per cwt in 2002/03. The reduction is due largely to lower-than-expected prices reported by NASS for the first 2 months of the marketing year and the expectation that U.S. prices will remain under pressure from weak international prices.

World Supply and Trade

Global 2003/04 rice production, exports, and ending stocks are lowered from a month ago. The downward revision in global rice production is primarily due to smaller crops projected for India, South Korea, and Japan. Rice exports are lowered for India and Thailand. Global rice ending stocks in 2003/04 are projected at 82.4 million tons, down 2.4 million tons from last month. India accounts for the bulk of the decline in the stocks projection.

Soybeans and Products

Domestic Situation

The average price received for soybeans in the United States ended the year in 2001/02 lower than the year prior. Expanding foreign production, weaker soybean prices and improving corn prices combined to keep U.S. area planted to soybeans lower in 2002/03. Planted area totaled 73.9 million acres, down from the near record level of 74.1 million acres planted the year prior.

Despite the lower area, net returns for soybeans were higher in 2002/03 in part due to higher prices.

Along with the decline in soybean area for 2002/03, lower yields of 38.0 bushels per acre, down from 39.6 bushels the year prior, pushed overall production lower to 74.83 million tons from a record high of 78.67 million tons in 2001/02. As a result, the U.S. season average price increased in 2002/03 to \$5.53 per bushel, up from \$4.38 in 2001/02. The lower production levels in the U.S. along with higher prices helped push U.S. soybean exports lower in 2002/03 to 28.3 million tons, nearly 650,000 tons below the year prior. This comes despite a near doubling in imports of soybeans by China, the leading market for U.S. soybean exports.

Lower U.S. crush margins, a decline in U.S. soybean meal demand, and lower soybean production in 2002/03 helped push U.S. soybean crush lower in 2002/03 to 44.0 million tons, down from 46.3 million tons in 2001/2002. The lower soybean crush attributed to a decline in soybean meal exports in 2002/03, to 5.5 million tons, nearly 19 percent below 2001/02, and to its lowest level in six years.

World soybean meal demand continues to grow and reached 133.12 million tons, up from 126.79 million tons in 2001/02. Much of the growth in world demand for soybean meal was largely satisfied by increases in exports from Argentina and Brazil, which together were up nearly 4 million tons. The growth in the domestic consumption of soybean meal was particularly evident in China where domestic consumption of soybean meal in 2002/03 rose by nearly 29 percent.

Soybean oil is expected to continue to contribute a higher share of the returns due to especially tight world vegetable oil supplies and resulting higher prices. Although world supplies of vegetable oils in 2002/2003 remained tight, global supplies did improve some on account of increased production in Argentina and China. The decline in U.S. crush in 2002/03 pushed U.S. soybean oil production lower, down nearly 3 percent to 8.35 million tons, from 8.57 million tons the year prior. As a result, ending stocks of soybean oil in 2002/03 will reach its lowest level in four years at 710,000 tons. The season average price in 2002/03 was 21.75 cents a pound, up from 16.5 cents in 2001/02. U.S. exports of soybean oil declined to 1.02 million tons in 2002/03, from 1.14 million tons the prior year.

World Oilseeds and Products Supply and Trade

World oilseed production in 2002/2003 increased 4.5 million tons over the previous year totaling 328.9 million tons. Increases in soybean, sunflowerseed, and palm kernel more than offset declines in cottonseed, peanuts, rapeseed and copra.

Major oilseed crushing rose a modest 1.6 percent in 2002/2003 to 268.9 million tons. Soybean crushing increased by 7.9 million tons to 166 million tons. Sunflowerseed crushing increased by 2 million tons. Rapeseed crush dropped 2.2 million tons, cottonseed crushing dropped 1.9 million tons and peanut crush dropped 1.8 million tons. Exports of oilseeds increased 9.5 million tons, or 15 percent, with soybeans increasing over 19 percent and sunflowerseed increasing over 28 percent. Exports of cottonseed, peanuts and rapeseed all decreased during the year. World ending stocks increased by 11 percent to 41 million tons. The most notable stock changes were

associated with soybeans, up 5.2 million tons, rapeseed, down 880 thousand tons, and sunflowerseed, up 270 thousand tons.

World protein meal production rose 2 percent to 186.9 million tons in 2002/2003. Declines in production of cottonseed, rapeseed and peanut meals were more than offset by a 5.8-million-ton increase in soybean meal and a 780-thousand-ton increase for sunflowerseed. Exports of protein meal increased 2.6 percent to 55.1 million tons, as Argentina shipped 2.1 million more tons of soybean meal and Brazil shipped 1.7 million more tons than in 2001/02.

The world edible oil situation in 2002/2003 continued to be one of growing scarcity and rising prices. While total production rose by 2 percent, consumption grew just over 3 percent, sending ending stocks 16.2 percent lower. World edible oil production rose to 94.2 million tons. A slight sunflowerseed oil and palm oil production increase along with lower coconut oil, cottonseed oil, peanut oil, olive oil and rapeseed oil production account for the weak supply situation. Soybean oil production rose 1.6 million tons, but the net result was a relative tightening of the world's vegetable oil supply situation.

Cotton

Domestic Situation

Cotton production in MY 2002/2003 was 17.2 million bales, down about 15 percent from the previous year. Upland cotton production, at 16.5 million bales, was 16 percent below the previous year. American-pima production totaled 678,000 bales, down 3 percent above the previous season.

The area planted to all cotton totaled 14.0 million acres, an 11.5 percent below the previous season. Harvested area, at 12.4 million acres, was down 10.1 percent from the previous season. The decrease in planted acreage was attributable to the low prices of cotton as an alternative crop during this period. Harvested acreage decreased due to traditional abandonment levels. Yields for the United States averaged 675 pounds per harvested acre, 4 percent less than last year.

Total cotton mill use during 2002/2003 was 7.3 million bales, down slightly from 7.7 million the previous season. Upland cotton use, at 7.2 million bales was down 5.2 percent. American-pima mill use was estimated at 105 thousand bales, up one percent. Total 2002/2003 exports were estimated at 11.9 million bales, a record year for U.S. Cotton Exports. According to FAS data, the top six markets during 2002/2003 were Mexico, China, Indonesia, Turkey, Thailand, and South Korea. Ending stocks for 2002/2003 were estimated at 5.5 million bales, down 25.7 percent from the previous season.

Cotton

International cotton prices in 2002/2003 were higher than the previous season, with the Cotlook A-Index (average of 5 lowest CIF North Europe quotes) average of 56 cents per pound. The A-Index was at its highest monthly level in March 2003 at 61.04 cents per pound, while the lowest price was for 49.03 cents per pound in September 2002.

World 2002/2003 cotton production was estimated at 88 million bales, down 10.7 percent from the previous season. Foreign production was estimated at 70.8 million bales, down 9.5 percent. The 2002/2003 season was characterized by a large increase in cotton consumption in China, India, Pakistan, and Turkey. Production in some of the major importing countries such as China, India, and Pakistan fell significantly.

World 2002/2003 consumption was estimated at 97.8 million bales, up 3.6 percent from the previous season. The major increases in consumption were in China, Pakistan, and Turkey. World exports for 2002/2003 totaled 30.5 million bales, up 4.8 percent from the previous season. Increased exports were seen in the United States, Greece, and Burkina.

World ending stocks for 2002/2003 were estimated at 38.5 million bales, 23 percent below the previous season. A significant ending stock decrease occurred in China, India, and the United States.

Additional Information and Tables

- [World Coarse Grain Trade](#)
- [Major Oil Seeds: World Supply and Distribution](#)
- [World Rice Trade](#)
- [World Wheat, Flour and Products Trade](#)
- [World Cotton Supply, Use, and Trade](#)