

1. BXA Background

The Bureau of Export Administration (BXA) administers and enforces laws and regulations which govern exports of dual-use commodities, technology and software from the United States and its territories and reexports of such items from third countries. In addition, BXA regulates certain activities of U.S. persons related to proliferation concerns. BXA has the responsibility of implementing the Clinton Administration's commercial encryption policy and will be responsible for compliance by the U.S. business community with the Chemical Weapons Convention. BXA investigates violations of export controls and implements the antiboycott provisions of the Export Administration Act and Export Administration Regulations. BXA is responsible for a variety of programs related to maintaining a strong U.S. defense industrial base. BXA also participates in the efforts of the U.S. Government to assist many of the newly independent states of the former Soviet Union, the Baltics and Central Europe in developing effective export control systems.

2. Fiscal Year 1998 Highlights

Export Controls in the 21st Century

BXA's export control agenda for the 21st century is focused on maintaining our national security by reducing the proliferation of weapons of mass destruction while seeking to promote U.S. competitiveness in the global marketplace. BXA recognizes that U.S. industry cannot successfully compete internationally if an export control system does not reflect an up-to-date security environment. It also recognizes that economic globalization and the end of the Cold War have changed the nature of U.S. defense procurement and increased the role of the civilian high technology sector in defense and intelligence research, development and acquisition. More than ever before, our ability to stay ahead of our adversaries technologically rests on our ability to keep our high technology companies healthy. This increasingly means facilitating more exports, which in turn, support additional research and development and the creation of new products and technologies that enhance our national security.

The Administration continues to take important actions to remove unnecessary obstacles to exporting and strengthen multilateral regimes. The Administration has actively involved industry as part of its public-private partnership effort.

Export Licensing Streamlining

The Clinton Administration continues to make progress in eliminating unnecessary and ineffective export controls and streamlining the export control process. It has

simultaneously strengthened the implementation and enforcement of those export controls which are still required to combat proliferation and protect other U.S. national security and foreign policy interests while easing or eliminating unnecessary controls. These actions have greatly reduced obstacles for exporters.

On January 15, 1998, BXA published a rule which released 80 to 90 percent of the items used in commercial nuclear powerplants from control for export to most countries, while exports of critical nuclear power production components such as reactor vessels, fuel rod equipment, and primary pumps remain under the control of the Nuclear Regulatory Commission. This action minimized the adverse effect of these controls on non-nuclear commodities while sustaining controls on items with potential nuclear weapons utility.

On March 24, 1998, BXA published a rule implementing the Australia Group's decision to change the method of calculation of mixtures containing chemical precursors controlled under Export Control Classification Number 1C350 from "solvent free basis" to "absolute weight." Mixtures containing chemical precursors controlled under ECCN 1C350 may now be shipped without a license if they qualify for a de minimus exemption based on the weight percentage of controlled chemicals calculated on the absolute (total) weight of the mixture. This revision simplified the calculation and improved the coordination of the mixtures policy among Australia Group members.

The President on March 20, 1998, announced that the United States would take a number of steps to expand the flow of humanitarian assistance to the people of Cuba, and to help strengthen independent civil society and religious freedom in that country. On May 13, 1998, BXA resumed licensing direct humanitarian flights to Cuba and streamlining procedures for the sale of medicines and medical equipment to Cuba. BXA has been successful in reducing the license processing times by 32 percent.

Electronic Security Interests

BXA, in conjunction with Ambassador David Aaron, Under Secretary of Commerce for International Trade, is responsible for implementing President Clinton's commercial encryption policy to promote the growth of electronic commerce and secure communications worldwide while protecting the public safety and national security. In July 1998, Secretary Daley announced that the Clinton Administration had finalized guidelines to permit the export of encryption products under a license exception to banks and financial institutions in 45 eligible countries. This affects encryption exports for the world's 100 largest banks and almost 70 percent of the world's financial institutions. On September 22, 1998, BXA published regulations implementing these changes.

On September 16, 1998, Vice President Gore announced an important update for encryption policy. The Administration will strengthen its support for electronic commerce by permitting the export of strong encryption when used to protect sensitive financial,

health, medical, and business proprietary information in electronic form. The Administration also intends to establish a technical support center which will help enhance the ability of law enforcement to stay abreast of advancing communications technology. The policy update will also reflect the Administration's continued promotion of key recovery products. Furthermore, the regulations will identify other recoverable products and techniques that allow for the recovery of plain text.

The Chemical Weapons Convention

On October 21, 1998, the Congress passed Chemical Weapons Convention (CWC) implementing legislation which the President subsequently signed into law. BXA is expected to oversee U.S. business community compliance. The CWC, which is administered by the Organization for the Prohibition of Chemical Weapons (OPCW) in the Hague, Netherlands, is the first major arms control treaty to have a significant impact on the private sector. Certain commercial chemical production, consumption and processing facilities will be required to submit data declarations and to permit international inspections. To fulfill its responsibilities under the treaty, BXA will publish new regulations, conduct industry outreach activities, develop an information management system to comply with the treaty's reporting requirements, and manage international inspections at U.S. commercial facilities.

Sanctions

In accordance with section 102(b) of the Arms Export Control Act (AECA), President Clinton reported to Congress on May 13 with regard to India and May 30 with regard to Pakistan his determinations that those non-nuclear weapon states had each detonated a nuclear explosive device. He directed relevant federal agencies to take the necessary actions to impose mandatory sanctions required under section 102(b) of the AECA. Following the President's directive, BXA implemented procedures to further restrict the export to India and Pakistan of dual-use items listed on the Commerce Control List in order to control their export for missile technology and nuclear nonproliferation reasons. BXA published regulations November 19, 1998 that codified the additional restrictions. Under the regulations, BXA also published a list of entities of proliferation concern in the two countries and established strict export license requirements on those entities.

High Performance Computers

In January 1997, BXA initiated a study to analyze the U.S. high-performance computing export control policy. This study updated the findings of a 1995 report on computer exports and will help the United States keep its high-performance computer (HPC) policy in step with technological developments. The analysis showed that increasingly powerful computers are widely available. The Administration continues its

review of this issue and is committed to keeping our controls up-to-date with the progress of technology.

On February 2, 1998, BXA published a rule amending the Export Administration Regulations to implement the National Defense Authorization Act (NDAA) which requires advance notification and post-shipment verification of exports and reexports of certain countries. As a result, exporters and reexporters are required to submit notices to BXA which BXA evaluates in conjunction with the Departments of Defense, Energy, State and the Arms Control and Disarmament Agency. In Fiscal Year 98, BXA received 794 notices with approximately 86 percent of those resulting in approval.

Deemed Exports

BXA continues to review the implementation of the “deemed export” rule that requires for U.S. companies to obtain prior approval from BXA before foreign nationals from certain countries are allowed to work on U.S. projects involving controlled technology. BXA is working with the interagency community and U.S. industry to revise license conditions for foreign nationals to accommodate rapid changes in technology that may have rendered certain conditions obsolete. Ensuring a streamlined review process is important given the substantial increase in “deemed export” license applications in FY 1998. BXA processed approximately 800 “deemed export” cases in FY 1998, up from 300 cases during FY 1997. BXA expects “deemed export” license applications to grow because of greater industry awareness of the requirements, as well as the anticipated increase in the number of H1b work visas for foreign nationals.

Harmonizing Multilateral Export Controls

BXA continues to work to harmonize multilateral lists and list interpretations to increase transparency and consistency and to maintain a level playing field for U.S. companies. BXA supported the expansion of transparency and information exchange in the Wassenaar Arrangement, which focuses on exports of arms and sensitive dual-use equipment and technologies. In January, BXA published comprehensive changes to the Export Administration Regulations to incorporate the Wassenaar Arrangement’s List of Dual-Use Goods and Technologies in the Commerce Control List. To simplify the conversion process for exporters, BXA also harmonized items on the Wassenaar list to conform to the European Union dual-use list and lists of other international control regimes to which the U.S. belongs.

BXA also led the U.S. effort to reformat and update Dual-use Export Control language in the NSG Annex for the Nuclear Suppliers Group (NSG) and the MTCR Annex for the Missile Technology Control Regime (MTCR) to comport with the product categories in the Commerce Control List and better reflect standard language and implementation by the

member countries. A substantial majority of members of the multilateral non-proliferation regimes now have "catch-all" controls, which the United States first advanced to help prevent weapons of mass destruction and missile proliferation. The MTCR and the NSG continue to sponsor outreach seminars and workshops on various export control issues for both members and selected nonmember countries to enhance the effectiveness of nonproliferation efforts and to improve the transparency of the international regimes. The nonproliferation regimes also provide a forum for continuing the dialogue with other member countries on ways to prevent further proliferation of weapons of mass destruction and missile delivery systems.

Defense Trade Advocacy

As part of our role in defense advocacy and support for U.S. industry impacted by defense downsizing, BXA continued to work with the interagency community on defense advocacy issues. BXA coordinates its efforts with the Trade Promotion Coordinating Committee and the International Trade Administration's Advocacy Center. In Fiscal Year 1998, BXA defense advocacy efforts supported sales of approximately \$7 billion. Examples include BXA support for the \$6 billion F-16 fighter aircraft sale to the United Arab Emirates, the \$500 million sale of Paladin howitzers to Kuwait, and the \$100 million sale of radar equipment to Australia.

U.S. Defense Diversification

During Fiscal Year 1998, BXA continued to implement its U.S. defense diversification programs to provide assistance to the defense industry which has been negatively impacted by defense downsizing. BXA also implemented the first phase of a major new effort during Fiscal Year 1998. This new effort is a pilot Manufacturing Empowerment Zone program which is designed to assist manufacturing firms in the vicinity of the Long Beach, California, Naval Shipyard. This innovative program utilizes the surplus manufacturing equipment at the former shipyard for the benefit of the local business community. More than 10,000 small and medium-sized companies in the region have been contacted about this project. This program may be expanded to other communities around the country which are home to closing military bases.

Enhanced Proliferation Control Initiative

In December 1996, BXA implemented guidelines issued by the National Security Council to streamline the export licensing review process for entities of proliferation concern. The development of a list of entities through the "Is Informed" process arose from the Enhanced Proliferation Control Initiative (EPCI) begun in 1991 to stem the

spread of missile technology as well as nuclear, chemical and biological weapons. This improved process has injected accountability, transparency and timeliness into the “Is Informed” process. Since February 1997, BXA has published several Commerce Department rules which added names to the “Entity List.” Publishing the Entity List allows the U.S. Government to identify for U.S. businesses some of the organizations and companies that may be involved in proliferation activities. Under EPCI, BXA has the authority to inform exporters individually or through published notices that a license is required for exports and reexports of normally uncontrolled goods and technology to an organization or company on the Entity List, when there is an unacceptable risk of use in or diversion to activities related to nuclear, chemical or biological weapons or missile proliferation by those organizations or companies.

Industry Outreach

In Fiscal Year 1998, BXA continued to conduct extensive outreach and counseling services through the Office of Exporter Services Exporter Counseling Division, Export Seminar Staff and Western Regional Offices located in Irvine and San Jose, California. These offices advise businesses and conduct seminars on export control and defense conversion issues. In Fiscal Year 1998, BXA responded to more than 140,000 telephone calls, directly counseled more than 350 visitors in its offices, and organized 80 seminars attended by more than 6,500 participants. BXA held one of these programs in Mexico.

BXA’s Website

BXA’s site on the World Wide Web (www.bxa.doc.gov) provides guidance on topics of interest to exporters and to companies in defense related industries. The site helps those who are new to exporting as well as those with prior export control experience. Since the debut of the website in September 1996, visitors have grown too over 25,000 monthly with 20 percent located outside the United States. In Fiscal Year 1998, BXA expanded the BXA website to include new navigational tools, including the ability do a full-text search of the website. In addition, BXA added an electronic Freedom of Information Act (FOIA) reading room and the ability for exporters to submit confidential export enforcement tips, and launched the “Conversations with America” initiative that solicits suggestions from our visitors on how to improve BXA’s operations.

BXA reported in FY 1997 that it added the ability for exporters to request export license application forms via the Internet. As Fiscal Year 1998 came to a close, BXA had moved to the next step and was testing the ability to submit export license applications and commodity classification requests via the Internet. In addition, BXA, is also in the final phases of testing a version of the Denied Persons list that will allow exporters to download the data, configure it, and use it to screen the parties to their export transactions.

Export Management Systems

BXA published Export Management System (EMS) Guidelines as part of an optional program that companies may implement, as good business practice, to ensure compliance with the Export Administration Regulations. The guidelines assist companies to establish internal procedures for screening exports. Establishing an EMS can greatly reduce the risk of inadvertently exporting to a prohibited end-use or end-user. BXA offers onsite EMS reviews of companies' written and operational programs and conducts EMS workshops and seminars to educate the export community on the various tools available to its members to assist them in complying with the EAR. This year, BXA published its revised EMS Summary brochure which is widely used as a training tool by exporters.

Defense Industrial Base Assessments

During Fiscal Year 1998, BXA was involved in five major industrial base projects. Two projects were completed during the fiscal year: an assessment of the U.S. emergency aircraft ejection seat industry, a study sponsored by the U.S. Air Force that was released in early Fiscal Year 1998, and an analysis of the optoelectronics industry, a study requested by that industry's trade association that will be released in early Fiscal Year 1999. Research continued on a Navy-sponsored assessment of high performance explosives, a study initiated in Fiscal Year 1997 that is scheduled for completion in Fiscal Year 1999. BXA initiated two new research projects, one on the U.S. maritime industry, requested by the U.S. Navy, and one on assistive technologies (technologies which enable persons with disabilities to function more fully). The purpose of this study, requested by the Department of Education and the Federal Laboratory Consortium, is to identify the industry's technology needs and match these with defense-related technologies resident in the Federal laboratories.

3. Export Administration Programs

BXA's Export Administration (EA) is comprised of five offices under the Office of the Assistant Secretary. Three EA offices have responsibility for addressing a wide range of export control policy and licensing activities, including dual-use nuclear and missile goods and technologies; dual-use chemical and biological goods and technologies; and commercial encryption policy, dual-use goods and technologies related to conventional arms, certain other sensitive dual-use goods and technologies, and foreign policy controls. EA also has an office which focuses on strategic industries and economic security issues, and an office which focuses on EA's administrative, education, and compliance responsibilities. This organizational structure allows BXA to formulate and implement timely policy changes, undertake quality analysis of licensing decisions, focus on issues of international competitiveness, and provide increased customer service.

The Office of Strategic Trade and Foreign Policy Controls (STFPC) is responsible for implementing multilateral export controls under the Wassenaar Arrangement, which deals with conventional arms and related dual-use goods and technology. The office is responsible for policy and licensing of encryption and high performance computer exports. STFPC also has the lead for policy issues involving countries like China and India, for unilateral and UN sanctions, and for export controls maintained for antiterrorism, regional stability, and crime control reasons.

The Office of Nuclear and Missile Technology Controls (NMT) administers U.S. multilateral and unilateral export controls on dual-use nuclear and missile goods and technology to prevent the spread of weapons of mass destruction. The office is responsible for all export control policy issues relating to the Nuclear Suppliers Group (NSG) and Missile Technology Control Regime (MTCR) and represents the Department in international negotiations pertaining to the export controls that are shared by member-nations of these regimes. It also has the responsibility for reviewing many proposed exports of items subject to license requirements under the Enhanced Proliferation Control Initiative (EPCI).

The Office of Chemical and Biological Controls and Treaty Compliance has overall responsibility for administering export controls and policy development relating to the Australia Group (e.g., chemical weapons precursors and biological agents). This office will have a major role in overseeing compliance by U.S. industry with the requirements of the Chemical Weapons Convention, the Biological Weapons Convention, and other relevant treaties. The office also carries out the provisions governing deemed exports and executes BXA responsibilities in furtherance of its controls on exports for short supply reasons.

The Office of Strategic Industries and Economic Security (SIES) is the focal point within the Commerce Department for issues relating to the health and competitiveness of the U.S. defense industrial base. As such, SIES plays a leadership role in a wide range of issues which relate to both the national and economic security of the United States. Its efforts include assisting American companies to diversify from defense to commercial production and markets, promoting the sale of U.S. weapons systems to our allies, analyzing the impact of export controls on key industrial sectors, and conducting primary research and analysis on critical technologies and defense-related sectors.

The Office of Exporter Services (OEXS) is responsible for counseling exporters, conducting export control seminars, and developing, drafting and publishing changes to the Export Administration Regulations. It develops brochures and other written guidance to educate and train exporters, and to ensure compliance with the Export Administration Regulations. It is also responsible for compliance actions relating to the special comprehensive license, for administering the processing of license applications, commodity classifications, and advisory opinions, and for implementing the End-User Verification

process through which U.S. exporters are informed of foreign entities of proliferation concern.

4. Export Enforcement Programs

BXA's Export Enforcement (EE) arm is comprised of three offices: The Office of Export Enforcement (OEE), the Office of Enforcement Analysis (OEA), and the Office of Antiboycott Compliance (OAC). OEE has eight field offices located throughout the continental United States. EE works to prevent the illegal export of dual-use items which are controlled for national security and other reasons and investigates alleged illegal export transactions. EE works with U.S. Attorneys and BXA's Office of Chief Counsel in seeking appropriate sanctions for violators.

OEE and OEA personnel perform a variety of checks on export transactions which raise proliferation concerns. Special agents spot-check shipments, audit exporters' records, detain or seize suspect shipments, seek temporary denial orders, and carry out pre-license and post-shipment verifications. In cases of suspected or alleged violations, OEE special agents often work with the U.S. Customs Service, the Federal Bureau of Investigation, and the Treasury Department's Office of Foreign Assets Control. OEE, in conjunction with the Department of Justice and the Commerce Department's Office of Chief Counsel, pursues criminal and administrative prosecution of cases.

OEE's mission also involves educating export control personnel and businesses about compliance with U.S. export control regulations, the proliferation threat from rogue nations, and the need for businesses to be more fully aware of their responsibilities under the U.S. export control system. OEE provides export control technical assistance to Foreign Commercial Service personnel and foreign export control officials.

The Office of Antiboycott Compliance enforces the antiboycott provisions of the EAR, provides advice to the public, and issues reports on foreign boycotts. The EAR prohibits U.S. persons from complying with certain aspects of unsanctioned foreign boycotts against countries friendly to the United States. OAC conducts investigations of alleged violations, prepares cases for settlement, and provides support in criminal prosecution or administrative litigation of cases. OAC also monitors international boycott developments.

5. Nonproliferation and Export Control Cooperation Programs

The Nonproliferation and Export Control Cooperation (NEC) office coordinates BXA's activities in support of U.S. export control cooperation programs with Russia and the other republics of the former Soviet Union in the Central Asian, Eastern Europe, and Caucasian regions, and the Baltic and Central European states. The NEC team conducts technical exchanges to assist those nations to develop their own effective export control systems with the goal of preventing terrorist and rogue nations from obtaining weapons of mass

destruction and other sensitive materials. The technical exchanges are focused on the following five functional areas of export control cooperation: legal and regulatory foundations, licensing procedures, enforcement mechanisms, industry-government relations, and system administration and automation support.

6. Technical Advisory Committee Activities

The Department of Commerce has chartered Technical Advisory Committees (TACs) pursuant to statute to provide advice and assistance from U.S. industry regarding the creation and implementation of export control policy. The TACs advise the Department of Commerce on proposed revisions to the U.S. and international export control lists, on worldwide availability and use of production technology, and on export control regulations and procedures.

During Fiscal Year 1998, the Committees addressed technical and administrative issues regarding nonproliferation controls and foreign policy controls. BXA continued to rely on the Committees as a valuable source of information and advice on regulatory and policy matters. BXA expanded its outreach activities to the public and to potential Committee members by increasing its use of the BXA Website for reporting on Committee activities and for recruiting Committee candidates.

Fiscal Year 1998 TAC Activities

The Information Systems Technical Advisory Committee (ISTAC) addressed issues relating to Control List Categories 3 (semiconductor section), 4, and 5. The ISTAC forwarded to BXA comments and proposals on the following topics: the issue of export controls based on maximum attainable performance versus shipped performance; continued use of the Composite Theoretical Performance metric; proposed changes to License Exception Key Management Infrastructure; and Wassenaar Arrangement proposals, including a review of earlier proposals, revised recommendations, and comprehensive comments explaining the rationale for those recommendations.

The Materials Technical Advisory Committee (MTAC) reviewed proposals regarding Control List Category 1. The MTAC provided comments and advice regarding the negotiations, regulations, and implementation of the Chemical Weapons Convention and the Biological Weapons Convention. Much of the Committee's work centered on the acceptability and feasibility of proposals for definitions, data declarations, and inspections. The MTAC completed its work on the parameters for controls on pipes and valves (ECCN 2A292), with suggestions on both technical and language changes to those controls.

The Materials Processing Equipment Technical Advisory Committee (MPETAC) made recommendations regarding proposed revisions to Control List Category 2. The Chairperson continues to advise the U.S. Government at negotiations of the Wassenaar Arrangement. The Chairperson also represents the MPETAC at Technical Working Group meetings of the Institute for Defense Analyses and at interagency meetings of the Defense Threat Reduction Agency.

The Regulations and Procedures Technical Advisory Committee (RPTAC) made recommendations on a range of issues, including the following: the implementation of regulations regarding commercial encryption products, a Bureau of Census proposal to revise the definition of “Exporter of Record,” the “deemed exports” rule, the “material contribution” licensing policy as it applies to the Enhanced Proliferation Control Initiative, implementation of the Executive Order on license processing, and post shipment verification reporting procedures on exports of high-performance computers.

The Sensors and Instrumentation Technical Advisory Committee (SITAC) advised the Department regarding commodities and data within Control List Category 3 (instrumentation section) and Category 6. The Committee reviewed implementation of current Wassenaar Arrangement regulations and reviewed pending proposals for changes to the Wassenaar Arrangement lists. The SITAC also provided comments on a definition for the term “specially designed,” the impact of economic sanctions, and the implication of U.S. regulations pertaining to the export and re-export of high-performance computers.

The Transportation and Related Equipment Technical Advisory Committee (TransTAC) advised the Department on commodities and technical data within Control List Categories 7, 8, and 9. After a briefing on power plant technology for Uninhabited Air Vehicles, the TransTAC developed a related position paper for forwarding to BXA. The Committee also discussed issues regarding the Missile Technology Control Regime. The TransTAC responded to questions on licensing issues and changes in policy for export controls affecting the aerospace industry.

President's Export Council Subcommittee on Export Administration

The President's Export Council Subcommittee on Export Administration (PECSEA) advised on foreign-policy based economic sanctions, the export licensing process, commodity jurisdiction, the Wassenaar Arrangement, controls on computer exports, the Enhanced Proliferation Control Initiative, economic sanctions imposed by state and local governments, the “deemed export” rule, and the Census Bureau’s proposed rule on the “Exporter of Record.”

President’s Export Council Subcommittee on Encryption

The President’s Export Council Subcommittee on Encryption (PECSENC) used the information gathered in its working groups to deliberate and advise on a range of issues, including current encryption developments and policy, overseas markets, the feasibility of key recovery, the Data Encryption Standard, and the status of “recoverable” encryption products.

2. The Office of Exporter Services

The Office of Exporter Services (OEXS) is responsible for administering EA's education and compliance programs and implements export policy within the Export Administration. In this capacity, OEXS develops BXA's outreach seminar program for the purpose of educating the exporting community about export controls, regulations, and licensing issues. OEXS provides the exporting community with advice on a broad range of export issues, including licensing and documentation requirements for export transactions, and special country policies. OEXS implements the EPCI End-User Verification process through which U.S. exporters are informed of proliferation concerns. It develops Internal Control Program Guidelines and Export Management System Guidelines which companies use to ensure exports are consistent with the Export Administration Regulations (EAR). Finally, OEXS administers International Cooperative Licenses to facilitate the export of items needed to fulfill U.S. partnership obligations in international cooperative efforts.

Export Licensing Liberalizations

OEXS is responsible for codifying regulatory policy within EAR (15 CFR parts 300 to 799), revising the current regulations, drafting new regulations, and coordinating the clearance of all changes to the Export Administration Regulations.

On January 15, 1998, BXA published a rule which released from control eighty to 90 percent of the items used in commercial nuclear powerplants when exported to most countries, while maintaining control of exports of critical nuclear power production components, such as reactor vessels, fuel rod equipment, and primary pumps, under the authority of the Nuclear Regulatory Commission. This action ensured that the adverse effect of these controls on non nuclear commodities was minimized, while control of items with potential nuclear weapons utility are sustained.

On March 24, 1998, BXA published a rule implementing the Australia Group's decision to change the method of calculation of mixtures containing certain chemical precursors from "solvent free basis" to "absolute weight." Mixtures containing these chemical precursors may now be shipped without a license if they qualify for a *de minimus* exemption based on the ratio of the weight of controlled chemicals in a mixture to the absolute total weight of the mixture. This revision simplified the calculation and improved the coordination of the mixtures policy among Australia Group members.

On April 27, 1998, BXA published a rule (concurrently with the Bureau of Census) amending the EAR by revising the Shipper's Export Declaration (SED) provisions to expand the country scope of the \$2,500 exemption for filing an SED with the Bureau of the

Census. This action furthers the efforts of the Census Bureau to harmonize the Foreign Trade Statistics Regulations (FTSR) with the BXA's EAR.

On September 22, 1998, BXA published regulations implementing the guidelines to permit the export of encryption products under a license exception to banks and financial institutions in 45 eligible countries. This affects encryption exports for the world's 100 largest banks and almost 70 percent of the world's financial institutions.

Other Regulatory Actions

On January 15, 1998, BXA published comprehensive changes to the EAR to include the Wassenaar Arrangement's List of Dual-Use Goods and Technologies in the Commerce Control List. To simplify the conversion process for exporters, BXA also harmonized items on the Wassenaar list to conform to the European Union dual-use list and lists of other international control regimes to which the United States is a party.

On February 2, 1998, BXA published a rule amending the EAR to implement the requirements mandated by the National Defense Authorization Act of Fiscal Year 1998 (NDAA). The NDAA requires submission of advance notification of exports and reexports of high-performance computers to certain countries. The NDAA further requires that BXA conduct post shipment verifications of such exports.

On November 19, 1998, BXA published a new licensing policy for the export or reexport of U.S. origin items controlled for nuclear nonproliferation and missile technology reasons to India and Pakistan, together with a list of Indian and Pakistani entities on whom broad licensing requirements would be imposed.

Customer Service

Industry counseling remains an essential component of BXA's mission. Through a variety of outreach programs, BXA promotes an understanding of U.S. export control laws which enhance compliance and facilitate U.S. international competitiveness. OEXS accomplishes its outreach and counseling activity through its headquarters in Washington, D.C., and its Western Regional Office (WRO) which has locations in both Orange County, and Silicon Valley, California. The regional offices are located in the fastest growing, high technology regions in the United States, and are within commuting distance of over 10 percent of the total U.S. population and the third largest port in the world. This year, the Western Regional Office celebrated its 10th year of service to the business community.

Export Compliance Seminar Program

As a result of BXA's commitment to provide the business community with information regarding the constant changes in export policy and licensing procedures, OEXS provides a range of seminars and workshops to educate and inform this community. An important aspect of this activity is cosponsoring programs throughout the United States with a variety of industry trade associations, universities and colleges, state and local governments, and nonprofit international business related organizations. Working with these organizations furthers BXA's goal of maintaining a cooperative relationship with industry.

In Fiscal Year 1998, OEXS conducted 80 export compliance seminars with more than 6,500 participants. In addition to its own programs, OEXS participated in more than 115 international trade-related events, reaching more than 6,100 business representatives. These events were sponsored by numerous public and private sector organizations. Much of the feedback provided by the business community is reviewed and evaluated for consideration in developing future programs.

In January 1998, BXA's Western Regional Office hosted a series of events for the People's Republic of China (PRC) and Hong Kong delegations in Silicon Valley, California. The individual events were designed to facilitate the exchange of regulatory information between these officials and U.S. industry. The events offered the opportunity for officials to hear from manufacturers on the steps they must take to comply with U.S. export control laws when conducting trade. Participating U.S. companies and government officials learned more about conducting business in China and Hong Kong.

In Fiscal Year 1998, OEXS continues to provide the revised export licensing seminar program that includes increased government-industry interaction on export licensing policy and an extended format. The Bureau of Census, the Department of Treasury's Office of Foreign Assets Control, and Export Enforcement participate in these scheduled programs. As part of the program, OEXS continues to provide specialized workshops, including commercial encryption licensing, export management systems, and freight forwarder programs. In FY 1999, OEXS will include the U.S. Customs Service in these programs to further BXA's commitment to customer service.

Update 1998

BXA's eleventh annual Update Conference on Export Controls and Licensing attracted the largest exporting audience -- more than 850 participants-- in the 11 years during which it has been presented. The annual conference is BXA's premiere event, in addition to serving as the largest Department of Commerce event in the Washington, D.C. area. This program allows high-level Government officials to conduct policy and regulatory sessions for business and industry to discuss significant changes to export control policies. BXA's Update West conference, held in California, attracted more than 480 industry participants.

Commerce Department officials and representatives from the interagency community discussed major developments in export control policy, including the newly released encryption export control liberalizations, technical data and software controls, export management systems, proliferation controls, and other issues relating to export control requirements.

One-on-one Counseling

To complement its seminar program, OEXS regulatory specialists provide extensive, one-on-one counseling to the exporting community. Counselors provide accurate and in-depth responses on a wide range of export control and licensing issues of interest to the exporting community. OEXS provided guidance to more than 140,000 inquiries and 350 visitors. This year, OEXS experienced a decrease in the demand for one-on-one counseling. This decrease is a combination of several factors. In Fiscal Years 1996 and 1997, BXA conducted extensive educational programs to instruct U.S. exporters on procedures for implementing the revised EAR. This revision resulted in an increase in correspondence and telephone calls during Fiscal Year 97. In addition, BXA's customer service/outreach programs have been augmented through the enhanced BXA website which offers comprehensive, up-to-date information on U.S. export controls.

Through OEXS, BXA advises industry on a broad range of export control issues, including export licensing requirements to ship high technology products, documentation requirements for export transactions, and special country policy concerns. Counselors act as intermediaries between exporters and licensing officials by forwarding relevant case-specific information to the licensing officers, and arranging meetings with licensing officers and industry representatives. In addition, OEXS provides referrals to other trade organizations which offer assistance with export related issues such as trade finance and marketing.

As part of the BXA and industry cooperative effort, OEXS authorizes emergency license of export applications which meet specific criteria. If approved, verbal authorization to ship is given to the exporter followed by issuance of a license. These cases are often approved within a day of receipt of the application. In Fiscal Year 1998, OEXS granted emergency processing to 31 cases, representing \$67 million in authorized exports.

In Fiscal Year 1998, OEXS continued its customer service initiatives through the distribution of brochures and export control-related publications. OEXS published an "Introduction to the Department of Commerce's Export Controls." This brochure will be available in both English and Spanish in the coming fiscal year. As an additional service to industry, OEXS maintains export control material in information libraries in Washington,

D.C. and Orange County, California. Information and publications on exporting, marketing, the Denied Persons List, and seminar schedules, as well as counseling services, are among the many types of export control and marketing information available. OEXS also ensures that this information is made available to various regional government trade offices. This information is also available on BXA's Website.

Expanded Automation Services

OEXS maintains an extensive subscriber base for its broadcast e-mail and fax systems. Known as "netFacts" and "FastFax," these systems provide timely regulatory and policy updates to more than 3,300 businesses throughout the United States. This system is invaluable in alerting the exporting community to key regulatory changes and upcoming events or policy changes. Further, BXA maintains a comprehensive array of documents available free-of-charge, 24 hours a day, via a fax-on-demand system. The system contains more than 50 documents covering a wide range of trade issues, and has proved a valuable exporter resource.

Export License Processing

BXA experienced a marginal decrease (less than percent) in the number of license applications it received in Fiscal Year 1998. During Fiscal Year 1998, BXA received 10,696 applications, in contrast to 11,472 applications in Fiscal Year 1997. This continues to remain above the 8,705 license applications received during Fiscal Year 1996, and BXA anticipates that license application submissions will increase due to continued technology advances, the expansion of the Entity List (which requires exporters to seek a license to export to certain entities products that were previously eligible for shipment without a license), and the increase in "deemed export" license applications.

The number of license applications received continues to remain well below the 26,126 applications submitted to BXA in Fiscal Year 1993. Dramatic licensing liberalizations implemented following the September 30, 1993 release of the Trade Promotion Coordinating Committee's (TPCC) report to Congress on developing a "National Export Strategy" has reduced licensing activity by over 55 percent over the past six fiscal years. By the end of Fiscal Year 1998, BXA acted upon 11,016 applications (including cases that were pending from Fiscal Year 1997), approving 8,545 individual licenses, returning 2,130 without action and denying 329, and suspending nine. (See Table II. 1-1). At the end of Fiscal Year 1998 1,450 applications were still pending.

During Fiscal Year 1998, BXA experienced a slight increase in the number of applications on which action had not been taken by the deadlines established by the Export Administration Act. By the end of Fiscal Year 1998 action had not been taken on 67 applications by the statutory deadlines compared to 56 in Fiscal Year 1997. This still remains well below Fiscal Year 1995 figures when the number of applications still pending

past the statutory deadline was 82.

Under the procedures established by Executive Order (EO) 12981, the average processing time for applications which did not require referral to another agency was 10 days, while the average processing time for applications requiring referral was 33 days. During Fiscal Year 1998, 86 percent of all applications required interagency referral, compared to 91 percent in Fiscal Year 1997. Overall, average processing times (referred and non referred) decreased from 32 days in Fiscal Year 1997 to 30 days in Fiscal Year 1998. This decrease in average processing times may be attributable to the 5 percent decrease in the number of licenses requiring interagency referral. However, BXA anticipates that this number will increase in Fiscal Year 1999 based on current trends in license submissions as previously described.

Export License Referral Process

The Department of Commerce, through Executive Order 12981 refers applications to other agencies for review and recommendation. The principal referral agencies are the Department of Defense, the Department of Energy, the Department of State and the Arms Control and Disarmament Agency (ACDA). Since the transfer of jurisdiction of commercial encryption products to The Departments of Commerce, the Department of Justice and the National Security Agency (NSA) also have a role in the license review process for encryption license applications.

Under EO 12981, when agencies do not agree on applications, they are referred to the Operating Committee (OC), which is chaired by the Department of Commerce. Before referral to the OC, certain license applications can be discussed at State-chaired, working-level, interagency groups which review cases subject to nuclear nonproliferation, missile technology, and chemical and biological weapons controls.

Agency recommendations are required to be submitted to the Commerce Department within 30 days of receipt of the original referral from Commerce. The OC Chair considers the recommendations of the reviewing agencies and informs them of the Chair's decision within 14 days after receipt of the agency recommendations. Any reviewing agency may appeal the decision of the Chair of the OC to the Chair of the Advisory Committee on Export Policy (ACEP). In the absence of a timely appeal, the Chair's decision is final. The ACEP is an Assistant Secretary-level body which is chaired by Commerce, with its principal members coming from the agencies listed above.

An agency must appeal a matter to the ACEP within five days of the OC's final decision. Appeals must be in writing from an official appointed by the President with consent of the Senate, or an officer properly acting in such capacity, and must cite both the statutory and regulatory bases for the appeal. Decisions of the ACEP are based on a majority vote. Any dissenting agency may appeal the decision to the Export

Administration Review Board (EARB) by submitting a letter from the head of the agency. In the absence of a timely appeal, the majority vote decision of the ACEP is final.

The Secretary of Commerce is the Chair of the EARB, a Cabinet-level group with the Secretaries of Defense, Energy and State as the other voting members. The Chair of the Joint Chiefs of Staff and the Director of Central Intelligence have non-voting rights as members of the Board. Export applications considered by the EARB are resolved by a majority vote. Any agency may appeal the decision to the President. In the absence of a timely appeal, the decision of the EARB is final. (As a practical matter, it is rare for cases to be appealed to the EARB, it almost never is appealed to the President.)

EO 12981 reduced the time permitted to process license applications. No later than 90 calendar days after it is submitted, final action must be taken or a complete license application or it is escalated to the President for decision. Prior to implementation of EO 12981, the law EAA provisions required final action to be taken on every application within 120 days of its initial submission to the Commerce Department.

Electronic Licensing

In Fiscal Year 1998, the number of all license applications submitted electronically using the Export License Application and Information Network (ELAIN) decreased by 5 percent from the previous year from 40 percent to 35 percent. The primary purpose for electronic licensing is to assist U.S. exporters that submit a high volume of license applications. A contributing factor for the decline in electronic submissions may be the increase in license submissions by U.S. exporters who otherwise would use license exceptions for India and Pakistan. Such exporters may not have established accounts with the various vendors which offer electronic licensing for BXA. For the remaining 65 percent submitted on an export license application form, the License Application Scanning System (LASSie), a PC-based forms processing and image management system, scans applications into the system. The 748P Multipurpose Application Form can be used to apply for an export license or a classification request. For both LASSie and ELAIN, technical specifications, import certificates, and other documents are submitted by telefax or express mail. BXA continues to work on the development of the Simplified Network Application Process (SNAP) which would allow BXA to accept export license applications and reporting forms in an electronic format through the Internet.

OEXS continues to operate the Multipurpose Application Records & Retrieval System (MARRs) which replaced the former microfiche system. MARRs is a PC-based forms and image management system. The automated data base provides an electronic image of all export and classification requests and supporting documentation whether submitted manually or electronically.

“Is Informed” Process

The development of a list of entities of concern through the “Is Informed” process arose from the Enhanced Proliferation Control Initiative (EPCI) begun in 1990 to stem the spread of missile technology as well as nuclear, chemical and biological weapons. Under EPCI, BXA can impose licensing requirements on exports and reexports of normally uncontrolled goods and technology where there is an unacceptable risk of use in or diversion to activities related to nuclear, chemical or biological weapons or missile proliferation, even if the end-user is not primarily weapons-related. BXA maintains an “Entity List” in the EAR to provide notice to the public of certain entities subject to such licensing requirements.

Since February 1997, the BXA has published several Commerce Department rules which added names to the “Entity List.” The most recent publication took place on November 19, 1998, when BXA published a rule in the Federal Register that amended the EAR to implement the Administration's sanctions on India and Pakistan. The rule codified those sanctions implemented in June that included a policy of denying licenses for exports and reexports of items controlled for nuclear nonproliferation and missile technology reasons to India and Pakistan, with limited exceptions. Additionally, the rule added certain Indian and Pakistani Government, parastatal, and private entities to the Entity List.

The process of publicly identifying these entities was revised by the National Security Council in December 1996. The guidelines issued by the National Security Council incorporate many aspects of EO 12981 which streamlined the export licensing review process. This improved process injects accountability, transparency, and timeliness into the “Is Informed” process. Activities of companies which raise a proliferation concern are reviewed by a BXA chaired interagency group. This group has 14 days to determine if the export of an item to a particular entity presents an unacceptable risk of use in or diversion to missile, chemical or biological weapons and nuclear-related proliferation activities. If a positive determination is made, the committee decides if a licensing requirement should be imposed for otherwise “uncontrolled” items to that entity. Decisions are made by a majority vote. Agencies which disagree with the majority vote may escalate the decision to the ACEP.

Special Licensing and Export Compliance/Special Comprehensive License

OEXS offers a more efficient licensing mechanism for exporters who routinely make high volume shipments of pre-approved items to pre-approved destinations and end-users for pre-approved end-uses. A special license was established for exporters to use in lieu of submitting individual applications. By reducing the paperwork burden on exporters and reexporters, allowing more flexibility and improving exporter delivery times by making it unnecessary for them for individual license approvals from BXA, this license helps U.S. firms remain competitive in the global marketplace.

This licensing option, titled the Special Comprehensive License (SCL), is available to experienced exporters that are reliable and have a strong corporate commitment to the development and maintenance of an Internal Control Program (ICP). Because BXA does not review each individual transaction authorized by an SCL, in order to be granted an SCL, an exporter must have the mechanisms in place to ensure that each export and re-export made under an SCL meets all the terms and conditions of the license and is in accordance with all applicable provisions of the EAR.

The SCL provides flexibility that allows a company to tailor a license to its individual needs and may authorize a number of activities e.g., servicing, export and re-export of capital equipment, and/or exporting items for the purpose of resale and re-export. To qualify for an SCL, a company's ICP must be customized to each license depending upon the type of activity, items to be exported/reexported, and their destinations. Currently, BXA has authorized thirteen companies to facilitate exports and reexports through an SCL.

International Cooperative Licenses

The Commerce Department is authorized to establish licenses which assist in the effective and efficient implementation of the Export Administration Act (EAA), as described under section 4(a)(4) of the EAA as amended (50 U.S.C.A. app. 2403(a)(4) (1991 and Supp. 1998). Under this authority, BXA establishes U.S. Government-held licenses to fulfill U.S. Government roles in international cooperative projects. The structure and paperwork requirements for these licenses are similar to those for the SCL, and an agency must have an ICP to qualify but the restrictions described in Part 752 of the EAR do not necessarily pertain. Three such licenses currently exist.

Internal Control Programs

An Internal Control Program (ICP) is a mandatory requirement of the SCL and ICL. Each license holder crafts its ICP to ensure that its export and re-export procedures comply with the requirements of the license and the EAR. Elements of the ICP include customer screening, auditing, training and administrative procedures. OEXS revises and distributes ICP Guidelines as well as other tools that can be used by the SCL holders in the implementation of their programs. One such tool is the SCL Holder Review Module that can be used by companies to audit their own programs. Although this Module was developed for the SCL ICP review, it is also used by companies that do not hold SCLs. The ICP Guidelines and the Review Module are available to exporters to download via the Export Management System Compliance page of the BXA's Website.

OEXS counsels exporters and consignees who participate in this procedure to develop

and refine their internal control programs on an ongoing basis. The ICP has been the standard for use by multinational companies worldwide since its implementation in 1985 and is now being requested by other countries to use as a model for establishing similar programs.

Systems Reviews

Section 4 of the EAA requires the Secretary to conduct periodic reviews of all active Special Licenses. The purpose of these reviews is to evaluate the adequacy of the mandatory ICPs implemented by SCL holders and consignees, and to ensure compliance with the EAR and the terms of the license. Systems Reviews are viewed not only as a compliance activity but also as an educational opportunity, since guidance is provided to the SCL holder and consignees at the time of the reviews.

Export Management Systems Guidelines

An Export Management System (EMS) is an optional compliance program that companies may implement as good business practice, in order to ensure compliance with the EAR and to prevent sales to end-users of concern. Establishing an EMS can greatly reduce the risk of inadvertently exporting to a prohibited end-use/user. BXA published the first EMS Guidelines in September 1992. Working with industry, OEXS revised and reprinted the guidelines in Fiscal Year 1997 to assist companies with the establishment of internal procedures for screening exports. Exporters now assume greater responsibility as even decontrolled commodities and technologies may require prior approval from the U.S. government because of concerns over the proliferation of weapons of mass destruction.

The EMS Guidelines include both Administrative and Screening Elements which are beneficial in developing a foundation for a compliance program within an individual firm. The Administrative Elements include: Management Policy, Responsible Officials, Record Keeping, Training, Internal Reviews, and Notification. The Screening Elements include: Denied Persons, Product Classification/License Determination, Diversion Risk, Nuclear, Missile, Chemical & Biological Weapons, Antiboycott Compliance and Is Informed/Entity List. Through the various screening elements and checklists within the Guidelines, companies can develop ways to know their customers. The Guidelines provide suggestions for how exporters can comply with the General Prohibitions described in the EAR. Those prohibitions require that an export license be obtained even when items are eligible for export under various license exceptions and qualify for “No License Required” (NLR) status.

OEXS counsels firms on the development of EMS programs that are customized to their specific business activities. Reviews have taken place in the form of one-on-one counseling and review of draft programs at the Department of Commerce. OEXS now offers on-site EMS reviews of companies’ written and operational programs. OEXS also conducts EMS

workshops and seminars to educate the export community about the various tools available to them to assist them in complying with the EAR.

Summary of Systems Reviews

Fiscal Year	1984-88	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
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Special Licensing and Compliance Division (SLCD)

Domestic:	282	69	42	52	39	16	9	9	3	1	4	526
Foreign:	88	61	82	24	41	32	19	0	0	0	0	347
Desk:	0	0	6	6	12	0	0	5	1	19	10	29
Total:	370	130	130	82	92	48	28	14	4	20	14	932

Western Regional Office *

Domestic:	0	38	44	33	22	6	3	**	**	**	**	146	
Mini:		0	2	4	0	0	0	0	**	**	**	**	6
WRO Total:	0	40	48	33	22	6	3	**	**	**	**	152	

Total Reviews

Conducted:	370	170	178	115	114	54	31	14	4	20	14	1084
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* Established in 1988

** Discontinued systems reviews, function returned to Special Licensing and Compliance Division

Definitions: "Domestic": 1 or 2 day on-site visit to Special License Holder
 "Foreign": 1 or 2 day on-site visit to the Special License Consignee
 "Desk": Special License Holder, Special License Consignee, and Export Management System reviews conducted by written correspondence
 "Mini": half day on-site visit to Special License Holder

3. The Office of Strategic Trade and Foreign Policy Controls

The Office of Strategic Trade & Foreign Policy Controls (STFPC) is composed of the National Security Controls Division, the Foreign Policy Division, and the Encryption Controls Division. STFPC implements multilateral export controls for national security reasons under the Wassenaar Arrangement to control the spread of conventional arms and related technologies. STFPC is also responsible for the bilateral agreement with Japan on export controls for high-performance computers. In addition, the office implements U.S. foreign policy controls to ensure that exports are consistent with our national goals relating to human rights, antiterrorism, and regional stability. In 1994, BXA created a new Encryption Controls Division to handle encryption policy and the large volume of licenses and industry outreach activities associated with commercial encryption. The office is responsible for all policy actions, export licenses, commodity classifications, and advisory opinions for commodities in the noted categories. STFPC also represents the Department in international negotiations on export controls and control list development.

National Security Controls

The United States maintains national security controls on the export and reexport of strategic items and technical data worldwide to prevent the diversion of such strategic items to certain destinations. To achieve this objective, the United States attempts to pursue a multilateral approach and imposes controls in cooperation with other nations participating in the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies.

Policy Towards Individual Countries

Section 5(b) of the Export Administration Act of 1979, as amended (the Act), requires the President to establish a list of controlled countries for national security purposes. Executive Order 12214 (May 2, 1980) delegated this authority to the Secretary of Commerce.

Initially, this list comprised those countries named in Section 620(f) of the Foreign Assistance Act of 1961 (FAA) (22 U.S.C. Sec. 2370 (f)) at the time of the enactment of the Export Administration Act in 1979. The Secretary of Commerce, however, may add or remove countries from the control list of countries under criteria provided in Section 5(b). Since 1980, the Secretary has removed countries from the list of controlled countries, including the former Federal Republic of Yugoslavia in 1985, Hungary in 1992, and the Czech Republic, Poland, and the Slovak Republic in 1994. Public Law 102-511 (October 24, 1992) amended Section 620(f) of the FAA to delete the former Soviet Bloc countries and

certain other nations from the list of Communist countries. Under Section 5(b) of the Act, the United States, however, continues to control exports to some of the countries deleted from the list in Section 620(f) of the FAA.

The countries currently controlled under Section 5(b) of the Act are: Albania, Bulgaria, Cuba, Estonia, Latvia, Lithuania, Mongolia, the Newly Independent States of the former Soviet Union, North Korea, the People's Republic of China, Romania, Vietnam, and Tibet. The Department, along with other concerned agencies, provides technical export control development assistance to many of these countries with a view to removing additional nations from the list of controlled countries.

Wassenaar Arrangement

The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies is a multilateral regime currently consisting of 33-member countries. It contributes to regional and international security and stability by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies, thus preventing destabilizing accumulations of these commodities. The agreement obligates member countries to exchange information on certain dual-use transfer approvals and denials. The members share this information to enhance international security and regional stability.

The U.S. Government continues to participate in submissions of export data made by member countries in the regime since the November 1996 implementation of the Wassenaar dual-use export control list. The Wassenaar members make dual-use data submissions on a semiannual basis in April and October. In April 1998, BXA representatives attended the first official annual List Review of the regime. The first Wassenaar Arrangement meeting on Licensing and Enforcement Practices occurred in June 1998. In September, October, and November 1998, BXA representatives attended working group meetings of the Wassenaar Arrangement in Vienna, Austria. In October, Wassenaar's 33 members agreed to revise controls on telecommunications equipment and on commercial encryption products. Member countries also agreed to convene in February 1999 and begin an effort to assess the interdependency of telecommunications equipment, computers and electronic components and production equipment, and to determine if there remains any strategic relevance for controls on these items.

National Security Export Control Changes

In January 1998, BXA published comprehensive changes to the Export Administration Regulations to incorporate the Wassenaar Arrangement's List of Dual-Use Goods and Technologies in the Commerce Control List (CCL). To simplify the classification process for exporters, BXA also harmonized items on the CCL to conform to the European Union dual-use list and lists of other international control regimes of which the United States is a

party. This January 1998 rule also imposed new requirements on exporters to report to BXA all exports of certain items made under the authority of certain license exceptions. BXA provides this information, excluding the exporter's name and the dollar value of the export, to other participating countries to enhance international security and stability through the sharing of information. This rule revision also removed the ability for some Wassenaar Arrangement Very Sensitive List dual-use items to be exported from the United States under license exception.

In February 1998, BXA implemented provisions of the National Defense Authorization Act (NDAA) which requires advance notification and post-shipment verifications of exports and reexports of certain high performance computers (HPCs) to certain countries. As a result, exporters and reexporters must submit notices of proposed export of computers to BXA which BXA evaluates in conjunction with the Departments of Defense, Energy, and State, and the Arms Control and Disarmament Agency. The United States also imposed new reporting requirements for exports and reexports of computers to enable BXA to track the use of these computers abroad.

In January 1997, BXA initiated a follow-on study to analyze the U.S. high-performance computing export control policy. This study updated the findings of a 1995 report on computer exports and will help the United States keep its HPC policy in step with technological developments. In April 1998, BXA completed its analysis, which showed that increasingly powerful computers are widely available, and will use the study findings to develop the U.S. export control policy for computers in FY 1999 and FY 2000.

Encryption

On December 30, 1996, BXA issued a regulation implementing the Clinton Administration's encryption policy that Vice President Gore announced on October 1, 1996. A Presidential Memorandum and Executive Order dated November 15, 1996, fully outlined the Administration's policy. The Administration's policy consists of several parts, including maintaining export controls, developing standards, and promoting international cooperation. The encryption policy aims to promote the growth of electronic commerce and secure communications worldwide while protecting the public safety, and U.S. foreign policy and national security. The United States continues to pursue these goals.

In July 1998, Secretary Daley announced that the Clinton Administration had finalized guidelines to permit the export of encryption products under a license exception to banks and financial institutions in 45 eligible countries. This affects encryption exports for the world's 100 largest banks and almost 70 percent of the world's financial institutions. On September 22, 1998, BXA published regulations implementing these changes.

On September 16, 1998, the Clinton Administration also announced an important

update to its encryption policy. The Administration will strengthen its support for electronic commerce by permitting the export of strong encryption when used to protect sensitive financial, health, medical, and business proprietary information in electronic form. Vice President Gore also assured the Nation's law enforcement community that the Administration remains committed to ensuring access to the plain text of criminally-related communications and stored data. The Administration intends to establish a technical support center which will help enhance the ability of law enforcement to stay abreast of advancing communications technology. BXA issued a regulation that implements the updated encryption policy on December 31, 1998.

BXA's new regulation establishes licensing policies and procedures for companies to follow to obtain approval to export encryption products. It also will create a new license exception for export of very strong encryption of any key length (with or without key recovery) to several industry sectors. Key elements of the license exception include export of very strong encryption by U.S. companies for use between their headquarters and their foreign subsidiaries worldwide, except in the seven terrorist countries (Iran, Iraq, Libya, Syria, Sudan, North Korea, and Cuba), to protect their sensitive company proprietary information. Insurance companies, as well as health and medical sectors in 45 countries will be able to purchase and use strong encryption products to secure health and insurance data among legitimate users such as hospitals, health care professionals, patients, insurers and their customers.

Banks and financial institutions in the same 45 countries will remain eligible to receive strong encryption for the protection of financial transactions. This will also occur under a license exception. Furthermore, encryption commodities and software, limited to client-server applications (e.g., Secure Socket Layer (SSL) based applications) or applications specially designed for on-line transactions for the purchase or sale of goods and services, may be exported to on-line merchants in destinations listed in these 45 countries. Such commodities and software will be used for the purchase or sale of goods, software and services including interactions between purchasers and sellers necessary for ordering, payment and delivery of goods.

The new regulation will also allow encryption hardware and software products with encryption strength up to 56-bit DES or its equivalent to be exported without a license, after a one-time technical review by U.S. agencies, to all users outside the seven terrorist countries. Currently, the United States permits streamlined exports of DES products for those companies that have filed key recovery business plans with Commerce. However, with the new regulations, the United States will no longer require the key recovery business plans.

The new regulations will also reflect the Administration's continued promotion of key recovery products. Those companies that have submitted plans to develop and market key recovery encryption products will no longer have to submit the six-month progress reviews.

Once the products are ready for market, companies can export them, at any bit length, without a license, worldwide (except to the terrorist nations), after a one-time review by U.S. agencies. Moreover, exporters will no longer need to name or submit additional information on a key recovery agent prior to export. These requirements will be removed from the regulations. Furthermore, the regulations will identify other recoverable products and techniques that allow for the recovery of plaintext by a system administrator. The regulations will permit export of these products for use within most foreign commercial firms and their wholly owned subsidiaries in order to protect internal business proprietary communications.

The Office of Strategic Trade also participates in the international work undertaken by Ambassador David Aaron, Under Secretary of Commerce For International Trade, whom the President designated as Special Envoy For Cryptography, and who chairs the multilateral working group on encryption export controls he established. These multilateral discussions paved the way for consensus in the Wassenaar Arrangement membership for extensive revision of encryption export controls. Since jurisdiction over commercial encryption items was transferred to Commerce through the end of 1998, BXA has received well over 3700 encryption license applications valued at approximately \$1 billion. Sixty-four companies have submitted commitment plans which lay out how they will build and market key recovery products, and the United States has approved 20 key recovery products for export. These companies include some of the largest software and hardware manufacturers in the country. BXA has approved 61 of these plans; none has been rejected.

Sanctions and Foreign Policy

China

Based on agreements reached in Beijing in October 1997, during the eleventh annual meeting of the Joint Commission on Commerce and Trade (JCCT), U.S. and Chinese representatives met in Washington in April 1998 for the first of two export control technical exchanges. A smaller Chinese delegation returned in June 1998 to continue discussions, followed by a Chinese invitation to the Under Secretary of Commerce for Export Administration to visit Beijing to hold the second export control technical exchange. This took place in November 1998. These technical exchange seminars provide opportunities to discuss issues of concern, promote mutual understanding of the respective export control systems, and enhance future cooperation. By the end of the year, at the twelfth annual JCCT meeting, the United States and China agreed to procedures for end-use visits, an expansion of Chinese end-user certificates for nonproliferation-controlled items, and an agreement to continue the technical exchanges in 1999.

Cuba

The U.S. embargo on Cuba came at a time when Cuban actions seriously threatened the stability of the Western Hemisphere, and the Cuban Government had expropriated property from U.S. citizens without compensation. Because of Cuba's support for insurgent groups that have engaged in terrorism, the Secretary of State designated it as a state sponsor of terrorism under Section 6(j) of the Act in March 1982.

The United States requires a license for the export and re-export of virtually all U.S.-origin commodities, technology, and software to Cuba. All of the export licenses approved by BXA for Cuba in FY 1998 fell into one of five major categories: (1) medicines and medical supplies, instruments, and equipment, (2) other humanitarian aid, (3) gift parcels, (4) aircraft on temporary sojourn in Cuba, and (5) items for promoting independent activities to strengthen civil society in Cuba. In Fiscal Year 1998, BXA approved 128 license applications (122 exports and 6 re-exports) worth over \$544 million, a significant increase over Fiscal Year 1997 when 87 export licenses, valued at \$493.4 million, were approved. Much of this increase consisted of export licenses that were issued in connection with the Pope's visit to Cuba. BXA denied four export license applications (valued at \$29.2 million) in Fiscal Year 1998 and returned sixteen license applications (worth \$29.4 million) without action.

More recently, the President on March 20, 1998, announced that the United States would take several steps to expand the flow of humanitarian assistance to the people of Cuba, and to help strengthen independent civil society and religious freedom in that country. In a June 12 Federal Register Notice, BXA implemented two out of three of these measures by resuming licensing of direct humanitarian flights to Cuba and streamlining procedures for the sale of medicines and medical equipment to Cuba. The third measure -- allowing family remittances of specified amounts to close relatives in Cuba-- is the Treasury Department's jurisdiction.

The resumption of direct humanitarian cargo flights enables assistance to reach the Cuban people more expeditiously at a reduced cost. The United States requires a license for all aircraft bound on such flights that do not qualify under Export Administration Regulation (EAR) License Exception AVS. BXA reviews license applications involving flights to Cuba for humanitarian reasons under a presumption of approval, and reviews applications involving aircraft flying for any other reasons on a case-by-case basis. The United States also streamlined its procedures for exporting medicines and medical equipment to Cuba, either for sale or donation, and reduced license processing time. BXA is taking steps to facilitate compliance with the on-site verification and monitoring requirement for medical sales and certain donations to Cuba. On-site monitors in Cuba can include, but are not limited to, representatives of the license applicant, religious or charitable groups, western diplomats, and international nongovernmental organizations.

Since the implementation on May 13, 1998, of a policy of expedited review of applications for medical sales, the United States has approved six such applications during

the fiscal year, at a total value of \$1.9 million. This is in contrast to the 15 licenses for medical sales in the five-year period from October 1992 to May 13, 1998. Although the United States has allowed commercial medical sales to Cuba under the Cuban Democracy Act, the interests of U.S. industry in this opportunity were heightened by the onset of the new policy. BXA has also been successful in reducing the license processing times by 32 percent.

Federal Republic of Yugoslavia (including Serbia & Montenegro)

In 1998, the Department imposed new foreign policy controls on the Federal Republic of Yugoslavia (also known as the FRY or Serbia/Montenegro), in concert with the Department of State, in order to implement United Nations Security Council Resolution 1160 of March 31, 1998, prohibiting the sale or supply of certain arms-related items and the transport by U.S.-registered aircraft and vessels of such items to the FRY. The Commerce-controlled items subject to this action include shotguns, ammunition, military vehicles, equipment for the production of military explosives, bulletproof vests, night vision equipment, crime and crowd control equipment (including water cannons), and items that may be used to arm and train individuals for terrorist activities.

The new foreign policy controls that the United States imposed on exports to the Federal Republic of Yugoslavia (FRY) of “oppressive police equipment” have had very little impact on U.S. industry, at least in terms of the total volume of U.S. exports to the FRY. Most of the items subject to the new denial policy already required a license for export to the FRY. The United States has approved only one export license to the FRY since Fiscal Year 1994. The lone approval occurred in Fiscal Year 1998 and involved a transfer of technical data to a Yugoslav national employed in the United States (transactions of this sort are labeled as “deemed exports”). The United States did not reject any export license applications for the FRY during Fiscal Year 1998, nor did it return any without action.

Hong Kong

Under the Hong Kong Policy Act of 1992, the U.S. Government will continue its export licensing policies for Hong Kong that existed prior to return of Hong Kong to the control of the People’s Republic of China in July of 1997 -- as long as Hong Kong maintains an effective and autonomous export control program. The Bureau of Export Administration aggressively monitors the status of Hong Kong’s post-reversion export control program to ensure that it continues to be effective and autonomous from that of the People’s Republic of China. By openly and vigilantly observing Hong Kong’s program, BXA supports Hong Kong’s efforts to maintain the separation of its export control system from that of the rest of China.

In order for Hong Kong to maintain an effective export control system, the United States has agreed to share any publicly-releasable list or procedure changes adopted by the

nonproliferation regimes (Australia Group, Nuclear Suppliers Group, Missile Technology Control Regime) and the Wassenaar Arrangement. In return, Hong Kong has agreed to implement all appropriate regime changes made known to it.

The export control monitoring capabilities of BXA employees in Hong Kong -- statistical analysis, safeguards visits, and other conventional means -- were greatly enhanced by an Agreed Minute on Strategic Commodities Trade Controls signed by Secretary Daley and his Hong Kong counterpart, Secretary for Trade and Industry Denise Yue, in October 1997. The Agreed Minute calls for semiannual meetings, the first of which occurred in Hong Kong in January 1998, and the second in Washington, D.C., in July 1998. These regular meetings enable BXA to recommend an appropriate policy response to any changes in Hong Kong's system or practices.

India/Pakistan

In accordance with section 102(b) of the Arms Export Control Act (AECA), President Clinton reported to Congress on May 13 with regard to India and May 30 with regard to Pakistan his determinations that those non nuclear weapon states had each detonated a nuclear explosive device. The President directed relevant Federal agencies to take the necessary actions to impose sanctions required under section 102(b) of the AECA. Following the President's directive, BXA implemented procedures to further restrict the export to India and Pakistan of dual-use items that are on the Commerce Control List for missile technology and nuclear nonproliferation reasons. BXA published regulations November 19, 1998 that codified the additional restrictions. Under the regulations, BXA also published a list of entities of proliferation concern in the two countries and established strict export license requirements pertaining to those entities.

BXA staff also participated in a State Department-led delegation that visited India in November 1998. The goal of the bilateral discussions was to urge India to adopt the guidelines and export control lists of the various international nonproliferation regimes. The meetings were largely informational in nature due to the lengthy descriptions by delegation members of each country's export control systems. India expressed its commitment to nonproliferation; however, it stated that it was not anxious to join the international regimes which it described as both discriminatory and arbitrary. The U.S. and Indian delegations agreed to meet again early in 1999 to continue the discussions.

Newly Independent States

Several foreign nations received export licensing and control list development assistance during 1998. STFPC provided staff experts to brief visiting delegations on export control practices, procedures, and application handling for dual-use products.

Armenia

Armenian export control officials participated in a technical workshop on export licensing in Washington, D.C., from October 19-23, 1998. The workshop was designed to assist senior managers who have the responsibilities for export license decision making and application processing. The program included briefings on the interagency review process, dispute resolution, export clearance, current issues facing export licensing systems, and the important link between effective export control licensing and enforcement.

Baltics

Senior licensing officials from Latvia, Lithuania, and Estonia visited the Department for briefings on the U.S. export control system on March 30, 1998.

Hungary

A group of Hungarian export licensing officials visited Washington on November 2-6, 1998, for a technical exchange workshop on export licensing system standards, procedures, and practices..

Kazakhstan

A senior government delegation participated in a program in Washington on the further development of Kazakhstan's export control system from September 21-25, 1998. The delegation also met with officials in the Departments of State, Energy, and Defense, and the U.S. Customs Service.

Slovak Republic

Export licensing officials from the Slovak Republic attended an export control licensing workshop from May 18-22, 1998 in Washington, D.C. This technical exchange on export licensing was designed for senior-level export control experts who are engaged in licensing administration. The program considered the interagency review process, dispute resolution, export clearance, and current issues facing the export licensing system.

North Korea

Although the United States has an embargo against North Korea, BXA approved, with the support of the Departments of State and Defense, exports in support of humanitarian aid to famine and flood victims. The total number of export license applications that the United States has approved for North Korea increased significantly after the signing of the U.S.-North Korean Agreed Framework in October 1994, however these licenses were predominately for food and other humanitarian items. In Fiscal Year 1998, BXA approved 43 licenses (totaling \$129.1 million) for exports to North Korea, only slightly less than the

number for Fiscal Year 1997. BXA rejected two applications (totaling \$4.9 million) in Fiscal Year 1998 and returned 15 applications (valued at \$1.6 billion) without action.

Sudan

On November 3, 1997, President Clinton signed Executive Order 13067, which imposed an embargo on Sudan, effective November 4, 1997. This Executive Order expands existing prohibitions instituted since the Secretary of State designated Sudan as a state sponsor of international terrorism. These sanctions block Sudanese assets in the United States, and prohibit, *inter alia*, the export to Sudan of virtually all goods, technology, or services from the United States, and the facilitation by any U.S. person of the export or re-export of goods, technology or services to Sudan from any destination. The Department of the Treasury's Office of Foreign Assets Control (OFAC) implements the Executive Order.

U.S. exports to Sudan did not change significantly with the designation of Sudan as a terrorist state in 1993 because U.S. exports to Sudan were generally low-technology items not subject to U.S. export controls. The imposition of the November 3, 1997, embargo, however, extended controls to low technology items, which have traditionally made up the bulk of U.S. exports to Sudan. In Fiscal Year 1998, BXA denied one export license application for aircraft parts and components (valued at \$500,000), and returned ten applications (valued at \$23,364,082) without action.

4. The Office of Nuclear and Missile Technology Controls

The Office of Nuclear and Missile Technology Controls (NMT) administers U.S. multilateral and unilateral export controls on dual-use items related to nuclear and missile technology. The United States is a member of both the Nuclear Suppliers Group (NSG) and the Missile Technology Control Regime (MTCR), international groups whose mission is to prevent the spread of weapons of mass destruction. The Office represents the Department in international negotiations on the export controls that are shared by member nations of the NSG and MTCR. One of NMT's goals is the harmonization of U.S. and the nuclear and missile technology export controls with those of other supplier nations, and the NSG and the MTCR are the primary focal points of those global harmonization efforts. NMT, composed of the Nuclear Technology Division and the Missile Technology Division, also has responsibility for reviewing commodities subject to the Enhanced Proliferation Control Initiative (EPCI) and the Nuclear Referral List (NRL).

The Nuclear Suppliers Group

The Nuclear Suppliers Group was formally established in 1992 and membership now totals 35 member nations, with the addition of Latvia in 1998. Two documents guide NSG members in establishing national controls: the Guidelines and the Annex. The NSG Guidelines establish the underlying precepts of the regime, and provide a degree of order and predictability among suppliers, ensuring harmonized standards and interpretations of NSG controls. All members commit to full-scope International Atomic Energy Agency (IAEA) safeguards on all fissionable materials in current peaceful activities; physical protection against the unauthorized use of transferred materials and facilities; and restraint in the transfer of sensitive facilities, technology, and weapons-usable materials. The Guidelines also call for consultations among members on specific sensitive cases to ensure that transfers do not contribute to risks of conflict and instability.

The Annex is the actual list of 70 categories of items subject to NSG controls. The Annex also contains a General Technology Note, which ensures that exports of technology directly associated with listed items will be subject to the same degree of scrutiny and control as the items themselves. NSG members are required to establish national licensing procedures for the transfer of Annex items.

Consultations among members were informal in the 1980's, and member countries consulted regularly on a bilateral basis. A framework for consultation on dual-use guidelines and an exchange of information on procurement activities of potential recipient countries was established. Since the early 1990's, formal annual plenary meetings have

been held to provide the opportunity for these multilateral consultations. The Plenary also provides the opportunity for members to review the Annex and the Guidelines to ensure that NSG controls are focused on truly sensitive nuclear technology, and that they provide the means to meet evolving nuclear

proliferation challenges. Overall responsibility for NSG activities lies with the member states; the NSG proceeds on the basis of consensus.

Recent NSG Actions

The NSG's 1998 Plenary marked the twentieth anniversary of the publication of the NSG Guidelines. NSG membership has grown to 35 members and inquiries continue to be received from non-member nations regarding the possibility of joining the NSG. The successful 1997 transparency seminar, where delegates from 76 nations learned about the requirements for NSG membership, has spurred interest on the part of non-supplier nations in joining the NSG. The issue of whether membership, or adherence without membership, is more appropriate for countries that are not suppliers, but merely transit states for nuclear transactions, was a topic of discussion at the 1998 Plenary, and will be raised again in 1999.

The NSG's Annex Working Group completed its work by forwarding a draft of a revised and restructured Annex for the approval of the NSG at the 1998 Dual-Use Regime (DUR) Consultations meeting. Also approved at the DUR for consideration by the NSG at the next (1999) Plenary were the Information Sharing Group's report on the NSG information sharing system, member reports of export denials, and the results of the "catch-all" controls survey.

The first working group meeting on Intangible Technology Controls was held in 1998. Members exchanged information on national controls on Internet transactions, foreign university students engaged in nuclear programs, and scientists attending conferences or working in sensitive countries. Noting the need to balance academic and individual freedom with technology control requirements, and the differences among member nations on how this balance is achieved, the group agreed to continue its work in 1999. A second meeting of the Intangible Technology Controls working group is scheduled for the spring of 1999.

Through its Transparency Working Group, the NSG hosted an International Seminar on the Role of Export Controls in Nuclear Proliferation. The meeting provided an opportunity for states and non-governmental organizations, both within and outside the NSG, to pose questions, raise topics, and exchange views on nuclear export controls. A second seminar is scheduled for the spring of 1999.

Unilateral Control Actions

The United States unilaterally controls some items for nuclear reasons. For example, turbines and generators for nuclear powerplants are controlled for nuclear and antiterrorism reasons. Also controlled are the pipes, valves, cranes, and pipe fittings associated with turbines and generators that are used on the non-nuclear island of commercial nuclear and fossil fuel powerplants. Because these pipes, valves, cranes, and pipe-fittings are corrosion-resistant, they are also commonly used in non-nuclear production facilities, such as breweries, where corrosion is a problem.

To minimize the adverse effect of these controls on non nuclear commodities while ensuring that controls on items with potential nuclear weapons utility are sustained, NMT successfully proposed limiting the license requirement to items that contribute exclusively to nuclear power production. Under this decontrol action, which BXA published on January 15, 1998, in the *Federal Register*, 80 to 90 percent of the items used in commercial nuclear powerplants are removed from the licensing requirements of the Commerce Control List and may be freely exported for civilian purposes to most countries, while exports of critical nuclear power production components, such as reactor vessels, fuel rod equipment, and primary pumps, remain under control under the authority of the Nuclear Regulatory Commission.

The Missile Technology Control Regime

On April 16, 1987, the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom created the Missile Technology Control Regime (MTCR) which has the purpose of limiting the proliferation of missiles capable of delivering weapons of mass destruction. The MTCR is not a treaty-based regime, but rather an informal group of countries that have agreed to coordinate their national export controls to help prevent missile proliferation. The MTCR now has 32-member countries.

The MTCR Guidelines and the Equipment and Technology Annex form the basis for U.S. missile technology controls. The Guidelines provide licensing policy, procedures, review factors, and standard assurances on missile technology exports. The Annex is the list of items of missile-related commodities subject to controls, and is divided into two categories. Category I items include missile subsystems, production facilities, and production equipment for missile systems capable of delivering a 500 kg payload to at least a 300 km range. Category II items include materials, components, and production and test equipment, many of which are dual-use commodities with both civilian as well as military applications.

At its inception, the MTCR was focused on missile delivery systems for nuclear weapons. In 1993, with the threat of chemical and biological weapons highlighted by the Persian Gulf War, the MTCR extended its scope to include delivery systems for all weapons of mass destruction. Category II of the MTCR Annex was then expanded to include missiles with a 300 km range, regardless of payload, as well as major subsystems,

production facilities, and production equipment for such delivery systems.

NMT is responsible for administering controls on exports of dual-use manufacturing equipment for Category I items and on all dual-use items in Category II. A considerable portion of the license applications reviewed for missile-related concerns are for commercial aviation exports, including avionics, navigation, telemetry, composite materials, and test equipment. There are approximately 120 entries on the Commerce Control List that are subject to missile technology controls.

Recent MTCR Actions

In 1998, the MTCR sponsored two workshops for members and selected non members as a continuation of its outreach program to enhance global nonproliferation efforts and to increase the transparency of the procedures countries in the regime use to implement controls on missile technology items. In May 1998, NMT staff represented the United States at the German-hosted MTCR workshop on brokering and “catch-all” controls in which 27 countries participated. The May workshop also introduced the topic of illicit intangible technology transfers. In June 1998, NMT played a leading role at a Swiss-hosted MTCR workshop on risk assessment in MTCR licensing decisions, where 19 countries participated. The June workshop involved the participation of both MTCR partners and non-members and provided participants with ways to identify and assess proliferation risk factors in export licensing decisions.

The 1998 MTCR Technical Experts Meeting (TEM) successfully concluded the reformatting of the MTCR’s Equipment and Technology Annex and agreement was reached “in principle” to implement the changes as soon as possible. This reformatted Annex will make missile technology controls more transparent and ensure equitable multilateral implementation by all regime members. It was also agreed at the TEM that other issues related to the reformatting of the Annex, such as revising MTCR definitions, will be addressed at an intercessional meeting in the spring of 1999.

The 1998 MTCR Plenary focused on candidates for membership, regional nonproliferation efforts, and a possible outreach workshop for MTCR members and nonmembers on intangible technology transfers to be held in 1999. The 1998 Reinforced Point of Contact Meeting had resulted in a consensus to admit The Czech Republic, Poland, and Ukraine as members; this action was affirmed at the 1998 Plenary. Information was also shared at the Plenary regarding activities and programs of missile proliferation concern, and consideration was given to what steps can be taken to prevent the proliferation of delivery systems for weapons of mass destruction in Asia and the Middle East. Discussions were also held on ways to further the MTCR’s efforts to promote openness and outreach to nonmembers. A U.S. proposal for an MTCR-sponsored

workshop in 1999 on transfers of intangible technology received support, and agreement was reached to give further consideration to a technical-level workshop for border guards and Customs authorities on export control enforcement.

The Enhanced Proliferation Control Initiative

In December 1990, the U.S. Government launched the Enhanced Proliferation Control Initiative (EPCI) which led to the imposition of chemical, biological, and missile end-use and end-user-based controls that were similar to the nuclear end-use and end-user-based “catch-all” controls already in effect. The EPCI provisions, implemented in the Export Administration Regulations, require that exporters obtain a license if they have knowledge or are informed by BXA that a proposed export will be used in nuclear, chemical or biological weapons or missile activities. U.S. persons are also restricted from activities in support of nuclear, chemical or biological weapons, or missile-related activities. These regulations are designed to prevent exports that could make a material contribution to proliferation activities of concern but are not intended to affect legitimate commercial trade.

EPCI began as a unilateral control, but with U.S. leadership, a large majority of our nonproliferation regime partners have also incorporated so-called “catch-all” export controls in their legal and regulatory structures. For example, the European Union and Australia implemented catch-all controls in 1995, as did Japan in 1996 and Argentina in 1997. At present, approximately two-thirds of the NSG and MTCR-member countries have some form of “catch-all” controls, and the United States continues to encourage other countries to adopt similar measures. Information exchanges in the NSG on EPCI export denials also have enhanced multilateral awareness of proliferation projects of concern worldwide.

In 1997, the Bureau of Export Administration began publication of an EPCI “Entity List” as part of the Export Administration Regulations. In 1998, BXA continued to add entities involved in proliferation activities to the list. Publication of the names of the entities involved in proliferation activities in the EAR provides exporters with additional information with which to conduct international business.

Industry Interaction

Beyond the routine contacts that are a necessary part of the export licensing process, NMT’s staff participates in many industry briefings, trade association seminars, and one-on-one consultations with exporters to clarify the scope of U.S. nuclear and missile technology controls. These efforts promote U.S. exports by reassuring buyers and sellers alike of the legitimacy of proposed export sales, and advise the participants in the transaction of their export control obligations. One of the industries most directly affected by controls on nuclear technology is the machine tool industry. Machine tools, critical to

the development and production of all technologies, are subject to both nuclear and national security export controls. To ensure that the domestic machine tool industry is fully aware of the constraints on their products, NMT has participated in numerous industry seminars to familiarize industry leaders with the proliferation control regimes.

International Consultations

NMT's staff actively engages in bilateral and multilateral consultations with our trading partners who share our nonproliferation goals, and with countries who do not yet have in place export control systems similar to our own. Repeated and direct bilateral contact with our NSG partners led to the liberalization of controls on oscilloscopes in 1997, and engaging our fellow MTCR members on the need to focus on "catch-all" controls and brokering led to a series of informational seminars advising MTCR members and nonmembers alike on how national controls and laws are implemented. In the last year, NMT has participated in numerous consultations under the auspices of the multilateral control regimes and in support of BXA's overall international outreach effort to educate non participating countries about the benefits and obligations of export control cooperation.

5. The Office of Strategic Industries and Economic Security

The Office of Strategic Industries and Economic Security (SIES) is the focal point within the Commerce Department for issues relating to the health and competitiveness of the U.S. defense industrial base. As such, SIES plays a leadership role on a wide range of issues which relate to both the national and economic security of the United States. Its efforts include assisting American companies to diversify from defense to commercial production and markets, promoting the sale of U.S. weapons systems to our allies, analyzing the impact of export controls on key industrial sectors, and conducting primary research and analysis on critical technologies and defense-related sectors. SIES includes the Defense Programs Division, the Strategic Analysis Division, and the Economic Analysis Division.

Analyses of U.S. Technology Transfers

Committee on National Security

SIES continues to provide staff support to the Under Secretary for Export Administration in his role as a member of The Committee on National Security (CNS). The purpose of the CNS is to advise and assist the National Science and Technology Council to increase the overall effectiveness and productivity of Federal efforts in areas of national security, specifically focused on research and development (R&D), international technology transfer, nonproliferation, and arms control. The CNS addresses the technical aspects of national policy, planning, and administrative matters that cut across agency boundaries. This program provides a formal mechanism for interagency policy review, planning, and coordination, as well as exchanges of information concerning R&D and technology transfer initiatives critical to maintenance of national security.

The CNS is comprised of several working groups. SIES serves as primary liaison to the International Technology Transfer Working Group (ITTWG). SIES brings the Commerce Department perspective to the larger interagency review of science and technology expenditures. This review is two-fold; it seeks to assure U.S. national security while meeting the important challenge of strengthening economic security.

SIES, in conjunction with BXA staff, is preparing several case studies for the working group to examine the complex processes involved in managing international technology transfer as well as the treatment of corresponding national security and economic issues. In Fiscal Year 1998, BXA prepared three case studies concerning the jurisdiction of commercial communication satellites for export control purposes, the international participation in SEMATECH, and the manufacture of rocket motor casings. The purpose of these case studies is to examine the government interagency process and to consider the immediate and long-term implications of

globalization and international transfers of technology. The results of the case studies will be incorporated into a “best practice” report to the CNS in the spring of 1999. This comprehensive report will address the “lessons learned” in an effort to improve the ability of the Federal Government to make effective technology-based decisions.

The ITTWG work plan for the next year includes: (1) studying the feasibility of interagency review of reciprocity and economic concerns; (2) examining the feasibility of interagency review of export control issues addressing current practices and authority to make agreements; (3) exploring the desirability of using checklists to track key issues and as an administrative tool to monitor progress; and (4) reviewing international participation in major Cooperative Research and Development Agreements. SIES will continue its important role of providing economic and industrial considerations to this critical technology program.

Commercial Technology Transfer to China

In Fiscal Year 1998, SIES, with the assistance of a consulting firm, completed an in-depth study of U.S. commercial technology transfers to China. The study highlights the dynamics faced by U.S. and other western firms when doing business with China. In particular, the study reveals the formal and informal ways in which Chinese officials use the leverage of their vast market potential to obtain industrial, technological and economic benefits from foreign investors. While not limited to the Chinese market, such commercial “offsets” are a market-distorting trade practice. While this report has not been released to the public due to the inclusion of company proprietary information, a public version is expected to be available in early Fiscal Year 1999.

In addition, SIES, again with the assistance of a consulting firm, initiated further research into the issue of commercial technology transfer to China in late Fiscal Year 1998. This research will include development of a complex database detailing U.S. and foreign technology cooperation with China in the telecommunications and aerospace sectors and will enable further analysis of the potential short- and long-term implications of these transfers for both the U.S. and Chinese economies. It is expected to be completed in late Fiscal Year 1999.

Analytic Support Activities

During Fiscal Year 1998, SIES provided research and analytic support to other BXA offices and BXA management on a variety of export control issues. For example, SIES prepared an analysis of the current and potential market for remote sensing satellites and satellite imagery, and the key domestic and international players in this market. SIES also prepared an update to an earlier assessment of the availability of foreign-origin encryption products in the marketplace, as well as foreign export control regulations of encryption products. SIES also played a key role conducting research and analysis concerning the business nature and international partnerships of numerous Indian and Pakistani Governments and private-sector entities that are potential targets of U.S. sanctions in response to these countries’ nuclear tests.

Defense Diversification Programs

In response to defense downsizing and increased international competition, SIES developed several programs to assist industry in its efforts to diversify into the commercial market. During Fiscal Year 1998, SIES expanded these programs to provide direct assistance to the defense industry, with particular emphasis placed on small and medium-sized defense subcontractors, and to communities impacted by base closures.

To assist these firms to make the necessary changes to survive in today's market, SIES continued its multi-year Competitive Enhancement and Defense Diversification Needs Assessment. Each participating firm simply completes a short survey that gathers basic information about the company and asks what type of assistance would be of benefit to it, such as manufacturing technology deployment, product/service development, R&D programs, exporting, financing, marketing, employee retraining, and business development. In Fiscal Year 1998, SIES formed partnerships with the Federal Laboratory Consortium and the Specialty Equipment Market Association which have asked SIES to survey their customers and membership. SIES modified the Needs Assessment survey slightly to better suit these audiences. The surveys will be mailed early in Fiscal Year 1999.

After analyzing completed surveys, SIES forwards summary information to appropriate members of an interagency response team who follow up directly with the firms, providing them information about the programs that their organizations offer. The team includes such diverse agencies as the National Institute of Standards and Technology, the U.S. Foreign Commercial Service, the Economic Development Administration, Department of Energy Laboratories, the Department of Labor, the Export-Import Bank, NASA Regional Technology Transfer Centers, various DOD agencies, and the Small Business Administration.

SIES continues to serve as one of six regional satellite centers for the U.S. Navy's Best Manufacturing Practices (BMP) program. During Fiscal Year 1998 SIES initiated a new outreach activity that informs Washington, D.C. area business entities of the valuable services that BMP offers. The BMP database contains more than 3,000 best practices from industry, government, and academia which have been documented by a team of impartial experts during BMP surveys. Another feature of the database is the Technical Risk Identification and Mitigation System (TRIMS), which is a process-oriented technical risk management tool. Based on a systems engineering approach, TRIMS helps the user identify and rank a project's high-risk areas, providing an early indication of potential problems.

Visitors are also made aware of the opportunity to make a contribution to industry through participation in the BMP Survey Program which documents exceptional manufacturing practices in design, test, production, facilities, logistics, and management. The non-proprietary survey information is then made available to benefit business by identifying, researching, and promoting exceptional manufacturing practices, methods, and procedures. The survey process also provides industry recognition for each of the best practices documented by the BMP survey team. Last,

firms are informed of resulting networking activities which can lead to joint ventures, technology co-development opportunities, and other valuable business partnerships.

In Fiscal Year 1998, SIES began phase one of a pilot Manufacturing Empowerment Zone project to assist manufacturing firms in the vicinity of the closing Long Beach, Calif., Naval Shipyard. This project is an outgrowth of the Competitive Enhancement and Diversification Needs Assessment survey program. SIES, with support from the City of Long Beach, the State of California, and the Department of Energy, has initiated an innovative program to reutilize the surplus equipment at the former shipyard for the benefit of the local business community.

SIES mailed more than 10,000 surveys to firms in the greater Long Beach area. The survey gathers information on such topics as firm size, growth projections, markets, employee training practices and requirements, and specific equipment needs. SIES will use this information to identify the pieces of equipment requested most frequently by local firms and match this list with the \$200 million inventory of surplus equipment at the Shipyard. Based on the survey results, Energy's Oak Ridge Centers for Manufacturing Technology will refurbish and set up selected pieces of equipment and make it available to local firms for leased time use, training, and possible purchase. Oak Ridge engineering staff will also provide companies with the necessary training to operate, maintain, and upgrade the equipment. Other communities around the country which are home to closing military bases have already expressed interest in implementing the Manufacturing Empowerment Zone concept.

Defense Industrial Base Assessments

SIES industrial base assessments are comprehensive research studies of key sectors of the U.S. industrial base. The majority of these assessments are initiated at the request of either the Department of Defense's (DOD) Secretariat or one of its service branches or at the request of an industry association or group. SIES also conducts several other types of assessments, including critical technology assessments, which are typically requested by Congress. SIES also conducts studies to determine the impact of imports on national security. These assessments can be requested by an industry, trade association, or other interested party, or initiated by the Secretary of Commerce, under Section 232 of the Trade Expansion Act of 1962, as amended.

In all of its research efforts, SIES devises industry-specific surveys to collect information from academia, foreign companies with U.S. sales operations, the U.S. Government, and U.S. companies. This is done with the assistance of industry experts, both from the private sector and other Government agencies. SIES, on behalf of the Commerce Department, has statutory authority to collect this information. The collected data serve as the core of SIES analyses, as in most cases data with this level of detail are unavailable from other sources. A brief summary of SIES analytic efforts which took place during Fiscal Year 1998 follows:

Ejection Seat Assessment

SIES conducted this national security assessment at the request of the the Crew Systems Directorate of the Armstrong Laboratory at Wright-Patterson Air Force Base in Ohio. It responded to the Congressional report accompanying the Fiscal Year 1996 National Defense Authorization Act (Air Force RDT&E on Aircraft Ejection Seats) which stated that “the committee is also concerned about the sustainment of the U.S. (ejection seat) industrial base during this period of virtually no aircraft production.”

SIES found that a sharp drop in worldwide defense expenditures for aircraft crippled the already fragmented U.S. ejection seat industry. Currently, only one firm, McDonnell Douglas, actively assembles seats. Most of the world market is dominated by Martin-Baker, a British firm, against which the U.S. industry is poorly structured to compete. In sharp contrast to the U.S. industry, which is comprised of many small firms or divisions of larger companies with small financial stakes in the industry, Martin-Baker is an integrated company dedicated to the production, servicing, and improvement of ejection seats. However, Boeing’s merger with McDonnell Douglas, plus Boeing’s long term interest in escape systems, and the future business potential (over 3,000 seats) for the Joint Strike Fighter in which Boeing is a contender, although still a decade off, could combine to revitalize a domestic capability.

Optoelectronics Assessment

During Fiscal Year 1997, SIES, in cooperation with the Optoelectronics Industry Development Association (OIDA) and DOD, initiated an assessment designed to analyze the long-term health and competitiveness of the U.S. optoelectronics industry. The assessment highlights various growth areas within the industry and identifies emerging markets for optoelectronics products. In addition, the assessment contains recommendations for ensuring that the industry can maintain its capacity to support defense-related missions and programs.

The optoelectronics industry represents a particularly important segment of the U.S. defense industrial base because optoelectronics technology has a number of critical defense applications, including data communications and telecommunications for command and control, as well as high bandwidth video transmission for intelligence, reconnaissance, display, and electronic warfare systems. This technology is also widely used in weapon-delivery platforms, sensors, guidance systems, and optical computing.

SIES initiated this assessment at the request of OIDA, which asked BXA to consider updating an earlier critical technology assessment of the optoelectronics industry (conducted in 1992-93). To obtain the industry data needed to conduct the assessment, between October, 1997 and January 1998 SIES conducted a survey of over 400 U.S. firms engaged in various optoelectronics activities. The data collected from the survey have been analyzed and compiled in a report designed to assist the optoelectronics industry in its strategic planning activities. SIES completed the draft assessment in Fiscal Year 1998 and expects to publish the finalized document in early Fiscal Year 1999.

High Performance Energetic Materials Assessment

In June 1997, the U.S. Navy's Naval Surface Warfare Centers requested that SIES conduct a study of U.S. high performance military-grade explosives and components. This request follows the 1995 SIES publication of a cartridge-and-propellant-actuated device industry assessment which was also conducted for the Navy.

The initiation of such a study is the result of significant declines in U.S. capabilities in the high performance energetic materials sector. Over the last seven years DOD's munitions budget has decreased by over 75 percent. As a consequence, a number of companies involved in producing these explosive materials have gone out of business. There is growing concern that this trend will result in some cases in higher cost end items due to lack of competition, and in other cases a lack of supply which could jeopardize national security interests.

The study involves a two-phase data collection effort, first from the approximately 40 high performance explosive suppliers to the military. This collection effort took place in the second half of Fiscal Year 1998, and analysis of the data continues in early Fiscal Year 1999. Later in the fiscal year, the second phase of the collection effort will take place. Information will be collected from the earlier-surveyed firms' immediate suppliers of critical chemicals. There is particular concern about the viability of these subcontractors, which supply specialty chemicals that are unique component ingredients without which the prime contractors will be unable to produce explosives. This study is still ongoing and is expected to be completed during Fiscal Year 1999.

Maritime Industry

At the end of Fiscal Year 1998, SIES and the U.S. Navy announced the initiation of a national security assessment of the U.S. maritime industry. Other federal agencies, including the Commerce Department's National Oceanic and Atmospheric Administration (NOAA), the Department of Transportation/Maritime Administration, the International Trade Commission, and the Defense Department's Defense Advanced Research Projects Agency (DARPA), also plan to participate in this SIES-led initiative. As with our other defense industrial base assessments, an industry-specific survey will be devised and issued to industry. This information will serve as the core of our resulting analysis. While this study is still in its early stages, it is expected that it will be completed by the end of Fiscal Year 1999.

Assistive Technologies

This new technology study, initiated in late Fiscal Year 1998, is an outgrowth of previous cooperative efforts between SIES and other agencies and associations in our defense diversification efforts. SIES has initiated this study at the request of the Education Department's National Institute on Disability and Rehabilitation Research (NIDRR) and the Federal Laboratory Consortium. Assistive technology devices enable persons with disabilities to function more fully in the workplace and in society as a whole. The purpose of the study is to identify the industry's

technology needs and match these with the defense-related technologies that are resident in the federal laboratories. An industry-unique survey has been devised and will be used to collect information to successfully make such matches. This effort is expected to continue throughout Fiscal Year 1999.

Defense Memorandum of Understanding

The review of Defense Memorandum of Understanding (MOU) is an important SIES activity. MOUs are international agreements between the United States and its allies for various types of cooperation in defense industrial and defense technological fields. Examples of such agreements include allowing a foreign country to produce a U.S. weapons system under license or, more often, establishing a cooperative R&D program for advanced military technology. SIES's role is to determine whether these agreements will result in an adverse impact on the U.S. industrial base and competitiveness of U.S. industry.

The Fiscal Year 1990 National Defense Authorization Act gave the Secretary of Commerce a unilateral option, with Presidential consent, to call for an interagency review of any MOU that Commerce believes may have significant detrimental effects on the U.S. industrial base. SIES has now reviewed approximately 732 international defense agreements since this statutory authority was delegated to the Department.

In Fiscal Year 1998, SIES continued its involvement within the interagency and bilateral consultations related to the use of technology in violation of the terms and conditions of the U.S.-Switzerland M109 Howitzer Coproduction MOU. This use resulted in a formal notification to Congress, under the Arms Export Control Act, and the resulting assessment of legal penalties for the Swiss violations.

SIES is maintaining an active role in the Production Phase MOU of the U.S.-Japan FS-X Fighter Program (now known as the F-2 fighter) through participation in the Production Coordinating Group (PCG). U.S. industry was guaranteed 40 percent of the Production Phase of the program which required a new MOU. The Production Phase MOU, which was successfully negotiated and approved by the Congress in Fiscal Year 1996, guarantees the U.S. aerospace industry a 40 percent workshare of the production of 130 aircraft during the 12-year life of the Production Phase. This program has a net direct economic benefit to U.S. industry of approximately \$4 billion.

SIES also continues to emphasize the importance of technology flowback from the F-2 program. In November 1997, the fourth in a series of SIES/U.S. Air Force-led U.S. industry technology exchange visits to Japan took place to examine the F-2 Digital Flight Control System developed by the Mitsubishi Heavy Industries (MHI) Corporation. This visit follows successful U.S. industry delegation visits in December 1995 to Mitsubishi Electric Corporation (MELCO) to examine the FS-X Integrated Electronic Warfare System (IEWS), and in November 1994 to MELCO to examine the Phased Array Radar technology. These technology exchange visits to

Japan and industry meetings facilitate U.S.-Japan company-to-company relationships and technology flowbacks to the United States. In Fiscal Year 1999, SIES will continue work with DOD to ensure access by U.S. industry to this critical technology.

Defense Priorities and Allocations System

Under Title I of the Defense Production Act (DPA), the President is authorized (1) to require that contracts or orders relating to certain approved defense and energy programs be accepted and performed on a preferential basis over all other contracts or orders; and (2) to allocate materials, facilities, and services in such a manner as to promote approved programs. In addition,

Section 18 of the Selective Service Act of 1948, and similar provisions in several other statutes, authorize the President to require prompt delivery of any articles and materials for the exclusive use of the U.S. Armed Forces. This authority to prioritize and allocate authority for resources is delegated to the Department of Commerce, and within Commerce to SIES.

In addition, a provision of the National Defense Authorization Act of 1995 amended the definition of "national defense" in the DPA to include emergency preparedness activities as defined in the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). With Federal Emergency Management Agency (FEMA) approval, SIES staff will be able to use the DPA priorities authority for industrial resources to ensure timely industrial response to catastrophic natural disaster and other civil emergency situations.

SIES implements its authority for priorities and allocations under the Defense Priorities and Allocations System (DPAS) Regulations. The goals of the DPAS are to assure the timely availability of industrial resources to meet current national defense requirements and to provide a regulatory framework for rapid industrial response to national security emergency requirements with minimal disruption to normal commercial activities. Although the DPAS is designed to be largely self-executing, SIES can provide Special Priorities Assistance (SPA) for problems that do arise. Such assistance can include obtaining timely delivery of items needed to fill priority rated defense contracts, granting priority rating authority, and resolving production and delivery conflicts between rated defense contracts.

During Fiscal Year 1998, SIES continued to work on several SPA cases to ensure timely U.S. industrial base support for NATO's ongoing involvement in Bosnia and the deployment of U.S. and other Alliance nation peacekeeping troops to the area. Working closely with communications and computer equipment suppliers, SIES was able to significantly reduce delivery lead times for urgently needed items. SIES also continued to work with representatives to NATO's Industrial Planning Committee concerning the North Atlantic Council recommendation to Alliance member nations that they adopt priorities and allocations plans and procedures to ensure international industrial base defense cooperation in the event of a future NATO defense emergency.

Other Fiscal Year 1998 SPA cases included a request by Israel for priority rating authority to ensure timely delivery of jet engines from Pratt & Whitney; accelerating supplier deliveries of

aircraft brake components for the South Korean Air Force; and ensuring timely delivery of communications equipment for the National Security Agency, electronic components to a U.S. Navy contractor, and aircraft-mounted carrier landing hook points to the U.S. Navy. In September 1998, SIES staff worked intensively with Department of Defense and contractor representatives to deal with the sudden closing of a company that was the sole qualified source of glass for flat panel cockpit displays in Army, Navy, and Air Force aircraft, and the Army's M-1 Abrams tank. Also in Fiscal Year 1998, SIES continued to work with Federal Bureau of Investigation (FBI) contractors to ensure the timely availability of communications equipment for an urgent FEMA approved anti-terrorist civil emergency preparedness program.

As part of the interagency effort to review and update our nation's National Security Emergency Preparedness planning, policies, and procedures, and to ensure the effectiveness and efficiency of the DPAS in the post-Cold War era, SIES updated and revised the DPAS, and issued updated and revised DPAS supporting documents (i.e., agency Delegations of Authority, interagency Memoranda of Understanding, and DPAS Emergency Delegation 1).

During Fiscal Year 1998, SIES staff continued to provide DPAS training to government and industry personnel, including plant inspections and DPAS presentations to all four FBI contractors and to a lower tier supplier working on the FBI anti-terrorist civil emergency preparedness program; a DPAS presentation to Motorola's Satellite Communications group in Scottsdale, AZ; and a DPAS presentation to instructors at the Industrial College of the Armed Forces (Fort McNair, Washington, D.C.).

Defense Trade Advocacy

SIES serves as the lead organization within the Department on international defense trade advocacy issues. The Department will consider supporting conventional arms transfers only after the U.S. government determines them to further U.S. national security and foreign policy objectives. At that point, the Commerce Department determines if the transfer is also in the economic interests of the United States. If it is, the Department will support it as it would any other export that complies with U.S. laws and regulations.

SIES recommends the appropriate level of Departmental support for the transfer and generates high-level, government-to-government advocacy on behalf of the U.S. firm involved in the international defense procurement competition. SIES coordinates its efforts with the Secretary's Trade Promotion Coordinating Committee (TPCC), the International Trade Administration's Advocacy Center, and the Foreign Commercial Service posts worldwide. This process involves many branches of the U.S. government and requires the notification and approval of Congress.

In Fiscal Year 1998, SIES defense advocacy efforts supported sales of approximately \$7 billion. Examples include SIES support for the \$6 billion F-16 fighter aircraft sale to the United Arab Emirates, the \$500 million sale of Paladin howitzers to Kuwait and the \$100 million sale of radar equipment to Australia. During Fiscal Year 1999, SIES will continue outreach activities at

the major defense-related trade shows in an effort to increase awareness among small and medium-size U.S. defense firms of the important advocacy role that SIES and the Department can and do play in this highly competitive industry sector.

Economic Analysis of U.S. Export Controls

Since late 1994, SIES has the expanded responsibility for analyzing the economic impact of U.S. export control policies and export licensing decisions. During Fiscal Year 1998, SIES performed a wide array of economic impact studies on a number of critical export control issues, as outlined below.

Dual-Use Export Controls

SIES has participated in a number of activities that address the TPCC recommendation on the review of “existing unilateral dual-use export controls and policies, including those now required by statute.” Specifically, SIES has prepared analyses on the economic impact on U.S. industry of a number of unilateral foreign policy controls (e.g., controls on crime control and detection commodities, regional stability controls, and antiterrorism controls). SIES also conducts annual reviews of the economic impact on U.S. industry of U.S. foreign policy based export controls, the results of which are included in BXA’s annual foreign policy report to the Congress.

In addition to analyzing the effects of existing export controls, SIES has provided the Administration with analyses of the economic impact of proposed changes in unilateral U.S. export controls, such as proposals to tighten licensing requirements on certain crime control items (based on human rights considerations). These analyses include assessments of how the competitiveness of U.S. industries would be affected by proposed changes in U.S. export controls.

Export License Reviews

SIES also has prepared economic impact assessments to assist other offices in BXA (and sometimes other agencies, as well) in reviewing export license applications. These applications generally consist of transactions that do not clearly fall within the scope of certain export controls or licensing policies and where failure to complete the transaction would probably have serious economic consequences for the exporting company. The economic impact assessments also address the extent to which denials of individual export license applications could have a long term adverse impact on the overall competitiveness of U.S. exporters in various foreign markets.

Control List Reviews

SIES regularly provides support to BXA’s regime offices (i.e., the offices responsible for administering export controls on dual-use goods subject to control under the Wassenaar Arrangement, Nuclear Suppliers Group, Australia Group, and Missile Technology Control

Regime) by providing economic impact data that address issues such as the appropriate level of export controls for various goods and technologies. For example, SIES provides information to BXA's regime offices concerning the U.S. industry sectors likely to be most severely impacted by the imposition of new export controls or by the continuation of existing export controls. The information provided by SIES often consists of data on the international markets for specific goods, as well as major U.S. and foreign producers of such goods (e.g., semiconductor manufacturing equipment, precursor chemicals).

Industry Outreach

In an effort to more effectively perform its mission, SIES interacts with the exporters on an ongoing basis to keep them informed about SIES's role within BXA. SIES staff members have made presentations before the Technical Advisory Committees (TACs) describing the role the SIES plays in ensuring that U.S. export control officials are made aware of the economic impact that their decisions can have on individual U.S. companies, various industrial sectors, and U.S. industry as a whole. An important goal of these outreach activities is to obtain valuable feedback from the exporting community on the impact of export controls on companies and industry sectors in the United States.

Emergency Preparedness

The National Security Emergency Preparedness (NSEP) program has been the Department's focal point to ensure that the Nation's industrial/technology base can respond effectively to the requirements of national emergencies. In view of the dramatic changes in our national security strategy in the post-Cold War era, the NSEP focus has shifted to supporting the U.S. response to regional conflicts, humanitarian missions, and peacekeeping operations, catastrophic natural, accidental, and man-caused disasters, and the potential threat of violence aimed at disrupting the continuity of the Government.

As a result of this change in focus, SIES is working closely with the interagency community to support an ongoing and comprehensive National Security Council-led review of NSEP planning, policies, and procedures. This project also has included a Congressionally-mandated review of the post-Cold War relevancy and effectiveness of the Defense Production Act of 1950, a primary source of NSEP authority. Commerce is the lead federal agency responsible for industrial emergency preparedness planning and implementation of a variety of NSEP programs, and SIES has been a major interagency contributor to ongoing reviews and assessments of the industrial/technology base.

NATO Industrial Planning Committee

SIES has also continued its work in representing the United States on the NATO Industrial Planning Committee (IPC) which is responsible for coordinating industrial preparedness planning among the NATO allies. SIES plays a leading role in the IPC's industrial analysis subgroup,

whose current focus is defense industry consolidation within the NATO Alliance nations and improvements in international industrial emergency supply protocols. This work is based in part on a NATO North Atlantic Council recommendation issued to member nations for the adoption of priorities and allocations plans and procedures to ensure Alliance-wide industrial base cooperation to meet critical and urgent member nation defense requirements. In addition, SIES represented the Department and participated with representatives from other U.S. departments and agencies in CMX 98, the annual NATO-sponsored Civil-Military Exercise to test and exercise civil emergency preparedness of NATO nations to support both military and catastrophic natural disaster requirements.

During Fiscal Year 1998, SIES continued to participate in the development of a NOAA-led budget initiative for Fiscal Year 2000 to establish a strategic framework for Department of Commerce leadership in reducing the economic cost and social impact of natural disasters. Other Commerce agencies involved in this initiative are the Bureau of Economic Analysis, the Economic Development Administration, the National Institute of Standards and Technology, and International Trade Administration. BXA's contribution to the initiative includes: (1) using DPAS authority to ensure timely industrial base response for the repair or replacement of damaged or destroyed facilities, and the acquisition of urgently required natural disaster reduction equipment; (2) licensing exports of controlled natural disaster reduction equipment and technologies; and (3) working with other agencies and industry to promote the expansion of U.S. global market share for this equipment and technology.

Foreign Availability Assessments

Foreign availability assessments identify Year foreign sources of specific items subject to U.S. national security export controls and evaluate whether such items are of comparable quality and are available from foreign sources in sufficient quantities to render ineffective either the continuation of U.S. export controls on the items or the denial of an export license for the items. There are two types of foreign availability assessments: (1) denied license assessments and (2) decontrol assessments. The purpose of a denied license assessment is to determine whether a specific export license application should be approved on the grounds of foreign availability, while a decontrol assessment addresses the issue of whether U.S. national security export controls on specific items should be removed because foreign availability exists for such items.

SIES is responsible for reviewing foreign availability submissions and conducting foreign availability assessments. There were no foreign availability submissions received during Fiscal Year 1998. However, SIES will receive and review any properly prepared foreign availability submission and will initiate an assessment when there is sufficient evidence to support the belief that foreign availability exists.

Foreign Investment

Section 5021, the "Exon-Florio" provision, of the Omnibus Trade and Competitiveness Act of

1988 (which amended Section 721 of the Defense Production Act of 1950) provides authority for the President to review the effects on national security of certain mergers, acquisitions, and takeovers of U.S. companies by foreign interests.

The interagency Committee on Foreign Investment in the United States (CFIUS) and the Treasury Department have authority to implement the law in consultation with other CFIUS members. SIES represents BXA on the CFIUS. The law provides a framework for a maximum 90-day review of foreign transactions. This period includes 30 days to determine whether to investigate a transaction, 45 days to complete an investigation, and a final 15 days for the President to act.

SIES conducts Exon-Florio national security reviews in coordination with other relevant offices within the Department. In Fiscal Year 1998, the Department reviewed 61 investment notifications; no cases went to the 45-day investigation period. SIES, as a participant in CFIUS, works to ensure that the U.S. defense industrial base will not be compromised by foreign acquisitions. This is consistent both with the confines of the law and the Administration's open investment policy.

International Diversification and Defense Market Assessments

SIES developed this program to assist small and medium-sized U.S. companies in their efforts to diversify and/or expand into overseas commercial and defense markets. The program is structured to provide current market information for dual-use and defense products and is implemented through publication of a series of international diversification and defense market assessment guides. These guides provide information to U.S. manufacturers regarding dual-use and defense markets in specific regions: Europe; the Middle East; the Pacific Rim; and the Western Hemisphere. Each chapter within the guides provides comprehensive information on how to do business in a specific country. This information includes details on specific upcoming commercial and defense trade opportunities open to U.S. firms in these markets, as well as a listing of key points of contact, both in the United States and in the host country, who can provide additional information and assistance to U.S. firms.

In Fiscal Year 1998, BXA added its second editions of the Pacific Rim Guide and the European Guide to BXA's Internet website to increase access by small and medium size companies. Updates of all the editions, including the Middle East and Western Hemisphere Guides are planned for Fiscal Year 1999. These guides are available in printed format as well as electronically through the BXA Internet website and the Department's National Trade Data Bank (NTDB).

National Defense Stockpile

The National Defense Stockpile, managed by DOD under the authority of the Strategic and Critical Materials Stockpiling Act of 1979, as amended (Stockpiling Act), is a \$5.4 billion holding

of strategic and critical materials which are unavailable in the United States in sufficient quantities to meet anticipated national security emergency requirements. SIES provides Department of Commerce input into policy development and ongoing operation of the National Defense Stockpile, including acquisition, disposal, and storage of stockpiled materials.

SIES (for the Department) and the Department of State Co-chair the Stockpile Interagency Market Impact Committee (MIC), which was established by the Fiscal Year 1993 National Defense Authorization Act (NDAA) to provide expert interagency advice to DOD on Stockpile acquisitions and disposals. This advice helps DOD to meet its statutory obligation to avoid undue market impact while protecting the government from avoidable loss. SIES, along with the other MIC members, also encourages DOD to adopt innovative marketing programs designed to maximize the return on Stockpile material sales to the Government while minimizing the effects of these sales on both domestic and global markets. In view of continuing Congressional interest in disposing of an increasing quantity of excess Stockpile materials, the MIC now meets semi-annually to review DOD Stockpile sales and market conditions to ensure that proposed sales will not and do not cause undue market impact. Additional meetings are scheduled as needed to deal with urgent issues.

The Fiscal Year 1993 NDAA also directs the MIC to “consult from time to time with representatives of producers, processors and consumers of the type of materials stored in the stockpile.” Accordingly, under SIES leadership, it is MIC policy to seek as much public input as possible to the MIC review of DOD’s proposed Annual Material Plan (AMP) for disposal of excess Stockpile materials. Furthermore, since publication for the first time of material disposal quantities as part of the proposed Fiscal Year 1997 AMP deliberations, SIES has received a significant increase in the number of public comments on the materials. This action has made the MIC review process more transparent and enables the public to assess more effectively and efficiently how proposed disposals will impact their business or industry. The AMP material quantities are now published as standard procedure with all proposed AMPs by SIES in both the Federal Register and an accompanying press release.

In Fiscal Year 1998, the MIC was concerned with depressed prices in several major commodity markets and encouraged DOD to limit proposed stockpile sales of these commodities. Also in Fiscal Year 1998, in response to the growing concern over the availability of adequate supplies of titanium for both defense and commercial aerospace use, SIES staff completed a comprehensive review of the status of the titanium industry and its ability to achieve timely deliveries of titanium products. The study found that because of the expansion of industry capacity coupled with the cancellation of commercial aircraft orders, titanium delivery lead times are shrinking and will not pose a threat to such programs as the Air Force F-22 fighter and development of the multi-service Joint Strike Fighter.

Offsets in Defense Trade

During Fiscal Year 1998, SIES prepared its third annual report to Congress on offsets in

defense trade. This annual report is required by the 1992 amendments to Section 309 of the Defense Production Act of 1950. This year's report builds upon data collected in previous years, adding 1996 offsets data reported by U.S. firms in the last year. This report covers the period 1993-1996.

Offsets are the practice by which the award of U.S. contracts by foreign governments or companies is exchanged for commitments to fulfill the contract with some form of industrial compensation, which could include, for example, requirements such as domestic production content, technology transfer, or foreign investment. Virtually all U.S. defense trading partners impose some type of offset requirement, and at times the stated value of the offset exceeds that of the sales contract. The type of offsets demanded by buyer countries is changing as many countries face decreasing security threats and excess capacity in their arms industries. Countries require offsets to ease the economic burden of large defense purchases, to increase or preserve domestic employment, to obtain technology, and/or to promote targeted industrial sectors.

Between 1993 and 1996, 32 U.S. companies entered into 173 new offset agreements with foreign governments valued at \$15.1 billion, with an average completion term of 87 months. The agreements supported \$29.1 billion in defense contracts. The new agreements were concluded with 28 countries.

In addition to entering into new offset agreements, U.S. companies also carried out transactions in accordance with agreements reached in previous years. During the four-year period, 34 U.S. companies reported 2,277 individual offset transactions valued at \$9.2 billion, for which they secured offset credits valued at \$10.7 billion. Transactions were completed in 31 countries, with the top five countries accounting for 58 percent of the value.

Seventy-three percent of the transactions' value was composed of subcontracting activity, purchases (counter trade), or technology transfer. Nearly half the offset transactions were related to transportation equipment (including aircraft and aircraft parts), 16 percent of the transactions were in the electronics and electrical equipment sector, and nine percent in industrial machinery.

Direct offset transactions rose to about 43 percent in 1996, up from the 40 percent recorded in the previous year. This continues the upward trend in direct offsets. The trend reflects very substantial increases in subcontractor activity in the United Kingdom and a very large jump in technology transfers to South Korea. The large increase in subcontractor activity was moderated somewhat by decreases in Israel, Canada, and Australia.

Europe continues as the leading region engaged in offsets. In the four reporting years, European countries entered into 94 new offset agreements with U.S. firms valued at more than \$10 billion, with an average offset equaling 90 percent of the export contract value. In the last two years of the reporting period, European countries alone accounted for 85 percent of the value of all new offset agreements; the value of European offsets averaged more than 100 percent of the value of the export contracts. The rest of the world, with an average offset agreement equal to

only 28 percent of the export contract, accounted for \$5 billion in offsets.

During Fiscal Year 1998, SIES continued its efforts to support a long-defined U.S. Government goal to engage U.S. trading partners in a dialogue to limit the adverse impacts of offsets. As the first step in this effort, SIES, with the support of the interagency community, organized and hosted a series of meetings with interested parties -- prime contractors, subcontractors, government agencies, and labor representatives -- to solicit views on offsets. These meetings are a necessary precursor to formal discussions with U.S. allies:

- October 22, 1997 - BXA Under Secretary Reinsch briefed 21 foreign defense attaches' assigned to embassies in the United States.
 - January 13, 1998 - SIES hosted an Industry-Government Forum on Offsets with a focus on U.S. defense prime contractors.
 - January 14, 1998 - SIES co-sponsored a two-day "Symposium on Trends and Challenges on Aerospace Offsets," hosted by the National Research Council.
 - February 5, 1998 - SIES and the Department of Labor co-hosted a forum on offsets with the focus on U.S. labor and related organizations.
 - April 1, 1998 - SIES hosted a one-day session, "The Effect of Offsets on the U.S. Subcontractor Base," in Austin, Texas. The objective of the meeting was to gather the offset experiences and viewpoints of the small- and medium-size businesses and associations that make up the second and third tiers of the U.S. defense industrial base.
- C May 18, 1998 - BXA Under Secretary Reinsch spoke about offsets in defense trade before an audience of European industry and government officials at "Bridging the Transatlantic Technology Gap: The Future of NATO Defense Technology Exchange," in London, England.

Based on the positive results from the sessions held with various players in the offsets community, SIES and the interagency team are focusing efforts on identifying the most appropriate forum to initiate consultations with our allies on offsets.

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ALL GRAIN SUMMARY PRODUCTION, CONSUMPTION, STOCKS AND TRADE TOTAL FOREIGN COUNTRIES, USA, AND TOTAL WORLD (MILLION METRIC TONS)

	1994/95	1995/96	1996/97	1997/98	1998/99 Nov 10
WHEAT					
All Foreign Countries					
Production	462.0	478.7	520.8	542.2	518.7
Consumption	513.1	519.9	542.0	549.8	563.5
Ending Stocks	104.8	95.6	99.1	117.2	101.3
USA					
Production	63.2	59.4	62.2	68.8	69.6
Imports	2.4	1.7	2.6	2.5	2.4
Consumption	35.0	31.0	35.6	35.4	37.9
Exports	32.5	33.7	27.0	28.1	31.0
Ending Stocks	13.8	10.2	12.1	19.7	22.5
World Total, Trade	100.1	98.2	100.8	100.5	97.7
RICE					
All Foreign Countries					
Production	358.1	365.6	374.7	379.1	370.7
Consumption	363.5	367.8	375.9	381.1	381.4
USA					
Production	6.6	5.6	5.5	5.8	5.9
Imports	0.2	0.3	0.3	0.4	0.4
Consumption	3.3	3.4	3.2	3.3	3.5
Exports	3.1	2.6	2.3	3.0	2.8
World Total, Trade	21.0	19.5	19.0	25.5	21.0

TOTAL COARSE GRAINS

All Foreign Countries

Production	588.3	592.5	640.3	620.1	610.2
Consumption	651.9	660.7	673.2	665.3	663.7

USA

Production	284.9	209.4	267.6	265.4	273.7
Imports	3.1	2.4	3.3	3.0	2.6
Consumption	207.9	180.1	206.4	211.9	215.9
Exports	65.7	58.7	53.0	44.2	48.2
Ending Stocks	45.3	14.4	27.0	38.2	50.2

World Total, Trade	98.5	88.1	93.3	86.9	87.7
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WORLD TOTAL GRAIN, INCLUDING RICE

All Foreign Countries

Production	1,408.5	1,436.8	1,535.8	1,541.5	1,499.6
Consumption	1,528.6	1,548.4	1,591.1	1,596.2	1,608.6

USA

Production	354.7	274.5	335.2	340.0	349.2
Imports	5.7	4.4	6.1	5.8	5.4
Exports	101.3	95.0	82.4	75.3	82.0

World Total, Trade	219.6	205.9	213.2	212.9	206.4
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Trade data are reported on an international year basis. All other data are reported using marketing years. Rice production data is on a milled basis.

WORLD WHEAT, FLOUR AND PRODUCTS TRADE
JULY/JUNE YEAR
THOUSAND METRIC TONS

	1994/95	1995/96	1996/97	Estimated 1997/98	Projected 1998/99 Nov 10
EXPORTS					
Argentina	7,844	4,416	10,051	9,400	7,000
Australia	7,807	12,120	18,212	15,500	15,500
Canada	21,820	17,065	18,166	21,322	15,000
India	108	1,944	866	0	0
Kazakstan	3,500	4,422	2,250	1,900	1,800
Syria	0	364	500	400	700
Turkey	1,908	1,178	1,000	1,500	3,000
EU	17,110	13,250	17,834	15,500	17,000
Eastern Europe	3,519	6,098	1,551	2,750	2,550
Others	3,953	3,671	3,365	4,142	4,132
Subtotal	67,569	64,528	73,795	72,414	66,682
United States	32,533	33,681	27,039	28,090	31,000
WORLD TOTAL	100,102	98,209	100,834	100,504	97,682
IMPORTS					
Algeria	5,807	3,780	3,628	4,800	4,600
Bangladesh	1,732	1,217	1,000	1,000	1,900
Bolivia	447	321	384	400	500
Brazil	6,593	5,517	5,565	5,700	6,100
Chile	632	783	433	450	400
China	10,250	12,527	2,691	1,900	2,000
Colombia	829	994	910	1,050	1,100
Cuba	1,059	726	950	900	1,000
Ecuador	420	391	442	405	500
Egypt	5,856	5,932	6,897	7,200	7,200
Ethiopia	581	527	260	330	450
Georgia	680	522	600	480	500

India	29	50	1,781	2,336	500
Indonesia	3,881	3,612	4,199	3,800	3,000
Iran	3,305	2,793	7,048	3,800	3,500
Iraq	689	511	1,135	2,550	2,500
Israel	981	920	893	1,150	1,200
Japan	6,310	6,101	6,264	6,200	6,200
Jordan	715	730	594	700	700
Korea, North	136	184	488	575	800
Korea, South	4,293	2,554	3,465	3,917	4,200
Lebanon	382	479	450	450	475
Libya	1,289	910	1,379	1,200	1,400
Malaysia	1,157	1,067	1,218	1,150	1,200
Mexico	1,374	1,581	1,940	2,200	2,350
Morocco	1,256	2,336	1,543	2,800	1,500
Nigeria	560	674	956	1,100	1,200
Pakistan	2,123	1,903	3,012	3,800	2,000
Peru	1,205	943	1,268	1,200	1,400
Philippines	2,051	1,964	2,141	2,000	2,400
Russia	2,123	5,242	2,548	2,700	3,700
South Africa	759	702	958	700	700
Sri Lanka	942	937	889	850	850
Taiwan	895	1,092	1,023	1,050	1,050
Thailand	686	787	694	650	700
Tunisia	1,680	825	946	1,400	900
Turkey	533	2,019	2,522	1,450	1,000
UAE	286	505	605	670	700
Ukraine	274	1,045	200	50	100
Uzbekistan	2,000	1,500	1,200	600	400
Venezuela	1,144	1,022	1,185	1,225	1,300
Vietnam	574	466	440	450	500
Yemen	2,085	2,026	2,292	2,500	2,700
EU	2,085	2,545	2,442	3,450	2,800
O.W. Europe	553	400	548	555	585
Eastern Europe	2,597	2,475	5,139	1,710	1,360
United States	2,390	1,748	2,577	2,488	2,450
Subtotal	88,228	87,885	89,742	88,041	84,570

Other Countries	11,155	9,114	10,155	10,742	10,490
Unaccounted	719	1,210	937	1,721	2,622
WORLD TOTAL	100,102	98,209	100,834	100,504	97,682

WORLD WHEAT PRODUCTION, CONSUMPTION AND STOCKS
LOCAL MARKETING YEARS
THOUSAND METRIC TONS

	1994/95	1995/96	1996/97	Estimated 1997/98	Projected 1998/99 Nov 10
PRODUCTION					
Algeria	850	1,600	2,200	950	1,500
Argentina	11,300	8,600	15,900	14,800	10,500
Australia	8,903	16,504	23,702	19,417	22,000
Brazil	2,138	1,526	3,195	2,400	2,200
Canada	23,122	25,037	29,801	24,280	23,300
China	99,300	102,215	110,570	123,300	110,000
India	59,840	65,470	62,097	69,275	67,000
Japan	565	444	478	573	600
Kazakstan	9,052	6,490	7,700	8,950	5,000
Mexico	4,151	3,468	3,107	3,500	3,300
Morocco	5,523	1,100	5,916	2,317	4,400
Pakistan	15,212	17,002	16,907	16,650	18,700
Russia	32,100	30,100	34,900	44,200	28,000
Saudi Arabia	2,679	2,000	1,200	1,800	1,800
Tunisia	500	530	2,000	900	1,350
Turkey	14,700	15,500	16,000	16,000	18,000
Ukraine	13,857	16,273	13,550	18,400	15,000
EU	84,541	86,161	98,506	94,449	103,360
Eastern Europe	33,962	34,979	26,125	34,409	33,870
Others	39,734	43,727	46,902	45,648	48,811
Subtotal	462,029	478,726	520,756	542,218	518,691
United States	63,167	59,400	62,191	68,761	69,604
WORLD TOTAL	525,196	538,126	582,947	610,979	588,295
CONSUMPTION					
Algeria	6,000	5,900	5,900	5,900	5,900

Australia	3,900	4,154	3,594	5,000	5,300
Brazil	8,000	8,186	8,400	8,135	8,300
Canada	7,821	7,778	8,202	7,365	8,200
China	110,315	111,883	112,545	115,000	116,000
Egypt	9,956	11,627	12,462	12,850	13,000
India	58,170	62,920	66,842	68,398	69,800
Japan	6,394	6,393	6,156	6,200	6,300
Morocco	5,321	4,759	5,260	5,582	5,700
Pakistan	18,137	18,905	20,119	20,260	21,050
Russia	42,860	39,671	38,382	39,614	37,700
Turkey	15,134	16,029	16,488	16,550	16,600
Ukraine	15,844	16,945	16,450	16,475	16,000
EU	73,780	76,249	79,514	81,355	86,308
Eastern Europe	31,767	31,220	31,288	31,870	33,766
Others	99,738	97,237	110,427	109,280	113,546
Subtotal	513,137	519,856	542,029	549,834	563,470
United States	35,014	31,024	35,611	35,443	37,911
WORLD TOTAL	548,151	550,880	577,640	585,277	601,381
ENDING STOCKS					
Australia	2,405	1,475	2,395	1,342	3,072
Canada	5,679	6,728	9,047	5,989	6,289
EU	11,706	11,120	14,758	15,827	18,584
Others	85,014	76,280	72,871	94,025	73,308
Subtotal	104,804	95,603	99,071	117,183	101,253
United States	13,787	10,234	12,073	19,663	22,507
WORLD TOTAL	118,591	105,837	111,144	136,846	123,760

REGIONAL WHEAT IMPORTS, PRODUCTION, CONSUMPTION AND STOCKS
THOUSAND METRIC TONS

	1994/95	1995/96	1996/97	Estimated 1997/98	Projected 1998/99 Nov 10
IMPORTS					
North America 1/	3,875	3,460	4,737	4,888	5,000
Latin America 2/	14,370	12,530	13,117	13,550	14,650
EU	2,085	2,545	2,442	3,450	2,800
Other Wst. Eur. 3/	553	400	548	555	585
Former USSR	8,325	10,740	6,893	6,270	6,825
Eastern Europe 4/	2,597	2,475	5,139	1,710	1,360
Middle East 5/	9,704	10,462	16,100	13,930	13,390
North Africa 6/	15,888	13,783	14,393	17,400	15,600
Other Africa 7/	5,428	4,854	5,836	5,870	6,090
South Asia 8/	4,861	4,228	6,758	8,071	5,325
Other Asia 9/	31,234	31,166	23,490	22,579	22,900
Oceania 10/	463	356	444	510	535
PRODUCTION					
North America 1/	90,440	87,905	95,099	96,541	96,204
Latin America 2/	15,980	12,158	22,118	19,871	15,350
EU	84,541	86,161	98,506	94,449	103,360
Other Wst. Eur. 3/	818	959	943	885	1,016
Former USSR	60,698	60,282	64,699	82,055	59,400
Eastern Europe 4/	33,962	34,979	26,125	34,409	33,870
Middle East 5/	34,398	35,000	34,055	32,240	36,525
North Africa 6/	11,133	9,080	15,981	10,177	13,410
Other Africa 7/	4,249	4,649	6,051	5,406	4,688
South Asia 8/	79,353	87,037	83,844	90,909	91,120
Other Asia 9/	100,476	103,157	111,504	124,325	111,077
Oceania 10/	9,148	16,759	24,022	19,712	22,275
CONSUMPTION					
North America 1/	48,095	43,516	48,569	48,358	51,661

Latin America 2/	22,487	21,569	23,645	23,395	24,100
EU	73,780	76,249	79,514	81,355	86,308
Other Wst. Eur. 3/	1,546	1,439	1,491	1,442	1,601
Former USSR	76,997	73,918	72,573	74,180	72,638
Eastern Europe 4/	31,767	31,220	31,288	31,870	33,766
Middle East 5/	42,062	43,652	45,686	47,753	48,735
North Africa 6/	25,020	24,957	27,533	28,052	28,560
Other Africa 7/	9,680	9,484	10,981	11,293	11,178
South Asia 8/	83,164	88,798	93,696	95,680	99,049
Other Asia 9/	131,269	131,188	133,281	135,952	137,179
Oceania 10/	4,583	4,750	4,329	5,795	6,080

ENDING STOCKS

North America 1/	20,033	17,407	21,708	26,240	29,384
Latin America 2/	2,521	1,085	2,314	2,180	1,920
EU	11,706	11,120	14,758	15,827	18,584
Other Wst. Eur. 3/	555	475	475	473	473
Former USSR	20,013	11,283	6,851	17,196	7,033
Eastern Europe 4/	6,989	7,125	5,550	7,049	5,963
Middle East 5/	10,657	10,936	13,749	11,673	9,153
North Africa 6/	4,183	2,002	4,758	4,198	4,563
Other Africa 7/	803	806	1,379	1,212	662
South Asia 8/	13,900	15,430	10,300	13,314	11,710
Other Asia 9/	24,706	26,578	26,787	36,042	31,143
Oceania 10/	2,525	1,590	2,515	1,442	3,172

1/ Includes Canada, Mexico, and the United States.

2/ Includes Central America, the Caribbean, and South America.

3/ Includes Azores, Cyprus, Iceland, Malta & Gozo, Norway and Switzerland.

4/ Includes Albania, Bulgaria, Czechia, Hungary, Poland, Romania, Slovakia, and former Yugoslavia.

5/ Includes Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, and Yemen.

6/ Includes Algeria, Egypt, Libya, Morocco, and Tunisia.

7/ Includes all other African countries except North Africa.

8/ Includes Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka.

9/ Includes all other Asian countries except South Asia.

10/ Includes Australia, Fiji, New Zealand, and Papua New Guinea.

WORLD RICE TRADE						
CALENDAR YEAR						
THOUSAND METRIC TONS						
				Estimated	Projected	
	1995	1996	1997	1998	1999	
					Nov 10	
EXPORTS						
Argentina	327	367	500	450	550	
Australia	519	475	700	700	650	
Burma	645	265	15	80	100	
China	32	265	938	3,300	1,250	
Guyana	203	233	285	250	300	
India	4,201	3,556	1,959	3,500	2,000	
Pakistan	1,592	1,677	1,982	2,000	2,000	
Thailand	5,931	5,281	5,272	6,100	5,800	
Uruguay	470	596	640	525	625	
Vietnam	2,308	3,040	3,268	3,600	3,500	
EU	323	301	367	350	350	
Others	1,369	825	822	1,625	1,145	
Subtotal	17,920	16,881	16,748	22,480	18,270	
United States	3,073	2,624	2,292	3,000	2,750	
WORLD TOTAL	20,993	19,505	19,040	25,480	21,020	
IMPORTS						
Bangladesh	1,566	655	45	1,500	750	
Brazil	987	786	845	1,200	1,000	
Canada	214	223	237	225	235	
China	1,964	832	326	300	500	
Colombia	114	200	192	250	150	
Costa Rica	58	85	90	100	85	
Cote d'Ivoire	387	300	470	500	550	
Cuba	316	400	350	350	375	

Ghana	106	185	150	125	150
Guinea	291	250	250	200	300
Haiti	204	175	175	175	175
Indonesia	3,011	1,233	800	5,900	2,000
Iran	1,633	1,294	875	500	650
Iraq	92	236	720	600	700
Jamaica & Dep	74	66	75	75	75
Japan	29	445	567	650	725
Jordan	76	90	100	100	100
Korea, North	683	350	320	250	350
Korea, South	13	110	30	60	100
Malaysia	402	573	645	650	600
Mexico	245	307	288	275	300
Nigeria	450	500	800	800	800
Peru	285	437	215	200	225
Philippines	277	687	816	2,200	1,200
Russia	125	369	300	200	300
Saudi Arabia	615	786	659	700	700
Senegal	402	601	575	500	500
Singapore	293	312	325	350	375
South Africa	634	709	621	500	600
Sri Lanka	25	394	350	150	250
Syria	203	125	215	150	200
Turkey	451	348	250	250	250
UAE	85	85	85	90	90
Yemen	68	143	150	100	150
EU	762	895	834	700	700
O.W. Europe	30	34	50	37	50
Eastern Europe	187	135	231	145	170
United States	221	268	302	350	350
Subtotal	17,578	15,623	14,328	21,407	16,780
Other Countries	2,637	2,488	2,950	2,599	2,840
Unaccounted	778	1,394	1,762	1,474	1,400
WORLD TOTAL	20,993	19,505	19,040	25,480	21,020

WORLD RICE PRODUCTION, CONSUMPTION AND STOCKS						
LOCAL MARKETING YEARS						
THOUSAND METRIC TONS						
	1994/95	1995/96	1996/97	1997/98	1998/99	
					Nov 10	
PRODUCTION						
Australia	1,137	951	1,387	1,336	1,224	
Bangladesh	25,252	26,533	28,326	27,948	27,003	
Brazil	11,235	10,038	9,504	8,529	10,000	
Burma	16,000	17,000	15,517	15,345	16,034	
China	175,930	185,214	195,100	200,700	188,571	
Egypt	4,565	4,399	4,900	5,515	5,074	
India	121,752	119,442	121,980	125,263	122,262	
Indonesia	49,743	51,100	49,360	46,500	50,769	
Japan	14,977	13,435	12,930	12,532	10,852	
Korea, South	6,882	6,386	7,189	7,365	6,351	
Pakistan	5,171	5,905	6,461	6,547	6,901	
Philippines	10,475	11,174	11,177	9,923	10,615	
Taiwan	2,061	2,071	1,931	2,047	1,973	
Thailand	21,400	21,800	20,700	22,803	22,652	
Vietnam	24,615	26,792	27,273	27,533	27,273	
EU	2,043	1,979	2,423	2,515	2,515	
Others	38,332	38,903	39,560	38,922	39,852	
Subtotal	531,570	543,122	555,718	561,323	549,921	
United States	8,972	7,887	7,770	8,115	8,182	
WORLD TOTAL	540,542	551,009	563,488	569,438	558,103	
CONSUMPTION						

Bangladesh	17,780	18,366	19,144	19,650	19,000
Brazil	7,890	7,820	7,795	7,730	7,750
Burma	8,732	9,300	9,210	9,225	9,275
China	129,000	130,000	132,134	135,900	137,000
Egypt	2,500	2,375	2,600	2,900	3,200
India	77,307	79,203	80,707	80,700	80,700
Indonesia	34,011	33,691	33,969	35,475	35,200
Iran	2,650	2,700	2,600	2,400	2,400
Japan	9,332	9,450	9,250	9,200	9,150
Korea, North	2,083	1,650	1,620	1,750	1,750
Korea, South	5,426	5,244	5,060	5,070	5,000
Philippines	7,142	7,509	8,027	8,100	8,235
South Africa	400	500	600	600	600
Taiwan	1,450	1,425	1,400	1,375	1,300
Thailand	8,400	8,500	8,550	8,750	9,000
Vietnam	13,948	14,643	14,732	14,572	14,500
EU	1,819	1,910	1,930	1,870	1,887
Others	33,663	33,519	36,568	35,804	35,503
Subtotal	363,533	367,805	375,896	381,071	381,450
United States	3,344	3,420	3,217	3,314	3,531
WORLD TOTAL	366,877	371,225	379,113	384,385	384,981
ENDING STOCKS					
Brazil	2,106	1,882	1,395	665	715
Burma	590	885	660	255	180
China	21,515	21,732	25,556	27,146	21,396
India	14,083	11,000	9,500	8,800	7,600
Indonesia	1,858	2,615	1,530	2,180	1,980
Korea, South	680	245	510	980	805
Pakistan	711	515	438	352	402
Philippines	941	1,670	1,590	1,185	1,350
Thailand	203	810	650	850	1,000
Others	6,382	7,966	8,491	8,456	7,192
Subtotal	49,069	49,320	50,320	50,869	42,620

United States	1,051	811	867	903	805
WORLD TOTAL	50,120	50,131	51,187	51,772	43,425
NOTES: Production is on a rough basis; all other data are reported on a milled basis.					
REGIONAL RICE IMPORTS, PRODUCTION, CONSUMPTION AND STOCKS					
THOUSAND METRIC TONS					
	1995	1,996	1997	1998	1999
					Nov 10
IMPORTS					
North America 1/	680	798	827	850	885
Latin America 2/	2,421	2,409	2,368	2,877	2,460
EU	762	895	834	700	700
Other West. Eur. 3/	30	34	50	37	50
Former USSR	215	461	397	280	395
Eastern Europe 4/	187	135	231	145	170
Middle East 5/	3,430	3,301	3,279	2,675	3,045
North Africa 6/	80	115	179	120	150
Other Africa 7/	3,320	3,671	4,151	3,587	4,140
South Asia 8/	1,783	1,117	490	1,725	1,100
Other Asia 9/	7,117	4,980	4,277	10,810	6,310
Oceania 10/	190	195	195	200	215
	1994/95	1995/96	1996/97	1997/98	1998/99
PRODUCTION					
North America 1/	9,357	8,236	8,170	8,623	8,632
Latin America 2/	19,642	18,573	18,713	17,152	19,424
EU	2,043	1,979	2,423	2,515	2,515
Other West. Eur. 3/	0	0	0	0	0
Former USSR	1,527	1,198	1,083	1,178	1,190
Eastern Europe 4/	76	72	72	74	72
Middle East 5/	2,858	2,973	3,102	3,048	3,282

North Africa 6/	4,628	4,431	4,963	5,578	5,137
Other Africa 7/	10,698	10,810	10,754	10,347	10,615
South Asia 8/	158,613	158,045	163,048	166,221	162,357
Other Asia 9/	329,963	343,741	349,773	353,366	343,655
Oceania 10/	1,137	951	1,387	1,336	1,224
CONSUMPTION					
North America 1/	4,058	4,168	3,984	4,079	4,316
Latin America 2/	13,353	13,444	13,571	13,518	13,732
EU	1,819	1,910	1,930	1,870	1,887
Other West. Eur. 3/	35	36	37	40	45
Former USSR	1,117	1,112	1,045	1,049	1,097
Eastern Europe 4/	229	181	272	192	211
Middle East 5/	4,798	4,947	5,445	5,090	5,270
North Africa 6/	2,649	2,511	2,820	3,061	3,391
Other Africa 7/	9,472	9,876	10,210	10,360	10,664
South Asia 8/	101,934	104,531	107,089	107,595	106,775
Other Asia 9/	224,299	226,867	229,375	234,839	235,904
Oceania 10/	435	435	440	440	445
ENDING STOCKS					
North America 1/	1,124	892	973	1,033	955
Latin America 2/	3,122	2,920	2,381	1,634	1,642
EU	280	378	271	345	353
Other West. Eur. 3/	12	11	8	18	10
Former USSR	0	90	93	43	58
Eastern Europe 4/	0	0	0	0	0
Middle East 5/	942	1,082	1,063	622	552
North Africa 6/	283	433	621	971	921
Other Africa 7/	631	897	931	970	785
South Asia 8/	15,257	12,328	10,516	9,816	8,516
Other Asia 9/	28,378	31,044	34,227	36,202	29,520
Oceania 10/	91	56	103	118	113
Production is on a rough basis; all other data are reported on a milled basis.					

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- 1/ Includes Canada, Mexico, and the United States.
- 2/ Includes Central America, the Caribbean, and South America.
- 3/ Includes Azores, Cyprus, Iceland, Malta & Gozo, Norway and Switzerland.
- 4/ Includes Albania, Bulgaria, Czechia, Hungary, Poland, Romania, Slovakia, and former Yugoslavia.
- 5/ Includes Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, and Yemen.
- 6/ Includes Algeria, Egypt, Libya, Morocco, and Tunisia.
- 7/ Includes all other African countries except North Africa.
- 8/ Includes Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka.
- 9/ Includes all other Asian countries except South Asia.
- 10/ Includes Australia, Fiji, New Zealand, and Papua New Guinea.

WORLD COARSE GRAIN TRADE					
OCTOBER/SEPTEMBER YEAR					
THOUSAND METRIC TONS					
				Estimated	Projected
	1994/95	1995/96	1996/97	1997/98	1998/99
					Nov 10
EXPORTS					
Argentina	6,268	7,784	11,012	14,560	11,860
Australia	1,489	4,279	4,436	3,166	3,075
Canada	4,360	4,244	5,629	3,430	3,550
China	1,602	196	3,998	6,204	4,100
South Africa	2,599	1,710	2,200	1,497	1,500
Russia	2,440	1,021	600	1,300	200
Turkey	850	160	252	805	1,205
EU	8,108	4,440	7,656	5,275	9,500
Others	5,118	5,658	4,494	6,442	4,506
Subtotal	32,834	29,492	40,277	42,679	39,496
United States	65,671	58,656	53,026	44,232	48,226
WORLD TOTAL	98,505	88,148	93,303	86,911	87,722
IMPORTS					
Australia	433	24	11	12	12
Algeria	1,243	587	1,041	1,000	1,100
Brazil	1,873	519	632	1,425	1,725
Belarus	86	270	150	250	250
Canada	1,114	751	901	1,512	1,212
Chile	568	502	861	950	1,050
China	6,366	2,962	2,111	1,775	2,500
Colombia	1,636	1,798	1,730	1,865	1,695
Costa Rica	429	340	354	385	375
Dominican Republic	685	649	733	650	750
Egypt	2,695	2,245	3,211	3,075	3,075
Iran	1,448	1,497	2,322	1,600	1,850
Israel	1,253	1,086	1,478	940	1,100

Japan	21,101	20,279	20,659	21,030	20,090
Jordan	1,047	849	1,051	650	700
Korea, North	115	76	503	250	400
Korea, South	8,966	10,139	8,772	7,657	7,200
Malaysia	2,354	2,444	2,500	2,100	2,300
Mexico	5,841	8,491	5,373	7,970	7,165
Morocco	913	547	726	600	650
Peru	1,135	882	885	1,110	985
Poland	961	801	1,122	875	450
Romania	84	67	71	51	25
Russia	704	833	842	590	1,250
Saudi Arabia	5,235	4,591	6,751	4,425	6,300
South Africa	457	410	462	300	400
Taiwan	6,622	6,033	6,001	4,780	4,700
Tunisia	727	535	624	601	850
Turkey	542	815	1,020	655	825
Uzbekistan	123	255	255	230	230
Venezuela	1,224	1,243	1,246	1,151	1,201
Yugoslavia	429	148	60	75	50
Zimbabwe	25	95	75	100	50
EU	4,653	4,257	2,834	2,285	2,910
O.W. Europe	940	885	1,108	855	915
United States	3,115	2,390	3,270	2,960	2,600
Subtotal	87,142	80,295	81,745	76,739	78,940
Other Countries	8,052	5,940	9,025	7,437	6,751
Unaccounted	3,311	1,913	2,533	2,735	2,031
WORLD TOTAL	98,505	88,148	93,303	86,911	87,722

WORLD COARSE GRAIN PRODUCTION, CONSUMPTION AND STOCKS					
LOCAL MARKETING YEARS					
THOUSAND METRIC TONS					
	1994/95	1995/96	1996/97	1997/98	1998/99
					Nov 10
PRODUCTION					
Australia	5,406	9,625	10,145	9,187	8,305
Argentina	13,855	14,085	18,931	24,668	18,985
Brazil	38,216	33,236	36,990	31,805	35,305
Canada	23,394	24,122	28,194	24,941	25,151
China	114,291	124,504	141,318	114,653	135,650
Egypt	6,580	6,278	6,599	6,946	7,240
Hungary	6,200	6,308	7,040	8,065	7,450
India	29,844	29,780	34,349	30,736	30,900
Indonesia	6,100	6,000	5,950	5,700	6,300
Mexico	20,448	23,865	26,491	23,160	25,100
Philippines	4,534	4,324	4,215	3,550	4,200
Romania	10,637	12,077	11,063	14,954	9,155
South Africa	5,400	10,986	9,580	8,060	9,063
Ukraine	18,526	15,607	9,510	15,350	11,100
Yugoslavia	8,253	8,553	8,473	10,648	8,893
EU	86,621	88,488	103,754	109,443	104,129
Others	190,030	174,680	177,713	178,273	163,263
Subtotal	588,335	592,518	640,315	620,139	610,189
United States	284,886	209,436	267,559	265,422	273,673
WORLD TOTAL	873,221	801,954	907,874	885,561	883,862
CONSUMPTION					
Argentina	7,955	6,491	6,777	8,115	8,475
Brazil	37,123	37,755	38,330	34,805	36,280
Canada	21,320	21,224	21,771	23,054	23,484
China	117,052	120,332	128,592	129,565	130,950
Egypt	8,978	8,735	9,865	10,016	10,215

India	29,970	29,715	33,709	31,116	30,900
Indonesia	7,047	7,238	6,836	5,815	6,050
Japan	21,585	20,629	20,850	20,688	20,492
Korea, South	9,082	10,731	9,153	8,368	7,705
Malaysia	2,254	2,487	2,535	2,248	2,350
Mexico	26,493	30,890	31,550	31,780	32,315
Romania	10,684	11,314	10,682	12,524	10,630
Russia	43,140	35,230	32,638	33,840	28,200
Saudi Arabia	7,611	6,627	7,676	5,879	7,004
South Africa	7,357	7,705	7,668	7,710	7,963
Yugoslavia	8,472	7,910	8,048	8,848	8,923
Others	285,812	295,683	296,524	290,906	291,723
Subtotal	651,935	660,696	673,204	665,277	663,659
United States	207,900	180,120	206,397	211,942	215,937
WORLD TOTAL	859,835	840,816	879,601	877,219	879,596
ENDING STOCKS					
Canada	3,296	2,901	4,845	4,498	3,827
China	28,762	35,700	46,539	27,198	30,298
Russia	6,209	1,491	981	7,055	1,005
EU	12,397	9,829	12,171	22,817	23,953
Others	41,217	33,996	35,085	35,231	29,973
Subtotal	91,881	83,917	99,621	96,799	89,056
United States	45,338	14,440	27,009	38,173	50,177
WORLD TOTAL	137,219	98,357	126,630	134,972	139,233

REGIONAL COARSE GRAIN IMPORTS, PRODUCTION, CONSUMPTION AND STOCKS					
THOUSAND METRIC TONS					
	1994/95	1995/96	1996/97	1997/98	1998/99
					Nov 10
IMPORTS					
North America 1/	10,070	11,632	9,544	12,442	10,977
Latin America 2/	8,957	7,309	8,260	9,166	9,452
EU	4,653	4,257	2,834	2,285	2,910
Other West. Eur. 3/	940	885	1,108	855	915
Former USSR	1,938	2,133	2,078	1,800	2,450
Eastern Europe 4/	1,840	1,338	1,932	1,071	735
Middle East 5/	10,739	9,770	14,122	9,425	12,125
North Africa 6/	6,032	4,154	6,574	6,076	6,375
Other Africa 7/	1,748	1,027	2,029	2,037	1,985
South Asia 8/	1	4	0	0	0
Other Asia 9/	47,729	43,565	42,241	38,947	37,690
Oceania 10/	488	94	18	42	47
PRODUCTION					
North America 1/	328,728	257,423	322,244	313,523	323,924
Latin America 2/	62,986	58,505	67,416	67,518	65,595
EU	86,621	88,488	103,754	109,443	104,129
Other West. Eur. 3/	1,619	1,726	1,914	1,852	1,862
Former USSR	81,832	59,411	54,792	70,639	43,570
Eastern Europe 4/	46,852	51,438	49,515	58,541	49,680
Middle East 5/	18,959	18,470	17,639	16,674	17,949
North Africa 6/	11,026	8,466	13,044	9,048	10,548
Other Africa 7/	60,301	70,312	67,806	61,175	66,806
South Asia 8/	34,231	33,927	38,441	35,045	35,039
Other Asia 9/	133,816	143,409	160,320	132,017	155,596
Oceania 10/	6,036	10,160	10,750	9,807	8,915
CONSUMPTION					

North America 1/	255,713	232,234	259,718	266,776	271,736
Latin America 2/	62,442	62,338	63,694	61,894	63,750
EU	88,520	91,525	95,524	96,117	96,176
Other West. Eur. 3/	2,514	2,817	2,973	2,811	2,789
Former USSR	80,860	66,251	56,859	61,181	52,137
Eastern Europe 4/	48,336	50,001	49,621	53,546	51,030
Middle East 5/	28,865	28,261	30,230	26,811	28,949
North Africa 6/	15,463	13,905	18,284	16,550	16,823
Other Africa 7/	63,548	67,048	67,685	63,032	66,906
South Asia 8/	34,357	33,866	37,801	35,425	35,039
Other Asia 9/	176,028	180,444	187,246	183,348	185,718
Oceania 10/	5,393	5,829	6,327	5,965	6,255
ENDING STOCKS					
North America 1/	50,637	20,771	35,555	45,222	56,405
Latin America 2/	10,159	5,185	4,549	4,333	3,744
EU	12,397	9,829	12,171	22,817	23,953
Other West. Eur. 3/	1,033	823	863	759	747
Former USSR	12,646	5,270	3,717	11,874	4,432
Eastern Europe 4/	2,684	3,629	3,660	6,653	4,003
Middle East 5/	5,208	4,604	5,101	3,706	3,476
North Africa 6/	2,125	723	2,072	721	821
Other Africa 7/	3,145	4,345	4,305	3,355	3,665
South Asia 8/	420	420	1,020	620	620
Other Asia 9/	35,466	41,507	52,356	32,894	36,012
Oceania 10/	546	716	715	1,484	1,036
Trade data are reported on an international year basis. All other data are reported using marketing years.					

- 1/ Includes Canada, Mexico, and the United States.
- 2/ Includes Central America, the Caribbean, and South America.
- 3/ Includes Azores, Cyprus, Iceland, Malta & Gozo, Norway and Switzerland.
- 4/ Includes Albania, Bulgaria, Czechia, Hungary, Poland, Romania, Slovakia, and former Yugoslavia.
- 5/ Includes Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, and Yemen.
- 6/ Includes Algeria, Egypt, Libya, Morocco, and Tunisia.
- 7/ Includes all other African countries except North Africa.
- 8/ Includes Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka.
- 9/ Includes all other Asian countries except South Asia.
- 10/ Includes Australia, Fiji, New Zealand, and Papua New Guinea.

MAJOR OILSEEDS: WORLD SUPPLY AND DISTRIBUTION
(MILLION METRIC TONS)

	1994/95	1995/96	1996/97	Estimated 1997/98	Projected 1998/99
PRODUCTION					
SOYBEAN	137.73	124.98	131.73	156.19	153.66
COTTONSEED	32.90	35.93	34.36	34.69	32.36
PEANUT	27.20	27.14	28.44	27.14	28.09
SUNFLOWERSEED	23.48	25.89	23.93	23.91	26.49
RAPESEED	30.38	34.52	31.61	34.28	36.65
COPRA	5.48	5.03	5.82	5.61	5.38
PALM KERNEL	4.62	4.99	5.32	5.16	5.40
TOTAL	261.80	258.49	261.21	286.97	288.00
EXPORTS					
SOYBEAN	32.16	31.95	36.96	40.14	38.60
COTTONSEED	1.03	0.94	0.84	1.04	0.95
PEANUT	1.60	1.66	1.52	1.64	1.67
SUNFLOWERSEED	3.18	3.67	4.11	4.07	4.38
RAPESEED	5.85	5.86	5.72	6.46	7.36
COPRA	0.21	0.21	0.20	0.21	0.27
PALM KERNEL	0.06	0.06	0.06	0.06	0.06
TOTAL	44.10	44.35	49.41	53.61	53.28
IMPORTS					
SOYBEAN	32.78	32.40	36.42	38.93	38.83
COTTONSEED	1.04	0.89	0.88	1.02	0.95
PEANUT	1.53	1.53	1.52	1.64	1.62
SUNFLOWERSEED	3.14	3.68	4.01	3.87	4.15
RAPESEED	5.91	5.76	5.76	6.50	7.35
COPRA	0.21	0.21	0.21	0.21	0.26
PALM KERNEL	0.05	0.06	0.06	0.05	0.05
TOTAL	44.67	44.52	48.85	52.21	53.21
CRUSH					
SOYBEAN	110.24	112.12	115.51	125.98	128.97
COTTONSEED	25.26	28.18	26.29	26.08	24.92
PEANUT	14.71	14.10	15.12	13.76	14.51
SUNFLOWERSEED	20.63	22.60	21.41	21.02	23.28
RAPESEED	27.24	30.61	29.56	31.55	33.25
COPRA	5.47	4.96	5.79	5.59	5.35
PALM KERNEL	4.52	4.95	5.27	5.14	5.34
TOTAL	208.06	217.51	218.95	229.11	235.62
ENDING STOCKS					
SOYBEAN	23.69	17.51	12.87	19.09	22.26

COTTONSEED	0.63	0.59	0.57	0.66	0.29
PEANUT	0.75	0.54	0.51	0.51	0.53
SUNFLOWERSEED	0.94	1.54	1.21	0.92	0.94
RAPESEED	0.97	1.59	0.98	0.81	1.10
COPRA	0.08	0.11	0.11	0.10	0.08
PALM KERNEL	0.18	0.17	0.16	0.13	0.13
TOTAL	27.23	22.05	16.40	22.21	25.32

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.
DATE:NOVEMBER 1998

SOYBEANS: WORLD SUPPLY AND DISTRIBUTION
(MILLION METRIC TONS)

	1994/95	1995/96	1996/97	Estimated 1997/98	Projected 1998/99
PRODUCTION					
UNITED STATES	68.49	59.24	64.84	73.55	75.19
BRAZIL	25.90	24.15	26.80	31.00	29.00
ARGENTINA	12.50	12.43	11.20	18.70	16.50
CHINA	16.00	13.50	13.22	14.73	13.50
EUROPEAN UNION	1.03	0.94	1.14	1.57	1.84
PARAGUAY	2.20	2.40	2.77	2.80	3.10
OTHER	11.61	12.32	11.76	13.84	14.53
TOTAL	137.73	124.98	131.73	156.19	153.66
EXPORTS					
UNITED STATES	22.81	23.17	24.00	23.87	22.86
BRAZIL	3.57	3.45	8.42	8.75	8.30
ARGENTINA	2.50	2.09	0.75	3.17	3.00
PARAGUAY	1.45	1.60	2.15	2.20	2.40
CHINA	0.39	0.22	0.20	0.18	0.20
OTHER	1.43	1.42	1.44	1.97	1.84
TOTAL	32.16	31.95	36.96	40.14	38.60
IMPORTS					
EUROPEAN UNION	16.05	14.25	15.31	15.56	15.50
GERMANY	2.96	3.21	3.48	3.55	3.60
NETHERLANDS	4.62	4.20	4.30	4.51	4.60
SPAIN	2.85	2.34	2.71	2.90	2.80
ITALY	1.30	0.99	0.83	0.50	0.28
BEL-LUX	1.37	1.22	1.14	1.26	1.36
PORTUGAL	0.95	0.68	0.66	0.77	0.78
OTHER W EUROPE	0.40	0.38	0.38	0.38	0.38
EASTERN EUROPE	0.29	0.25	0.26	0.34	0.24
FSU-12	0.10	0.17	0.14	0.26	0.44
RUSSIA	0.04	0.04	0.00	0.02	0.20
UKRAINE	0.02	0.02	0.02	0.02	0.02
CHINA	0.16	0.80	2.27	2.90	3.60
JAPAN	4.84	4.78	5.04	4.87	4.70
KOREA, REP OF	1.38	1.42	1.49	1.34	1.40
TAIWAN	2.60	2.65	2.63	2.40	2.50
INDONESIA	0.62	0.72	0.68	0.81	0.70
MEXICO	1.87	2.40	2.68	3.20	3.40
BRAZIL	1.20	1.05	0.90	1.70	1.00
OTHER	3.28	3.55	4.63	5.16	4.97
TOTAL	32.78	32.40	36.42	38.93	38.83

CRUSH

UNITED STATES	38.24	37.27	39.08	43.46	43.95
LATIN AMERICA	33.28	36.47	35.59	38.36	39.82
BRAZIL	20.19	21.57	19.90	20.00	20.10
ARGENTINA	8.59	10.29	11.05	13.00	14.00
MEXICO	2.33	2.44	2.69	3.33	3.58
EUROPEAN UNION	14.43	13.65	14.67	15.39	15.50
OTHER W EUROPE	0.39	0.38	0.38	0.38	0.38
FSU-12	0.43	0.44	0.35	0.48	0.66
EASTERN EUROPE	0.46	0.46	0.51	0.63	0.65
ASIA	20.18	20.50	21.65	23.73	24.11
JAPAN	3.76	3.70	3.81	3.72	3.65
CHINA	8.59	7.47	8.69	10.35	10.13
TAIWAN	2.34	2.36	2.36	2.14	2.24
OTHER	2.84	2.96	3.28	3.55	3.90
TOTAL	110.24	112.12	115.51	125.98	128.97
ENDING STOCKS					
UNITED STATES	9.11	4.99	3.58	5.44	9.93
BRAZIL	7.20	5.80	3.40	5.35	5.05
ARGENTINA	4.67	4.22	3.40	6.08	5.03
OTHER	2.71	2.50	2.49	2.22	2.25
TOTAL	23.69	17.51	12.87	19.09	22.26

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.
DATE:NOVEMBER 1998

WOOD PRODUCTS:
SAWLOGS/VENEER LOGS PRODUCTION AND TRADE 1993-1997
Calendar Year
1,000 cubic meters

	1993	1994	1995	1996	1997
WORLD SAWLOG/VENEER LOG PRODUCTION					
Softwood	605,091	601,015	621,053	610,150	619,043
Hardwood	294,338	294,052	308,922	311,745	311,280
WORLD TOTAL	895,429	895,067	929,975	921,895	930,323

SAWLOG/VENEER LOG EXPORTS

SOFTWOOD

United States	12,030	11,020	11,604	10,792	9,413
Canada	1,126	952	676	608	566
Russia	11,600	11,950	16,001	13,000	14,000
New Zealand	4,289	4,837	5,257	5,640	5,391
Sweden	410	401	500	1,431	1,226
Other	NA	NA	NA	NA	NA

HARDWOOD

Malaysia	9,382	8,561	7,864	6,987	6,593
Papua New Guinea	2,867	3,066	2,600	2,600	NA
France	1,350	1,485	2,029	2,000	NA
United States	1,074	1,195	1,213	1,147	1,149
Ivory Coast	320	376	311	180	70
Other	NA	NA	NA	NA	NA

SAWLOG/VENEER LOG IMPORTS

SOFTWOOD

Japan	14,730	14,434	14,901	14,651	13,961
China (Mainland)	1,512	1,191	590	639	930

Korea, South	5,414	5,701	6,450	6,950	6,209
Canada	3,477	3,816	5,024	4,318	4,706
United States	388	427	247	379	391
Other	NA	NA	NA	NA	NA

HARDWOOD

Japan	8,703	7,944	7,038	6,685	6,446
Korea, South	2,233	2,011	1,778	1,238	1,179
Italy	2,442	3,022	3,194	2,720	NA
France	1,040	1,010	1,593	1,600	NA
Thailand	1,607	1,529	1,186	764	300
Other	NA	NA	NA	NA	NA

SOURCES: USDA/FAS Forest Products Annual Reports; U.S. Trade, UNFAO Forest Products Database/1998, World Trade Atlas (various countries) 1988.

NA-Not Available

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Agricultural Commodities

Wheat

Domestic Situation

United States' wheat production in 1998/99 reached 69.6 million tons, the highest level in nearly ten years. Prices have been historically low due to the bumper harvest and ample carry-in stocks. The season average farm price range is estimated \$2.55 - 2.75 per bushel, down nearly 80 cents from 1997/98. While the level of global trade is projected nearly 3 million tons below last year, U.S. exports are expected to be 9 percent higher due to lower exportable supplies in our competitors. Despite more exports and the continuation of strong domestic utilization, United States ending stocks will be at the highest level in recent years.

World Supply and Trade

Global wheat trade in 1998/99 is projected at 97.7 million tons, over 2 million tons lower than the 1997/98 level. World production is forecast to be 588 million tons, down 23 million tons from last year's record. A decrease of 4 million tons is expected in Argentina, while Canada's crop is forecast nearly 1 million tons below the previous year's level. A record harvest (over 103 million tons) is expected in the European Union while Australia's crop is projected up 3 million tons and production in the United States is forecast to exceed last year's bumper harvest by over 1 million tons. Lower import demand is mostly attributed to higher production in several key import markets, including most of North Africa, Iran, and Pakistan. Global consumption is forecast to reach record levels and for the first time in three years, is projected to exceed production, drawing down ending stocks by 13 million tons. The global stocks-to-use ratio at 20.6 is down 3 percentage points from a year earlier.

Course Grains

Domestic Situation

The United States' forecast production of coarse grains is increased in 1998/99 to 273.7 million tons, up 8.2 million from the previous year. Domestic consumption is expected to increase by 4.0 million tons to 215.9 million over the same period. 1998/99 U.S. stocks are expected to finish the year at 50.2 million tons, an increase of 12.0 million. Coarse grains exports are forecast to recover from a downward trend, rising 800,000 tons in 1998/99 to 48.2 million tons.

World Supply and Trade

World coarse grain production in 1998/99 is forecast to be 883.9 million tons, declining almost 2.0 million tons from the previous year. Despite the forecast decrease in production, stock estimates are expected to rise in 1998/99, up 4.3 million tons from the 1997/98 estimate. Global consumption is expected to reach 879.6 million tons in 1998/99 surpassing the 1997/98 level of 877.2 million tons.

Global coarse grains trade is predicted to rise to 87.7 million tons in 1998/99, nearly 1 million tons higher than the 1997/98 trade levels. The increase is due in part to increased exports of barley by the EU resulting from an increased demand for barley by Saudi Arabia. Increased imports of 500,000 tons of corn by Russia as part of U.S. concessional sales also boosts the coarse grains trade estimate.

Top U.S. competitors' are forecast to suffer coarse grain export declines in 1998/99. Argentina corn exports are projected lower by 2.7 million tons to 11.9 million tons to reflect expected reductions in planted acreage for corn. Canadian barley exports are forecast to decline to 1.6 million tons in 1998/99, down 300,000 tons from the previous year's estimate, due to strong domestic demand. Similarly, the Australian barley exports are estimated to fall by 300,000 tons to 2.7 million tons in 1998/99 due to a weather-related decline in production and quality.

Rice

Domestic Situation

United States area devoted to rice production grew by over eight percent in 1997/98, boosting U.S. rice production (rough basis) by 345,000 tons over the previous year, to 8.1 million tons. Domestic utilization and exports (milled basis) also grew, reaching 3.3 million tons, and 2.8 million tons, respectively. Despite the growth in total use, carryout stocks increased to 903,000 tons, a 36,000 ton year-to-year increase.

World Supply and Trade

Despite crop shortfalls in Indonesia, the Philippines, Bangladesh, and much of Latin America, world rice production (rough basis) reached a record 569 million tons in 1997/98. The surge in production was due to record crops in Thailand, India, and China. Vietnam and the United States also had large crops, ensuring that sufficient exportable supplies were available to meet record import demand and still allow for modest stock-building. World trade in calendar year 1997 declined 500,000 tons from the 1996 level, but surged in 1998 as Indonesia and the Philippines entered the market for record quantities. Trade is expected to reach 25.5 million tons by the end of the calendar year, a 6.5 million ton increase over 1997, and 4.5 million tons more than the previous record. Thailand

maintained its position as the top rice exporter in the world in 1997, followed by Vietnam, India, and the United States. The top exporters in 1998 are expected to remain the same, with the exception of China displacing the United States as the fourth largest exporter. Japan emerged as a major exporter in 1998 by taking the opportunity to reduce its burdensome stockpile by sending a large quantity of rice as food aid to Indonesia.

Soybeans and Products

Domestic Situation

U.S. soybean production increased 8.7 million tons in 1997 to a record 73.55 million tons due to record planted acreage and above average yields. Favorable returns for soybeans, vis-a-vis other crops resulted in the acreage gain. Above average yields of 38.8 bu/acre helped make the record crop. Low beginning stocks helped speed the disappearance of the record crop. The domestic crush increased 11 percent to 43.46 million tons and U.S. soybean exports at 23.9 million tons neared the record of 24 million tons exported in 1996/97. U.S. ending stocks of soybeans also rebounded from twenty-year lows to reach 5.44 million tons.

Total soybean meal production in the United States reached a record 34.63 million tons in 1997/98 due to strong domestic and export demand. Domestic consumption and exports grew 5.7 and 33.5 percent respectively, each to new highs. A larger U.S. soybean crush in 1997/98 also led to an expansion of soybean oil production. Record soybean oil exports and domestic disappearance led to a reduction in United States ending soybean oil stocks.

U.S. soybean prices for 1997/98 declined 12 percent to \$237/metric ton as United States and world production relieved the tight supply situation. Due to larger world availabilities, soybean meal average prices declined over 30 percent to \$205/metric ton, stimulating domestic and overseas consumption. The average soybean oil price increased 15 percent to reach \$570/metric ton following strong demand and gains in other key oil prices due to a reduction in global palm oil production.

World Oilseeds and Products Supply and Trade

Total world oilseed production increased 10 percent to nearly 287 million tons, with most gains driven by large increases in North and South American soybean production. World soybean production increased nearly 19 percent to 156 million tons after record crops were harvested in the United States, Brazil, Argentina and Paraguay. The United States shipped 60 percent of the world's soybean exports followed by Brazil, Argentina and Paraguay which combined for 35 percent of world soybean exports.

World rapeseed production also rebounded in 1997/98 by 2.4 million tons to reach 34.28 million tons, just shy of the record level set in 1995/96. Rapeseed production gains of

over a million tons in each the European Union and Canada account for most of the gains while India produced a million tons less rapeseed in 1997/98. Trade in rapeseed grew 13 percent in 1997/98 as Canada and the EU - the world's leading rapeseed exporters - expanded exports by a combined 533,000 tons. The EU and Japan remain the world's largest importers of rapeseed.

World cottonseed production remained virtually unchanged as production gains in China were offset by reductions in India and the United States. Cottonseed trade expanded in 1997/98 behind growth in U.S. and Australian exports. Japan, the EU and Mexico combine to account for over 50 percent of world cottonseed imports.

Sunflower-seed production in 1997/98 was at a normal level as a weather related production decline in Argentina was offset by larger crops in the EU and FSU. World sunflower trade shrank in 1997/98 largely due to reduced exports from the FSU. The EU remains the world's largest importer of sunflower-seed.

World peanut production declined by 1.3 million tons in 1997/98 due largely to reductions in India and China. Net trade in peanuts grew to 1.64 million tons as a large reduction in exports out of China was more than offset by an increase in exports from Argentina. The EU remains the world's largest peanut importer.

World protein meal consumption expanded to 155.9 million tons as a 8 million ton increase in soybean meal production and a 1 million ton increase in rapeseed meal production more than offset reductions in peanut, cottonseed and sunflower-seed meal production. Drastically reduced availabilities of fishmeal, as the result of El Nino, increased the demand for vegetable protein meals and led to large gains in world soybean meal consumption and trade. China emerged as one of the world's leading soybean meal importers - second to only the EU - while soybean meal consumption slowed in the rest of Asia. The EU, as a region, imported 45 percent of world soybean meal imports in 1997/98.

World total vegetable and marine oil production increased in 1997/98 to 76.5 million tons despite significant reductions in the availability of palm oil and fish oil; each of which was negatively affected by El Nino. Increased availabilities of over 2 million tons of soybean oil and 800,000 tons of rapeseed oil contributed to a net increase in total vegetable oil consumption in 1997/98. Despite the increase in total world vegetable and marine oil production, there was a larger expansion of consumption and total vegetable and marine oil ending stocks fell nearly 500,000 tons in 1997/98 to 6.85 million tons. The increase in consumption of rapeseed and soybean oil was met largely through trade. Argentina was the world's leading exporter of soybean oil in 1997/98 shipping 2.1 million tons. The U.S. exported 1.4 million tons to surpass Brazil which shipped 1.3 million tons. The United States is the world's leading consumer of soybean oil while China remains the world's leading soybean oil importer, importing 1.65 million tons.

Cotton

Domestic Situation

Cotton production in MY 1997/98 was 18.79 million bales, down less than 1 percent from the previous season. Upland cotton production, at 18.25 million bales, was 168 thousand bales above the 1996/97 level. American Pima production totaled 548 thousand bales, up 4 percent from 1996/97.

The area planted to all cotton totaled 13.81 million acres, a 6% percent decrease from the previous year. Harvested area, at 13.27 million acres, was down 3 percent up the previous year. Abandonment of upland cotton acreage during 1997/98 totaled 4 percent, down from 12 percent a year earlier. Upland yields averaged 673 pounds per acre, 28 pounds below yields realized the previous year.

Total cotton mill use during 1997/98 was 11.3 million bales, up from 11.1 million the previous year. Upland cotton use, at 11.2 million bales, was up 2 percent. American Pima consumption was estimated at 114 thousand bales. Total marketing year 1997/98 exports are estimated at 7.5 million bales, up 9 percent from the previous season. According to FAS data, the top six markets during 1997/98 and 1996/97 were Mexico, Korea, China, Japan, Turkey, and Indonesia. Ending stocks for 1997/98 were estimated at 3.9 million bales, down 1.0 million bales from the previous year.

International cotton prices in 1997/98 were lower than the previous season, with the Cotlook A-Index (average of 5 lowest CIF North Europe quotes) average of 72.17 cents per pound. The A-Index reached its highest monthly level in August 1997 with a monthly average of 81.28 cents per pound, while the season's lowest prices were in May 1998 when the A-Index averaged 64.37 cents per pound.

World Supply and Trade

World 1997/98 cotton production is estimated at 91.1 million bales, up 2 percent from the previous season. Foreign production is estimated at 72.3 million bales, up about 3 percent. The 1997/98 season was characterized by a higher crop in China and Uzbekistan, which more than offset decreased production in the United States, India, Pakistan and Turkey. World consumption for 1997/98 is estimated at 88.24 million bales, down slightly from the previous year. The major decrease in consumption was in China and Southeast Asia, which more than offset modest increases in the United States, India, Pakistan, the European Union, and Turkey. Exports for 1997/98 totaled 26.3 million bales, down 2 percent from the previous year. Increased exports from the United States, Francophone Africa, Pakistan and Australia, more than offset decreased exports from Uzbekistan, India and Argentina.

World ending stocks for 1997/98 are estimated at 40.13 million bales, 9 percent higher than the previous year. China increased stocks by 2.1 million bales, accounting for most of the world increase, while stocks were drawn down slightly in the United States, Pakistan, and India.

Hides and Skins

Domestic Situation

U.S. production of bovine hides in 1998 is forecast at 984,000 tons, up slightly from 1997. Although hide production in pieces declined approximately 3 percent in 1998, production by weight remained unchanged due to the 2.2 percent increase in the average slaughter weight for U.S. cattle to 545 kg/head. For 1999, the combined effect of reduced slaughter and lower slaughter weights is projected to result in a 7.5 percent fall in production to 910,000 tons. This would be the lowest U.S. production since 1993. The United States continues to dominate the world hide market, exporting almost 50 percent of its production—mostly in the form of whole cattle hides. According to the U.S. Bureau of the Census, exports during 1997 totaled 19 million whole cattle hides. Although this reflected a drop of over 6 percent from 1996, the value of exports increased by almost one percent to approximately \$1,134 million as hide prices were relatively high most of the year. With hide prices down in 1998, the value of exports is about 24 percent lower through July at \$540 million compared to \$710 million during the same period last year.

World Supply and Trade

Production of hides and skins among those countries tracked by the USDA declined for the second successive year in 1998. Production gains in the United States, Brazil and China were more than offset by lower production in the European Union, Argentina, Australia and Russia. Production is forecast still lower in 1999 as cattle slaughter is expected to decline 2 percent, most significantly in North America and the European Union.

Wood Products

Domestic Situation

In 1998, the inflation adjusted value of new construction put in place is expected to increase by 4 percent from \$520 billion in 1997 to a record level of \$540 billion. New residential construction, which generally accounts for more than one-third of the softwood lumber and structural panel products and a substantial portion of other wood products consumed annually in the United States, is expected to be up by a record 5 percent in 1998 on an inflation-adjusted basis. Residential housing starts are expected to total 1.58 million units in 1998 as compared to 1.48 million units in 1997.

Prices of softwood products were significantly lower in 1998 because of the near disappearance of softwood log, lumber and panel products export markets in Japan and Korea. The Asian market crisis and strong U.S. dollar also prevented the growth of new demand in other markets, including Southeast Asia and Taiwan. The weakened Canadian dollar and a contracting world market also pushed U.S. softwood imports to record levels, depressing domestic prices still further, especially for higher grades of product. Softwood product prices are expected to remain low or soften further in 1999 as new housing demand is expected to undergo a slight contraction and as Asian construction may be slow to rally.

In contrast, prices of hardwood products remained strong in 1998 due to strong domestic housing demand and the need for the requisite paneling, flooring, and furniture products. Exports of hardwood lumber were also very strong, with hardwood lumber overtaking softwood logs as the number one export commodity in 1997. The U.S. also faces far less overseas competition in hardwood products. Major Southeast Asian hardwood suppliers, suffering from the significant loss of income from sales to Japan and Korea, are unable to shift resources to expand other markets due to major internal political changes.

The United States and Canada entered into an agreement in 1996 that caps Canadian tax-free exports to the United States at 14.7 billion board feet annually. Under the terms of the Agreement, 14.7 BBF of softwood lumber (and certain other softwood lumber products, such as molding) from British Columbia, Alberta, Ontario and Quebec can be exported annually to the United States tax-free. The quota is allocated to individual firms. Softwood lumber volumes in excess of 14.7 BBF and up to 15.35 BBF are assessed an export tax of U.S. \$50 per thousand board feet (MBF), while volumes in excess of 15.35 BBF are assessed U.S. \$100/MBF. The maritime provinces, Manitoba, and Saskatchewan are exempt from the export tax. U.S. imports of Canadian softwood lumber reached 17.24 BBF in 1997, down slightly from the 17.59 BBF imported in 1996. Imports from Canada in 1997 accounted for a 94 percent share of the U.S. softwood lumber imports and a 33 percent share of U.S. softwood lumber consumption. Imports in 1998 are expected to increase to 17.87 BBF as strong U.S. housing demand and a weak Canadian dollar propels trade.

U.S. wood products exports, following a small decline in 1997, are estimated at \$6.2 billion in 1998 due to the severe impact of the Asian financial crisis and represent a further decline of 14 percent. Throughout the decade, Asia has received the lion's share of U.S. solid wood exports, with Japan alone receiving 45 percent or \$3.0 billion annually. Sales to Asia, however, are expected to remain well below their historic levels for the remainder of 1998 and into 1999 due to low demand, credit restructuring, a strong dollar and a lack of consumer confidence. U.S. exports to Japan in 1998 will hit a ten-year low. Hardest hit will be softwood logs and lumber because of continuing economic problems in Japan, coupled with a sluggish market, with starts at 1.1 million units in 1998, well below the near-record level of 1.6 million units in 1996. U.S. exports to other Asian countries also slowed

in 1998, with housing demand throughout most of Asia expected to remain low through the year 2000 due to excessive housing supplies, poor income growth and the financial crisis.

On the upside, U.S. exports of value-added wood products to the North American region and the European Union are expected to remain strong in 1998. U.S. exports to Canada are expected to remain close to the record levels achieved in 1997; the U.S. furnishes no less than 87 percent of Canada's solid wood import needs. In contrast to Japan, Canadian demand grew three percent from \$858 million in the first half of 1997 to \$888 million for the same period in 1998. According to Canadian import data, product from the U.S. increased by \$5 million to a record \$775 million in the first half of 1998.

U.S. exports to Mexico are projected to post strong gains and exceed \$300 million, and exports to the Caribbean may post a record \$300 million this year. The Europe Union (EU) is also feeling the effects of the Asian crisis, although not to the same degree as North American producers. Exports are expected to remain near record levels to this market, though the 20 percent growth achieved in 1997 is not expected for 1998. Total U.S. solid wood exports to the EU are projected to reach \$1.3 billion in 1998, just \$100 million shy of the record \$1.4 billion sold in 1997.

Softwood log exports fell sharply in 1998, falling from \$1.4 billion in 1997 to a projected \$870 million for 1998. Loss of sales to Japan, Korea and Taiwan, our three largest markets, were all in excess of 50 percent. The decline in softwood log exports on a volume basis was not as sharp, with sales down 26 percent through the first eight months of 1998. Hardwood logs exports, on the other hand, remained steady and are projected to reach \$310 million in 1998, virtually unchanged from the record \$307 million shipped in 1997. U.S. hardwood log exports on a volume basis are also expected to remain unchanged.

U.S. wood product imports hit an estimated record \$13.3 billion in 1998 and marked the sixth increase in almost as many years. The United States also became the world's largest importer of solid wood products. For the first time in recent history, total U.S. solid wood imports will exceed those of Japan because of the continued soft housing market in Japan and an increase in the level of U.S. imports as a result of an extremely robust U.S. housing market. Strong domestic demand has resulted in record high demand for molding, veneer, builders' carpentry and many other value-added products. Softwood lumber imports, which historically account for over one-half of total wood products imports on a value basis, were down by an estimated 11 percent in 1998 as slow sales to Japan depressed domestic softwood lumber prices to three-year lows. Import demand for the two unprocessed commodities, logs and chips, remained unchanged. One other impact of the record U.S. demand and the decline in Japanese demand is that Canada is now the world's largest solid wood products exporter, overtaking the United States. For many years, however, nearly 90 percent of Canada's exports has arrived on U.S. shores.

World Supply and Trade

Given the sharp decline in Asian demand and the strong rise in U.S. consumption and the U.S. dollar, the U.S. share of the global solid wood export market will fall slightly in 1998. With the trends expected to continue, the U.S. share of global solid wood products trade is expected to remain under pressure over the next one to two years, especially as supplies from Canada, Scandinavia, New Zealand and Chile continue to increase, and, Federal, State and local regulations reduce harvests from public and private land holdings in the United States in order meet environmental management criteria.

Last November in Vancouver, President Clinton and the other APEC leaders endorsed 15 sectors, including forest products, for early trade liberalization beginning in 1999. There were several rounds of senior-level meetings this past year to define product coverage and the timetable for tariff elimination, but, as of early November, an agreement had not been reached, in part, because of Japan's refusal to eliminate tariffs in the forest products sector or even cut tariffs beyond the level agreed to in the Uruguay Round. The forest products initiative is co-sponsored by Canada, Indonesia, New Zealand, and the United States and covers wood products, certain rattan products, pulp and paper, printed material, wood furniture and pre-fabricated housing. The proposal calls for the elimination of tariffs on products covered by no later than 2002-2004.

Disagreements continued this past year over several issues relating to the implementation of the 1996 U.S.-Canada Softwood Lumber Agreement. On June 22, 1998, the United States requested consultations under the terms of the Agreement. The request came in response to British Columbia's (BC) decision to lower stumpage rates (the price for standing timber) on June 1, 1998, by an average of C\$8.10 per cubic meter on the coast and C\$3.50 in the interior. Canada subsequently rejected the U.S. proposal (that the quota allocations to BC exporters be considered as a BC-wide quota, and that this overall quota be reduced) for resolving the dispute, and the United States formally requested arbitration. The panel is in the process of being formed and a decision is expected before the end of the year.

In related actions, Canada, on July 6, requested consultations on U.S. Customs' decision to reverse an earlier ruling and reclassify lumber with pre-drilled holes into the same tariff category as other lumber products, making Canadian exports of these products subject to the terms of the Agreement. On August 17, American Bayridge Corporation filed a complaint in the Court of International Trade after Customs classified a shipment of its pre-drilled studs as lumber. In early September, the Government of Canada asked the World Customs Organization (WCO) to decide whether U.S. Customs' decision to classify pre-drilled studs as lumber was correct.

Actions Taken by Other Nations in 1997/98

On February 1, 1998, the Indonesian plywood marketing board APKINDO was

dissolved under an agreement with the IMF. Indonesia also agreed to reduce export taxes on logs and sawn timber to 20 percent by end-December 1998; 15 percent by end-December 1998; and 10 percent by end-December 2000. The full impact of the reduction, however, is being offset by the Government's utilization of a "Check Price System." Export taxes are applied against "Check Prices," not the actual international export price. Currently, the Check Prices are significantly above the international prices, leading to export taxes that are in effect double or triple the announced rate, which continue to constrain exports of these products.

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10/30/97	In the Matter of Ben H. Attia	Exported ballistic shields to Tunisia without obtaining the validated license he knew or had reason to know was required; made false and misleading statements of material fact on export control document	787.4(a) [1] 787.5(a) [1] 787.6 [1]	Ben H. Attia	Export privileges denied for 15 years
10/31/97	In the Matter of Thane-Coat, Inc., Jerry Vernon Ford, Preston John Engebretson, Export Materials, Inc. and Thane-Coat International, Ltd.	Reason to believe that the respondents employed a scheme to export U.S.-origin products from the United States, through the United Kingdom or Italy, to Libya, a country subject to a comprehensive economic sanctions program, without the authorization required	EAA EAR	Thane-Coat, Inc., Jerry Vernon Ford, Preston John Engebretson, Export Materials, Inc. and Thane-Coat International, Ltd.	Order temporarily denying export privileges was renewed for 180 days
11/03/97	In the Matter	Knowingly and willfully	Sections 1701	William F. McNeil	Export privileges denied

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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
	of William F. McNeil	exported and caused to exported U.S.-origin electronic riot shields to Romania without applying for and obtaining the required authorization from the Commerce Department	and 1705 of IEEPA		until August 8, 2001
01/09/98	In the Matter of Nishan Keval	Knowingly and willfully exported and caused to be exported from the U.S. to The Netherlands, for transshipment to the People's Republic of Libya, petrochemical-related equipment	Sections 1702 and 1705 of the IEEPA	Nishan Keval	Export privileges denied until September 25, 2003
01/13/98	In the Matter of PTC Aerospace, a division of BE Aerospace, Inc.	Exported U.S.-origin aircraft parts, including aircraft seat sets, to France for installation on Iran Air aircraft without the validated export licenses	787.4(a) [25] 787.6 [25]	PTC Aerospace, a division of BE Aerospace, Inc.	Settlement agreement - civil penalty of \$500,000; export privileges denied for three years, all of which is suspended

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
		that PTC Aerospace knew or had reason to know were required			
01/26/98	In the Matter of Allergan, Inc.	Exported U.S.-origin botulinum toxin pharmaceutical product to various countries without the required validated licenses	787.6 [412]	Allergan, Inc.	Settlement agreement - civil penalty of \$824,000
02/02/98	In the Matter of Coherent, Inc.	Exported to the Department of Atomic Energy, in India, U.S.-origin plasma tubes for use in argon ion lasers without the required validated export licenses	787.6 [2]	Coherent, Inc.	Settlement agreement - civil penalty of \$20,000
02/09/98	In the Matter of NF&M International, Inc.	Exported titanium alloy products to Australia, Austria, England, Germany and Israel without obtaining the required validated export licenses	787.6 [33]	NF&M International, Inc.	Settlement agreement - civil penalty of \$82,500; \$42,500 suspended for one year

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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
02/19/98	In the Matter of Helco Company, Inc.	Conspiracy; sold U.S.-origin equipment and spare parts to Doornbos, GmbH knowing that they would be reexported from Germany to Libya for use in the Great Man-Made River Project without applying for or obtaining the reexport authorizations Helco knew or had reason to know were required	787.3(b) [1] 787.2 [8]	Helco Company, Inc.	Settlement agreement - civil penalty of \$90,000, \$40,000 suspended for two years; export privileges denied for two years, all of which is suspended
02/20/98	In the Matter of Essam Alkadi, also know as Essam Al-Kadi	Attempted to export a U.S.- origin shotgun to Saudi Arabia without obtaining the required validated export license	787.3(b) [1]	Essam Alkadi, also known as Essam Al- Kadi	Export privileges denied for three years
02/26/98	In the Matter of LEP Profit International, Inc.	Made false and misleading statements of material fact on export control documents	787.5(a)(1) [12]	LEP Profit International, Inc.	Settlement agreement - civil penalty of \$60,000, \$15,000 suspended for two years

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
02/26/98	In the Matter of Republic Cargo Systems, successor to certain of the business of H&M International Air Freight Corp.	Exported marine diesel engine parts to Vietnam without obtaining the required validated export license	787.6 [1]	Republic Cargo Systems, successor to certain of the business of H&M International Air Freight Corp.	Settlement agreement - civil penalty of \$10,000
03/02/98	In the Matter of C.H. Powell Company	Made false and misleading statements of material fact on export control documents	787.5(a)(1)[4]	C.H. Powell Company	Settlement agreement - civil penalty of \$20,000
03/02/98	In the Matter of C.H. Powell Company	Forwarded U.S.-origin sodium cyanide to the Dominican Republic with knowledge or reason to know that a violation of the Act or any regulation, order, or license issued thereunder occurred, was about to occur, or was intended to occur	787.4(a) [1]	C.H. Powell Company	Settlement agreement - civil penalty of \$10,000

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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
03/02/98	In the Matter of Realtek Semi-Conductor Co. Ltd.	Realtek, a person denied all export privileges, violated the terms of the denial order issued against it by ordering items to be exported from the U.S. with knowledge that a violation of the Act, the Regulations, or any order, license or authorization issued thereunder occurred, was about to occur, or was intended to occur	764.2(k) [1] 764.2(e) [1]	Realtek Semi- Conductor Co. Ltd.	Settlement agreement - civil penalty of \$20,000; export privileges denied for a period of one year from August 3, 2000 [the date the original order expires], all of which is suspended
03/19/98	In the Matter of New World Transtechology	Knowingly and willfully attempted to export, and caused to be exported, computers to the People's Republic of China without the required validated export license and knowingly and willfully attempted to export and attempted to cause to be exported, from the U.S. to	Sections 1702 and 1705(b) of the IEEPA	New World Transtechology	Export privileges denied until December 20, 2006

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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
		the Commonwealth of Hong Kong, for transshipment to the People's Republic of China, a computer without the required validated export license or other authorization			
03/23/98	In the Matter of Suburban Guns (Pty) Ltd.	Knowingly and willfully caused to be exported to South Africa numerous firearms designated on the Commerce Control List without obtaining the required validated export licenses	Section 2410(b)(1)(A) of the EAA and Section 1705(b) of the IEEPA	Suburban Guns (Pty) Ltd.	Export privileges denied until July 25, 2007
04/06/98	In the Matter of Penny Ray, also known as Lei Ping	Knowingly and willfully exported and attempted to export defense articles to the People's Republic of China without obtaining the required export license from the Department of State	Section 38 of the AECA	Penny Ray, also know as Lei Ping	Export privileges denied until January 14, 2008
04/06/98	In the Matter of James Lee,	Knowingly and willfully exported and attempted to export defense articles to	Section 38 of the AECA	James Lee, also known as Li Jin	Export privileges denied until January 14, 2008

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
	also known as Li Jin	the People's Republic of China without obtaining the required export license from the Department of State			
04/29/98	In the Matter of Export Materials, Inc. and Thane-Coat International, Ltd.	Reason to believe that the respondents employed a scheme to export U.S.-origin products from the United States, through the United Kingdom or Italy, to Libya, a country subject to a comprehensive economic sanctions program, without the authorization required	EAA EAR	Export Materials, Inc. and Thane-Coat International, Ltd.	Order temporarily denying export privileges was renewed for 180 days

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
04/29/98	In the Matter of Thane-Coat, Inc., Jerry Vernon Ford and Preston John Engebretson	Reason to believe that the respondents employed a scheme to export U.S.-origin products from the United States, through the United Kingdom or Italy, to Libya, a country subject to a comprehensive economic sanctions program, without the authorization required	EAA EAR	Thane-Coat, Inc., Jerry Vernon Ford and Preston John Engebretson	Order temporarily denying export privileges was renewed for 180 days, but was limited to the United Kingdom, the Bahamas, Libya, Cuba, Iraq, North Korea, Iran, and any other country or countries that may be made subject in the future to a general trade embargo, and provides that, at least 14 days in advance of any export that any of the denied persons intends to make of any item to any destination world-wide, the denied person will provide to BXA notice of the intended export, copies of all documents reasonably related to the subject transaction and the opportunity during the 14-day notice period to inspect physically the item at issue

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
05/05/98	In the Matter of David Irwin Portnoy	Knowingly and willfully exported and caused to be exported from the United States to Switzerland, for transshipment to Libya, electronic components and telecommunication equipment	Sections 1702 and 1705 of the IEEPA	David Irwin Portnoy	Export privileges denied until August 1, 2007
05/05/98	In the Matter of Wayne P. Smith	Knowingly and willfully exported and caused to be exported to England 80 plain self-aligning ball bearings designed for and used on the McDonnell Douglas F-4 Phantom II military jet, without obtaining the required export license from the Department of State	Section 38 of the AECA	Wayne P. Smith	Export privileges denied until July 3, 2006
05/11/98	In the Matter of Sanford B. Groetzinger	Knowingly and willfully exported and attempted to export defense articles to France, for transshipment to Iran, without obtaining the	Section 38 of the AECA	Sanford B. Groetzinger	Export privileges denied until September 26, 2005

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
		required export licenses from the Department of State			
05/11/98	In the Matter of Summit Marketing, Inc.	Knowingly and willfully exported and attempted to export defense articles to France, for transshipment to Iran, without obtaining the required export licenses from the Department of State	Section 38 of the AECA	Summit Marketing, Inc.	Export privileges denied until September 26, 2005
05/12/98	In the Matter of Marc Andre Leveille	Directly and indirectly falsified or concealed a material fact	787.5(a)(1)(I) [1]	Marc Andre Leveille	Settlement agreement - civil penalty of \$10,000
05/15/98	In the Matter of Republic- Lagun Machine Tool Company	Exported a Lagunmatic VMC- 1200 machining center with a Fanuc 11M CNC controller to the People's Republic of China without obtaining the	787.4(a) [1] 787.6 [1]	Republic-Lagun Machine Tool Company	Settlement agreement - civil penalty of \$20,000

Department of Commerce Export Enforcement Cases
Closed October 1, 1997 to September 30, 1998

Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
		validated license that Republic-Lagun knew or had reason to know was required			
06/05/98	In the Matter of Hitachi Data Systems Corporation	Exported computer equipment to South Africa without obtaining the required validated export license and made false and misleading statement of material fact on export control document	787.5(a) [1] 787.6 [1]	Hitachi Data Systems Corporation	Settlement agreement - civil penalty of \$6,000
06/19/98	In the Matter of Gateway 2000, Inc.	Exported U.S.-origin computer equipment to various countries without applying for and obtaining the validated licenses that Gateway knew or had reason to know were required; made false and misleading representations of material	787.4(a) [30] 787.5(a) [27] 787.6 [30]	Gateway 2000, Inc.	Settlement agreement - civil penalty of \$402,000

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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
		fact to a U.S. government agency directly or indirectly in connection with the preparation or use of an export control document			
06/30/98	In the Matter of EVI, Inc.	Exported oil field equipment to Iran without obtaining the required validated export license; made false and misleading misrepresentation, statement, or certification of a material fact directly or indirectly to a U.S. government agency in connection with the preparation, submission, issuance, use or maintenance of export control documents	787.5(a)(1)[2] 787.6 [2]	EVI, Inc.	Settlement agreement - civil penalty of \$40,000, \$10,000 suspended for one year
07/31/98	In the Matter	Sold computers to the Russian	764.2(a) [17]	IBM East	Settlement agreement - civil

Department of Commerce Export Enforcement Cases
Closed October 1, 1997 to September 30, 1998

Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
	of IBM East Europe/Asia, Ltd.	company, Ofort, and arranged for their export from Germany to Ofort's shipping agent in The Netherlands, who then reexported the computers to Arzamas-16 in Russia without any party having applied for or obtained the required license		Europe/Asia, Ltd.	penalty of \$171,000; export privileges denied for two years, all suspended; agreement by IBM East Europe/Asia to refrain from dealing with any military or nuclear end user for two years and to the suspension of its authority to use License Exception CTP for two years
08/03/98	In the Matter of Elham Abrishami	Knowingly and willfully exported and caused to be exported radio communication equipment to the United Arab Emirates, for transshipment to Iran, without first having obtained authorization from the Department of Commerce; knowingly and willfully attempted to export encryption modules from the United Arab Emirates, for	Section 2410(b) of the EAA and Section 38 of the AECA	Elham Abrishami	Export privileges denied until August 20, 2007

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
		transshipment to Iran, without first having obtained an export license or written authorization from the State Department			
08/03/98	In the Matter of Jack Allen Baugher	Knowingly and willfully exported and caused to be exported electronic stun guns to Mexico and the Philippines, without obtaining the required export licenses from the Department of Commerce; knowingly and willfully exported and caused to be exported liquid pepper to Mexico and the Philippines, without obtaining the required written authorization from the State Department	Section 1701 of the IEEPA and Section 38 of the AECA	Jack Allen Baugher	Export privileges denied until December 19, 2005

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
08/18/98	In the Matter of Robert E. Mahler	Willfully and knowingly exported and attempted to export a defense article, specifically a 40-foot container containing handguns, rifles and ammunition, to the Republic of South Africa without having first obtained the required export license from the State Department	Section 38 of the AECA	Robert Mahler	Export privileges denied until June 12, 2001
08/20/98	In the Matter of N.V. Advanced Technology Company	Reexported U.S.-origin electronic equipment from Belgium to Russia without obtaining the required reexport authorizations	787.6 [2]	N.V. Advanced Technology Company	Settlement agreement - civil penalty of \$10,000
09/03/98	In the Matter	Exported sodium cyanide to	787.6 [4]	Chemicals Export	Settlement agreement - civil

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
	of Chemicals Export Company	Peru, Venezuela and Guatemala without obtaining the required validated export licenses		Company	penalty of \$16,000
09/03/98	In the Matter of Southern Information Systems	Exported foreign-made digital microwave systems that incorporated U.S.-origin parts, components or materials in excess of 25% of the value of each system from Taiwan to Vietnam without obtaining the required written authorizations	787.6 [5]	Southern Information Systems	Settlement agreement - civil penalty of \$25,000
09/03/98	In the Matter of Syntex, S.A. de C.V.	Caused, aided and abetted the export by its agent of U.S.- origin hydrogen fluoride to Mexico without obtaining the required validated licenses	787.2 [13]	Syntex, S.A. de C.V.	Settlement agreement - civil penalty of \$65,000, \$32,500 suspended for one year

Department of Commerce Export Enforcement Cases
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Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
09/03/98	In the Matter of Villasana & Company, Inc.	Made false or misleading statements of material fact, directly or indirectly to a United States government agency in connection with the preparation or use of an export control document	787.5(a)(1)[1]	Villasana & Company, Inc.	Settlement agreement - civil penalty of \$2,500, all of which is suspended; export privileges denied for two years, all of which is suspended
09/03/98	In the Matter of Mario Palmeros, d/b/a Palmeros Forwarding	Made false or misleading statements of material fact, directly or indirectly to a United States government agency in connection with the preparation or use of an export control document	787.5(a)1)[10]	Mario Palmeros, d/b/a Palmeros Forwarding	Settlement agreement - civil penalty of \$50,000, all of which is suspended; export privileges denied for two years, all of which is suspended
09/04/98	In the Matter of Herb Kimatek, idba Kimson Chemical, Inc.	Exported sodium cyanide to the Dominican Republic without obtaining the license he knew or had reason to know was required	787.4(a) [1] 787.6 [1]	Herb Kimatek, idba Kimson Chemical, Inc.	Settlement agreement - civil penalty of \$20,000

Department of Commerce Export Enforcement Cases
Closed October 1, 1997 to September 30, 1998

Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
09/16/98	In the Matter of Robert J. Gaudu	Conspiracy; possessed U.S.- origin commodities with the intent to export them with knowledge or having reason to know that a violation of the Act or the Regulations was intended to occur; made false or misleading statements of material fact directly or indirectly to a United States government agency in the course of an investigation	787.3(b) [1] 787.4(a) [1] 787.4(b) [1] 787.5(a)(1)[1]	Robert J. Gaudu	Settlement agreement - civil penalty of \$25,000; export privileges denied for three years, all of which is suspended
09/30/98	In the Matter of Paul Dufault	Conspiracy; possessed U.S.- origin commodities with the	787.3(b) [1] 787.4(a) [1]	Paul Dufault	Settlement agreement - civil penalty of \$25,000; export

Department of Commerce Export Enforcement Cases
Closed October 1, 1997 to September 30, 1998

Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
		intent to export them with knowledge or having reason to know that a violation of the Act or the Regulations was intended to occur; made false or misleading statements of material fact directly or indirectly to a United States government agency in the course of an investigation	787.4(b) [1] 787.5(a)(1)[1]		privileges denied for three years, all of which is suspended
09/30/98	In the Matter of Ed Jentz	Conspiracy; possessed U.S.-origin commodities with the intent to export them with knowledge or having reason to know that a violation of the Act or the Regulations was intended to occur; made false or misleading statements of	787.3(b) [1] 787.4(a) [1] 787.4(b) [1] 787.5(a)(1)[1]	Ed Jentz	Settlement agreement - civil penalty of \$25,000; export privileges denied for three years, all of which is suspended

Department of Commerce Export Enforcement Cases
Closed October 1, 1997 to September 30, 1998

Order Date -----	Cases -----	Charges -----	Sections Violated -----	Respondents -----	Result -----
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material fact directly or
indirectly to a United States
government agency in the
course of an investigation

7. Export Enforcement

In Fiscal Year 1998, BXA's Office of Export Enforcement (OEE) and the Office of Enforcement Analysis (OEA) continued their programs to prevent and investigate dual-use export control violations and protect important national security and foreign policy interests safeguarded by the Export Administration Act (EAA) and Export Administration Regulations (EAR). Export Enforcement also implemented, through the Office of Antiboycott Compliance (OAC), the antiboycott policy and program articulated in Section 8 of the EAA.

BXA's Export Enforcement arm has 163 trained professionals, including 105 special agents, assigned solely to enforcing the EAA and the EAR, the Fastener Quality Act and the Chemical Weapons Convention Implementation Act. Export Enforcement protects U.S. national security, foreign policy, and economic interests by educating exporters, interdicting illegal exports, and assisting in the prosecution of violators, without impeding legitimate trade activities. Working closely with BXA's licensing officers and policy staff, Commerce export law enforcement officers apply their special skills and understanding of the export control system to minimize exports of potentially damaging items to unreliable users.

When there is reason to believe that the EAA or EAR have been violated, OEE's special agents or OAC's compliance officers investigate and recommend initiating appropriate charges. During Fiscal Year 1998, \$2,549,000 in civil penalties and \$11,473,000 in criminal fines were imposed for export control violations. Antiboycott violations resulted in the imposition of \$380,000 in civil penalties.

Export Control Enforcement:

The Office of Export Enforcement (OEE) is headquartered in Washington, D.C. Its Investigations Division has eight field offices, located in Irvine and San Jose, California; Chicago, Illinois; Dallas, Texas; Ft Lauderdale, Florida; Boston, Massachusetts; New York, New York; and Herndon, Virginia. Special Agents are empowered to make arrests, carry firearms, execute search warrants, and seize goods about to be illegally exported. Special Agents and analysts in OEE's Intelligence and Field Support Division serve as conduits between the intelligence community and OEE's field offices.

The Office of Export Analysis (OEA) assists OEE's field offices and BXA's licensing offices by receiving and disseminating export control-related information. OEA also makes recommendations to BXA's licensing officers concerning pending license applications based on intelligence and investigative information.

During Fiscal year 1998, Export Enforcement underwent a reorganization to strengthen its analytic resources, create a clear career track for non-special agents, and enhance its intelligence division. The Office of Enforcement Analysis became the central point for the collection,

research, and analysis of classified and unclassified information and various activities using information technology.

During Fiscal Year 1998, OEE conducted numerous investigations, some of which led to both criminal and administrative sanctions. It also issued 266 warning letters in cases of minor violations informing the recipients that OEE had reason to believe they had violated the EAR, and that increased compliance efforts were warranted.

BXA special agents worked with the Department of Justice to secure convictions against 13 individuals and 4 companies. Criminal fines imposed in cases investigated by Commerce or resulting from joint Commerce-Customs investigations totaled \$11,473,000.

In addition, administrative sanctions -- civil monetary penalties, denial of export privileges, or both -- were levied on individuals and businesses. Civil monetary penalties totaled \$2,549,000 in Fiscal Year 1998. Under the EAA, the maximum civil penalties were \$10,000 per violation for items controlled for foreign policy reasons and \$100,000 per violation for items controlled for national security reasons. Because of Congressional failure to reauthorize the EAA, provisions of the EAA and EAR were continued in effect under the International Emergency Economic Powers Act (IEEPA). The maximum civil penalty under IEEPA is \$10,000 per violation.

Administrative sanctions may also include a denial of export privileges. An order denying export privileges prohibits the denied person from participating in any export transaction involving any U.S.-origin goods or technology subject the EAR. It also prohibits other firms or individuals from engaging in transactions with, or on behalf of, the denied person when U.S.-origin goods or technology are involved. Persons who violate this prohibition may be fined, denied export privileges themselves, or subjected to other sanctions authorized by the EAA, IEEPA or EAR, including criminal penalties. In Fiscal Year 1998, 29 persons were denied export privileges for EAA and EAR violations and violations pursuant to Section 11(h) of the EAA.

During Fiscal Year 1998, BXA enforcement personnel examined 5,583 export license applications to assess diversion risks, identify potential violations, and determine the reliability of proposed end users of controlled U.S.-origin commodities or technical data. Based on this review, OEE recommended that 164 license applications either be rejected or returned without action because of diversion risks or other enforcement concerns. Together, these applications represented \$118 million in potential illegal trade.

In addition, as part of ongoing responsibility for preventing illegal exports before they occur, BXA's enforcement staff completed 274 pre-license checks (PLCs) in Fiscal Year 1998, and recommended that 30 be rejected or returned without action. Together, these applications represented nearly \$11 million worth of trade in situations where violations may have occurred

had the transactions been completed.

Export Enforcement also assessed the results of 400 post-shipment verifications (PSVs) completed during the year. Of these PSVs, 289 were conducted by OEE special agents as part of its Safeguards program, while the other 111 were conducted by Foreign Commercial Service or other personnel assigned by American Embassies. Six PSVs produced information that required further enforcement action.

Export Enforcement Initiatives

Chemical Weapons Convention

Under the Chemical Weapons Convention (CWC) implementing legislation passed in the fall of 1998, certain commercial chemical production and processing facilities will be required to submit data declarations and to permit international inspections. In preparation for fulfilling its responsibilities under this legislation, Export Enforcement participated in mock inspection exercises with BXA's Office of Chief Counsel and Export Administration at chemical production and processing facilities. Export Enforcement also developed procedures for obtaining administrative warrants for these inspections. EE included special training sessions on the CWC treaty and implementing legislation and EE's role in CWC inspections as part of its basic agent training for its newer agents and as part of continuing training for all veteran EE agents and analysts.

National Defense Authorization Act of 1998

The National Defense Authorization Act (NDAA) passed on November 18, 1997, contains provisions requiring regulation and careful scrutiny of sales of high performance computers to certain countries of concern. Export Enforcement established a five-person team reporting directly to the Assistant Secretary for Export Enforcement to coordinate and supervise all enforcement responsibilities under the NDAA. A provision of the NDAA requires those who wish to export high-performance computers to certain countries to notify the Department at least ten days prior to export. During the ten-day period, relevant Government agencies review the pre-export notification. If any agency has an objection, a license is required.

The EE team drafted procedures for agents and analysts reviewing NDAA notifications to communicate their concerns through EE's management so that BXA may object when appropriate. The team worked with Export Administration and the Department to design a reporting form for companies and to implement regulations requiring post-shipment reports. In July, EE completed and sent a one-time report to Congress, required by Section 1212 of the NDAA, on exports of high-performance computers worldwide for the period January 26, 1996, through December 31, 1997.

In further pursuit of its NDAA responsibilities, EE established a database for tracking its

activities under the NDAA and for producing the required report; included special training sessions on high-performance computers and on the NDAA in its basic agent training and as part of continuing training for all EE agents and analysts; and conducted post-shipment verifications mandated by the NDAA. Four of EE's 12 safeguard trips were devoted primarily to NDAA-mandated PSVs. EE submitted the NDAA annual report to the designated Congressional committees in January 1999. It covered exports of high-performance computer exports to countries of the greatest proliferation concern, and the results for the period November 18, 1997, through November 17, 1998.

Project Outreach

As part of its public education efforts, OEE special agents participated in numerous seminars and trade shows across the country. They also developed contacts with private sector firms through Project Outreach, a program which provides firms with specific export guidance, while giving OEE a better understanding of the private sector's needs and valuable information with which to initiate investigations. OEE conducted 1,282 Project Outreach visits during the fiscal year.

Safeguards Verification Program

OEE's Safeguards Verification Program was developed in 1990 to ensure the legitimate use of strategic U.S. goods and technology by the newly emerging democracies of Central Europe, traditional diversion points to the former Soviet Union. Since then, OEE's Safeguards Verification Program has expanded worldwide to conduct onsite pre-license and post-shipment checks using Export Enforcement personnel instead of officers from Commerce's Foreign Commercial Service. The Safeguards Verification Teams travel overseas to determine the disposition of licensed or otherwise controlled U.S.-origin commodities, particularly those of proliferation concern. These Safeguards Verification Teams also assess the suitability of foreign firms to receive U.S.-origin licensed goods and technology and conduct educational visits to foreign firms, often in cooperation with host Government officials.

International Law Enforcement Cooperation

In Fiscal Year 1998, (EE) aggressively increased its international cooperative efforts. Working with its BXA and interagency counterparts, EE had a number of significant achievements. At the June 1998 Presidential Summit in Beijing, U.S. and China Ministry of agreed to a set of end-use visit practices, a U.S. goal for the last 15 years. This arrangement has been successfully implemented for the first time the United States to conduct PSVs on U.S. products there.

EE's work this year in Hong Kong has resulted in increased enforcement cooperation. In October 1997, Secretary Daley signed an agreed minute with his Hong Kong counterpart which forms the basis for U.S.-Hong Kong export control cooperation. Throughout the fiscal year,

both in Hong Kong and Washington, officials worked together to ensure that U.S. products destined for Hong Kong were not illegally diverted to China.

Export Enforcement also hosted a number of enforcement seminars with other countries, including the third in a series of enforcement exchanges with Russian enforcement officials. The April 1998 exchange with Russia which took place in Boston, Dallas, and San Antonio was the first time Russian enforcement officers had a chance to observe how EE interacts with industry. This provided valuable insights which Russian officials can use to help in their work with Russian industry to halt the illegal export of commodities and technologies to countries involved in the proliferation of weapons of mass destruction.

EE hosted seminars with its enforcement counterparts in the Transcaucus Republics of Armenia and Georgia and another with the Central Asian Republics of Uzbekistan and Kyrgyzstan. These exchanges were the first time enforcement officials from these republics, which are located in strategically placed transit points, had a chance for in-depth discussions about the practical methods of enforcing export control laws and regulations. This year EE continued to work with foreign counterparts as part of the DOD-FBI Counter proliferation Program for Newly Independent States (NIS) of the former Soviet Union.

EE also took part in discussions with the international nonproliferation regimes, including enforcement seminars of the Wassenaar Arrangement and the Missile Technology Control Regime and the plenary sessions of the Nuclear Suppliers Group. EE participated in the January 1998 Asian Export Control Seminar involving 16 Pacific Rim countries, where EE chaired the seminar's enforcement panel.

Throughout the year, EE continued its enforcement assistance to the four nuclear NIS, as well as Baltic, Central European, Central Asian, and Transcaucasian states. The Assistant Secretary for Export Enforcement and other senior EE officials met with many Central European and NIS export control delegations in Washington, D.C., to provide perspectives on EE's investigative and preventive enforcement techniques.

As a result of these efforts, the governments of these countries have either implemented or initiated export control programs that incorporate effective enforcement concepts including development of watch lists, end-use checks, a professionally-trained investigative force, interagency and international law enforcement cooperation, and use of administrative and criminal sanctions and penalties.

Shipper's Export Declaration Review Program

As the volume of export licenses has decreased, EE has increased the number of Shipper's Export Declarations (SEDs) that it reviews. Under the SED Review Program, on-site reviews of selected SEDs are conducted by OEE Special Agents at U.S. ports. OEE Special Agents review numerous transactions before selecting a smaller target group for closer scrutiny.

A systematic review of SEDs at EE Headquarters is also conducted after shipments have occurred. OEA receives from the Census Bureau microfilm copies of the actual SEDs and a computerized index of key data fields every SED. OEA uses the index to produce a list of SEDs targeted for closer review. Following this review, OEA identifies SEDs that may indicate violations of the EAR and refers them to OEE. Over the past year, OEA referred 363 SEDs to OEE on the basis of these reviews of SEDs.

Visa Application Review Program

EE initiated the Visa Application Review Program in 1990 to prevent unauthorized access to controlled technology or technical data by foreign nationals visiting the United States. Section 734.2(b)(1) of the EAR defines the export of technical data to include the release of technology or source codes to a foreign national (other than persons lawfully admitted for permanent residence in the United States). A release of technology to a foreign national is deemed to be an export to the home country of that person.

In Fiscal Year 1998, EE restructured its Visa Application Review Program, developing new criteria and thresholds for evaluating incoming visa applications for targeting purposes. EE has narrowed its focus and is concentrating on specific products most often used in weapons of mass destruction projects. OEA's evaluation and analysis of visa application cable traffic involves preventive enforcement efforts such as recommending denial of certain visas, intelligence gathering, and the referral of enforcement leads to OEE's field offices for possible case development.

During Fiscal Year 1998, OEA reviewed information on thousands of visa applications to detect and prevent possible EAR violations. Of these, 14 visa applications were referred to OEE's field offices for further investigation. In some instances, based upon OEA's recommendations, the State Department declined to issue visas due to the risk of transfer of sensitive technology. In a few cases, OEA analysts uncovered possible visa fraud on the part of the foreign applicant. These findings were forwarded to the State Department's Fraud Unit for further investigation and action.

Significant Commerce Export Enforcement Cases

Ben Attia Denied Export Privileges for 15 years

On October 30, 1997, the Commerce Department's Under Secretary for Export Administration, William A. Reinsch, denied Ben H. Attia, also known as Adnan Attia, of Miami Beach, Florida, individually and doing business as General Polyphase, Inc. in Tunis, Tunisia, all U.S. export privileges for 15 years for exporting ballistic shields to Tunisia without obtaining the required export license. At the time of the export, the ballistic shields required a validated license to most destinations, including Tunisia, for foreign policy reasons. The investigation was conducted by OEE's Boston Field Office.

Kiyoyuki Yasutomi Pleads Guilty to Illegal Reexport from Japan to Pakistan

On January 5, 1998, Kiyoyuki Yasutomi, a Japanese businessman, pled guilty in the U.S. District Court in Washington, D.C., to violating the EAA by illegally shipping U.S.-origin computer equipment valued at \$1.4 million from Japan to Pakistan without the required export license. Yasutomi was sentenced to imprisonment for 18 months and a \$10,000 fine.

An indictment filed in 1991 charged that, in the late 1980's, Yasutomi's Tokyo firm, Micro Electronics International Japan, Inc., purchased U.S.-origin computer equipment from two U.S. suppliers, which he reexported to Pakistan without the required Department of Commerce authorization. At the time of the transaction, the export to some countries of this type of computer equipment was controlled for national security, foreign policy and nonproliferation reasons. In 1991, the U.S. Attorney's Office in Washington, D.C. obtained an arrest warrant for Yasutomi, who resided in Japan. Yasutomi was arrested in July 1996 when he tried to enter the United States at San Francisco International Airport. The investigation was conducted by the Miami Field Office.

Allergan, Inc. Penalized \$824,000 for Biotxin Exports

On January 26, 1998, the Commerce Department imposed a civil penalty of \$824,000 on Allergan, Inc., of Irvine, California, for allegedly violating export control law regarding biological agents by shipping U.S.-origin botulinum toxin pharmaceutical product on 412 separate occasions to various countries without the required export licenses. Allergan, Inc. agreed to pay the \$824,000 civil penalty to settle these allegations.

The export controls on biological agents are part of U.S. obligations to the 30-nation Australia Group, whose members are committed to curbing the proliferation of chemical and biological weapons. All member countries require licenses to export biological agents with both legitimate civilian uses and possible uses in biological weapons. Biotoxins are considered among the most dangerous items controlled by Australia Group members. The investigation was conducted by OEE's Los Angeles Field Office.

NF&M International, Inc. Penalized \$82,500 to Settle Charges of Illegal Exports of Titanium Alloy

On February 9, 1998, the Commerce Department imposed an \$82,500 civil penalty on NF&M International Inc. (NF&M), of Jericho, New York, a manufacturer of titanium alloy, for allegedly exporting titanium alloy products without the required export licenses. The Department alleged that on 33 occasions between September 1991 and August 1993, NF&M exported titanium alloy products to consignees in Australia, Austria, England, Germany, and Israel without obtaining the required export licenses. These products are controlled for export for foreign policy reasons. The Department agreed to suspend payment of \$42,500 of the civil

penalty for a period of one year, and will waive that portion of the penalty provided that during the suspension period, NF&M complies with export control regulations. The investigation was conducted by the OEE's Boston Field Office.

Allegations of Realtek's Violation of Export Denial Order Results in \$20,000 Civil Penalty and One-Year Additional Denial

On March 2, 1998, the Commerce Department imposed a \$20,000 civil penalty and an additional one-year denial on Realtek Semi-Conductor Co. Ltd., of Hsinchu, Taiwan, Taipei, Taiwan and Taipei Hsien, Taiwan, for allegedly violating the terms of a 1995 Commerce Department order denying its U.S. export privileges for five years. The Department alleged that during 1996, Realtek ordered items to be exported from the United States knowing that it was violating the terms of an order that denied all its U.S. export privileges until August 3, 2000.

To settle the allegations, Realtek agreed to pay the \$20,000 civil penalty. As part of the settlement, the Department agreed to suspend the additional one-year period of denial, and thereafter waive it, provided that, during the period of suspension, Realtek does not violate the Export Administration Regulations. The investigation was conducted by the Office of Export Enforcement's San Jose Field Office.

Republic-Lagun Machine Tool Company Penalized \$20,000 to Settle Charge in Connection With Export to the People's Republic of China

On May 15, 1998, the Commerce Department imposed a \$20,000 civil penalty on Republic-Lagun Machine Tool Company, of Carson, California, to settle allegations that the company exported a vertical milling machine with a computer numerical controller from the United States to the People's Republic of China without obtaining the export license that it knew was required. Exports of computer numeric controller-equipped milling machines are controlled for national security and nuclear nonproliferation reasons. The investigation was conducted by OEE's Los Angeles Field Office.

Well Complex International Inc. and David Chan Convicted for Illegal Export to the People's Republic of China

On March 17, 1998, Well Complex International, Inc. (Well Complex), located in Passaic, New Jersey, and its president, David Chan, pled guilty in the U.S. District Court in Newark to charges related to the export of hafnium granules to the People's Republic of China without obtaining the required export license from the Department of Commerce. Well Complex pled guilty to charges that the company knowingly and willfully exported items contained on the Commerce Control List without first obtaining the required export license. David Chan pled guilty to charges that he made false statements in connection with the illegal exportation of hafnium granules to the People's Republic of China. The export of hafnium is controlled to the People's Republic of China for foreign policy reasons. Well Complex was sentenced to five

years probation, a \$7,500 criminal fine, and a \$200 special assessment fee. David Chan was sentenced to three years probation, a \$500 criminal fine, and a \$100 special assessment. The investigation was conducted by OEE's New York Field Office.

Gateway 2000, Inc. Penalized \$402,000 to Settle Charges of Illegal Exports of Computers

On June 19, 1998, the Commerce Department imposed a \$402,000 civil penalty on Gateway 2000, Inc. (Gateway), of North Sioux City, South Dakota to settle alleged violations of the EAR. The Department alleged that, on 30 separate occasions between February 1992 and April 1993, Gateway exported U.S.-origin computer systems to 16 countries, including Iran, Syria and China, without obtaining the required export licenses that it knew or had reason to know were required by the EAR. The Department also alleged that, on 27 separate occasions, Gateway filed Shipper's Export Declarations containing false or misleading statements of material fact. To settle the allegations that it committed 87 violations of the EAR, Gateway agreed to pay the \$402,000 civil penalty. The investigation was conducted by the OEE's Chicago Field Office.

EVI Inc. Penalized \$40,000 to Settle Charges Of Illegal Exports to Iran

On June 30, 1998, the Commerce Department imposed a \$40,000 civil penalty on EVI, Inc., of Houston, Texas, to settle allegations that EVI, Inc., through its former subsidiary, Energy Ventures Mid-East, Inc., exported oil field equipment to Iran without obtaining the required export licenses. The Department also alleged that, in connection with each export, EVI, through its former subsidiary, Energy Ventures Mid-East, Inc., made false and misleading statements of material fact on export control documents. At the time, the products were controlled for export to Iran for foreign policy reasons. As part of the settlement, the Department suspended, for one year, payment of \$10,000 of the civil penalty and agreed to waive payment of the suspended portion of the penalty if EVI complies with the EAR during the period of suspension. The investigation was conducted by OEE's Dallas Field Office.

Chemicals Export Company Penalized \$16,000 to Settle Charges of Illegal Exports

On September 3, 1998, the Commerce Department imposed a \$16,000 civil penalty on Chemicals Export Company, of Boston, Massachusetts, for alleged violations of the EAA and EAR. The Department alleged that on four separate occasions between January 6, 1994 and July 7, 1995, Chemicals Export Company exported sodium cyanide from the United States to Peru, Venezuela, and Guatemala, without obtaining the required export licenses. To settle the allegations, the company agreed to pay the \$16,000 civil penalty imposed by the Commerce Department. The investigation was conducted by OEE's Boston Field Office.

Syntex, S.A. de C.V. and Two Freight Forwarders Penalized In Connection With Exports of Controlled Chemicals

On September 3, 1998, the Commerce Department imposed a \$65,000 civil penalty on Syntex

S.A. de C.V. (Syntex), a Mexican chemical company, to settle allegations that it caused, aided, or abetted the export of 13 shipments of U.S.-origin hydrogen fluoride from the United States to Mexico without the required licenses. A portion of the penalty, \$32,500, will be suspended for a period of one year and will be waived, provided that, during the one-year probation period, Syntex commits no violations of the EAR.

Two Laredo, Texas-based, freight forwarders who acted for Syntex were also assessed civil penalties. The Department imposed a \$50,000 civil penalty on Mario Palmeros of Palmeros Forwarding (Palmeros), and a \$2,500 civil penalty on Villasana and Company, Inc. (Villasana) and denied the export privileges of each freight forwarder for a period of two years. Both Palmeros and Villasana agreed to the sanctions imposed by the Commerce Department in order to settle allegations that they prepared and used export control documents representing that the chemicals needed no licenses when, in fact, licenses were required. In both cases, the civil penalties and the denial of export privileges against the freight forwarders were suspended for two years and will be waived provided, that, during the period of suspension, the freight forwarders commit no violation of the EAR. The investigation was conducted by OEE's Dallas Field Office.

Herb Kimiatek, Individually and Doing Business as Kimson Chemical, Inc. Penalized \$20,000 to Settle Charges in Connection With Chemical Exports

On September 4, 1998, the Department of Commerce imposed a \$20,000 civil penalty on Herb Kimiatek, individually and doing business as Kimson Chemical Inc., of Boston, Massachusetts, to settle allegations that Kimiatek exported sodium cyanide from the United States to the Dominican Republic without obtaining the license he knew or had reason to know was required for the shipment. Sodium cyanide is controlled by the Department of Commerce for nonproliferation reasons because it can be used as a precursor for chemical weapons. To settle the allegations, Kimiatek agreed to pay the \$20,000 civil penalty. The investigation was conducted by OEE's Boston Field Office.

Significant Joint Commerce-Customs Cases

Fortend USA and Yuri Montgomery Indicted for Illegal Exports of U.S.-Origin Commodities to Macedonia and Slovenia

On December 2, 1997, a federal grand jury in Washington, D.C., returned a 33-count indictment charging Yuri I. Montgomery, also known as Yuri I. Malinkovski, and Fortend USA with illegally exporting U.S.-origin crime control equipment from the United States to Macedonia and Slovenia without the required authorization from the U.S. Departments of Commerce and State. The indictment resulted from an investigation conducted by OEE's Boston Field Office and the Customs Service. Yuri Montgomery, on behalf of himself and doing business as Fortend USA, subsequently pled guilty to exporting various U.S.-origin crime control items from the United States to Macedonia and Slovenia without the required export licenses.

Three Sentenced for Charges Related to Illegal Exports to Cuba

On December 5, 1997, the U.S. District Court for the Southern District of Florida sentenced Francisco Ferreiro-Parga to imprisonment for 18 months and probation for two years for violating U.S. restrictions on trade with Cuba. On January 30 and February 2, 1998, the court sentenced Ferreiro's co-defendants, Carlos Fernandez and Kenneth Broder, to imprisonment for five months and supervised release for two years respectively, and imposed on Fernandez a \$250 special assessment fee. Broder was fined \$30,000 with a \$200 special assessment fee. All three defendants pled guilty in September of 1997 to criminal charges involving the illegal export of commercial foodstuffs and restaurant supplies from the United States to Cuba. Ferreiro and Broder pled guilty to charges that they violated the International Emergency Economic Powers Act, the Trading with the Enemy Act, and the Federal criminal conspiracy statute. Fernandez pled guilty to charges that he violated the Trading with the Enemy Act and the criminal conspiracy statute. The investigation was conducted jointly by OEE's Miami Field Office and the Customs Service.

Jack Baugher Sentenced for Illegal Exports to Mexico and the Philippines

On December 19, 1997, a U.S. District Judge in Yakima, Washington, sentenced Jack Baugher, who had earlier pled guilty to illegally exporting from the United States electronic stun guns to Mexico and the Philippines, to 5 years probation with 4 months of home detention, 100 hours of community service, a \$400 special assessment fee, and a criminal fine of \$130,000. In addition, on August 3, 1998, the Commerce Department issued an order pursuant to Section 11(h) of the EAA denying Baugher's export privileges until December 19, 2005. This investigation was conducted jointly by OEE's San Jose Field Office and the U.S. Customs Service.

BE Aerospace, Inc. and Affiliates Penalized for Illegal Exports of Aircraft Parts to France for Iran Air Aircraft

On January 13, 1998, BE Aerospace, Inc., headquartered in Wellington, Florida, pled guilty in the United States District Court in New Haven, Connecticut, to a charge that it violated U.S. export control laws by shipping aircraft parts from the United States to France for installation in Iran Air aircraft without obtaining the required export license. As a result of the guilty plea, BE Aerospace was sentenced to a \$2,500,000 criminal fine, a \$100 special assessment fee, and probation for three years.

In a related administrative action, the Commerce Department imposed a \$500,000 civil penalty on PTC Aerospace, a division of BE Aerospace, to settle allegations stemming from the same transactions which involved the export of aircraft parts, mainly seats, from PTC Aerospace to France for installation in Iran Air aircraft without obtaining the required export licenses. In addition to the civil penalty, the Department denied PTC Aerospace's export privileges for a

period of three years. 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 that period.

On May 12, 1998, the Commerce Department also imposed a \$10,000 civil penalty on Marc A. Leveille, a French national and manager of BE Aerospace, S.A. in Paris, for allegedly falsifying or concealing a material fact in the course of an action instituted under the authority of the EAA regarding the export of aircraft parts to France for installation on Iran Air aircraft. To settle the allegations, Leveille agreed to pay the \$10,000 civil penalty. The investigation was conducted jointly by OEE's New York Field Office and the U.S. Customs Service.

Henry Joseph Trojack and Hamid Abdol Rashidian Convicted for Conspiring to Illegally Export to Iran

On February 18, 1998, a federal jury in Portland, Oregon, convicted Henry Joseph Trojack of conspiring with others to illegally export impregnated alumina, a chemical catalyst, to Iran through Dubai, United Arab Emirates, between December 1995 and August 1996, while operating under the name of R and H International.

On April 6, 1998, co-defendant Hamid Abdol Rashidian pled guilty in the U.S. District Court in Portland, Oregon, to conspiring with others to illegally export gas turbine parts and impregnated alumina to Iran through the United Arab Emirates. Rashidian was sentenced to a 21-month term of imprisonment, three years of supervised release, and a \$100 special assessment fee for his participation in the conspiracy. As part of his guilty plea, Rashidian agreed to forfeit \$10,000 to the United States. The case was the result of a joint investigation by OEE's San Jose Field Office and the Customs Service.

Helco Company, Inc. Penalized and Denied Export Privileges In Connection With Shipments to Libya

On February 19, 1998, the Commerce Department imposed a two-year denial of export privileges and a \$90,000 civil penalty on Helco Company Inc. (Helco); of Warren, Ohio, for allegedly conspiring to evade U.S. export laws that restrict exports to Libya. The Department alleged that Helco sold equipment and spare parts for use in construction of the Great Man-Made River Project in Libya to Doornbos GmbH of Soligen, Germany, which acted as an intermediary for the South Korean builder, Dong Ah Consortium. To settle the allegations, Helco agreed to pay the \$90,000 civil penalty. As part of the settlement, \$40,000 of the civil penalty and the denial of export privileges were suspended for two years and will thereafter be waived, provided that Helco does not violate U.S. export control laws during the suspension period. In a separate criminal action, Helco also pled guilty in federal court to a one-count criminal information charging it with conspiracy to export machine parts to Libya. Helco paid a \$250,000 criminal fine and a special assessment fee of \$200. The case resulted from a criminal investigation by the Customs Service, with assistance from OEE's Washington Field Office for purposes of the administrative settlement.

Freight Forwarder Penalized for Role in Exports to Vietnam

On February 26, 1998, the Commerce Department imposed a \$60,000 civil penalty on LEP Profit International, Inc. (LEP), of Marietta, Georgia, for allegedly preparing shipping documents that contained false information. The Department alleged that, on 12 occasions, the Seattle office of LEP prepared and used export control documents to effect exports from the United States to Vietnam. These documents represented that the commodities were licensed by the U.S. for export to Vietnam, when, in fact, none of the exports was licensed. A portion of the penalty, \$15,000, was suspended for two years and will thereafter be waived provided that LEP does not violate U.S. export control laws during the suspension period. The investigation was conducted by OEE's San Jose Field Office and the Customs Service.

Xiaoming Liang and David Salman Sentenced for Illegal Exports

On March 19, 1998, a U.S. District Judge in Connecticut sentenced Xiaoming Liang and David Salman each to a \$2,500 criminal fine, three years probation, 400 hours community service and a \$200 special assessment fee. Liang and Salman had previously pled guilty to a two-count information charging them with conspiring to possess, sell, and illegally export wire, oral, or electronic communication intercepting devices to the United Kingdom. The investigation was conducted jointly by OEE's New York Field Office and the Customs Service.

Suburban Guns (PTY) Denied Export Privileges Following Conviction For Illegal Exports to South Africa

On March 23, 1998, Suburban Guns (Pty) Ltd. of Capetown, South Africa, was denied export privileges until July 25, 2007, pursuant to Section 11(h) of the EAA. Suburban Guns had been convicted in the U.S. District Court for the Southern District of New York for illegally exporting shotguns, rifles, and ammunition to South Africa in violation of the EAA and IEEPA. In the criminal case, Suburban Guns was sentenced to two years probation, a \$10,000 criminal fine and a \$600 special assessment fee. The investigation was conducted jointly by OEE's New York Field Office and the Customs Service.

Ten-Year Denial Orders for Illegal Exports of U.S.-Origin Commodities to the People's Republic of China

On April 6, 1998, the Commerce Department issued orders, pursuant to Section 11(h) of the EAA, denying the U.S. export privileges of James Lee, also known as Li Jin (Lee), and Penny Ray, also known as Lei Ping (Ray), until January 14, 2008. In July 1997, Lee and Ray were convicted in the U.S. District Court for the Northern District of California for illegally exporting and attempting to export U.S.-origin defense articles to the People's Republic of China without obtaining the required export license from the Department of State. In January 1998, Lee and Ray were sentenced to 18 months of imprisonment, three years supervised release, and a \$50

special assessment fee. The investigation was conducted by the Customs Service, supported by OEE's San Jose Field Office.

Temporary Denial Order against Texas Company, Officers, and Affiliates Renewed

On April 29, 1998, BXA's Assistant Secretary for Export Enforcement renewed the October 31, 1997, temporary denial order against TIC, Ltd. and Export Materials, Inc. in a "standard" format. The renewal denies all U.S. export privileges of the two entities for an additional 180 days. On the same date, the Assistant Secretary renewed the October 31, 1997 order against Thane-Coat, Inc., Stafford, Texas; its president, Jerry Vernon Ford; and its vice-president, Preston John Engebretson, in a "non-standard" format, denying them all U.S. export privileges for items exported or to be exported to the United Kingdom, the Bahamas, Libya, Cuba, Iraq, North Korea, Iran, and any other country against which the United States declares an embargo.

The original temporary denial orders were issued in May 1997 and were subsequently renewed in October of 1997, based on the Department's reason to believe that, between 1994 and 1996, Thane-Coat, Inc., through Ford and Engebretson, and using Export Materials, Inc. and TIC, Ltd., made approximately 100 shipments of U.S.-origin pipe coating materials, machines, and parts valued at \$35 million to Libya via the United Kingdom and Italy without the authorization required under the EAR. The U.S.-origin commodities were allegedly to be used for coating the internal surface of prestressed concrete cylinder pipe for use in the second phase of the Government of Libya's Great Man-Made River Project, a multi-phase, multi-billion dollar endeavor to bring fresh water from wells drilled in southeast and southwest Libya to its coastal cities.

The U.S. Government maintains a comprehensive economic sanctions program against the Government of Libya, which prohibits virtually all commercial transactions involving U.S.-origin goods or U.S. persons, or both, with the Government of Libya, unless specifically authorized. The investigation is being conducted jointly by OEE's Dallas Field Office and the Customs Service.

Summit Marketing Inc. and Sanford Groetzinger Denied Export Privileges Following Conviction For Illegal Exports of Aircraft Parts to Iran

On May 11, 1998, Summit Marketing Inc. and its president, Sanford Groetzinger, were each denied all export privileges until September 26, 2005, each pursuant to Section 11(h) of EAA. Following a criminal investigation by OEE's Boston Field Office and the Customs Service, Summit Marketing and Groetzinger had previously pled guilty in the United States District Court for Massachusetts to charges that they violated the Arms Export Control Act by knowingly and willfully exporting and attempting to export military aircraft components to France for transshipment to Iran without obtaining the required export licenses.

Jose L. Sesin Sentenced for Illegal Exports to Cuba

On May 20, 1998, a U.S. District Judge in Miami, Florida sentenced Jose Luis Sesin, president of Sesin International Corporation, to three years probation, a \$20,000 criminal fine, and a \$100 special assessment fee for violating U.S. restrictions on trade with Cuba. As a term of his probation, the judge ordered Sesin to participate in a home detention electronic monitoring program for a period of six months. On April 6, 1998, Sesin had pled guilty in U.S. District Court in Miami to violations of the IEEPA, the Trading with the Enemy Act and conspiracy in connection with his involvement in the illegal exportation of commercial foodstuffs and restaurant supplies to Cuba. This investigation was conducted jointly by the OEE and Customs Service offices in Miami.

Arrest and Indictment on Charges of Attempted Illegal Export of U.S.-Origin Equipment to Lebanon

On July 13, 1998, Fawzi Mustapha Assi, a Lebanese naturalized U.S. citizen residing in Dearborn, Michigan, was stopped by OEE and Customs Service special agents at the Detroit Metropolitan Airport as he attempted to board an international flight destined for Beirut, Lebanon. Discovered in his luggage were night vision goggles, a global positioning system, and a thermal imaging camera, which he was attempting to smuggle out of the United States without the required State Department or Commerce Department export licenses.

On July 23, 1998, following the execution of multiple search warrants by OEE, the FBI, and the Customs Service, Assi was arrested by special agents from OEE's Chicago Field Office, the FBI and the Customs Service for attempting to export the items without the required export licenses and for attempting to provide material support or resources to a designated foreign terrorist organization. Assi admitted to procuring items for the Hizballah organization in Lebanon for its use. The U.S. Magistrate released Assi on an unsecured bond.

Assi was subsequently indicted August 4, 1998, on four counts alleging violations of the IEEPA, the Arms Export Control Act, and the Antiterrorism and Effective Death Penalty Act, and failing to appear in court. He is currently a fugitive.

IBM East Europe/Asia Ltd. Fined \$8.5 Million for Illegal Exports to Russian Nuclear Weapons Laboratory; \$171,000 Civil Penalty Also Imposed

On July 31, 1998, IBM East Europe/Asia Ltd., a Russian subsidiary of International Business Machines Corp., pled guilty in the U.S. District Court in Washington, D.C., to charges that it exported \$1.5 million worth of computers in 1996 and 1997 to a Russian nuclear weapons laboratory, known as Arzamas-16, having reason to believe that the computers would be used "directly or indirectly" in research on, design, manufacture, construction, testing, or maintenance of nuclear explosive devices. The court imposed an \$8.5 million criminal fine, the maximum permitted for the charges to which the company pled guilty. In a related administrative action,

the Commerce Department ordered IBM East Europe/Asia to pay \$171,000 and denied its export privileges for two years. The denial period was suspended and will be waived provided the company does not violate the EAR during the two-year probation period. Additionally, IBM East Europe/Asia agreed that, during the two-year period, it will not use license exception CTP, and will not engage in any transactions involving nuclear or military end-users or end-uses without written authorization from BXA. The investigation was jointly conducted by OEE's Washington Field Office and the Customs Service.

Three New York Exporters Penalized In Connection With Conspiracy To Export to Libya

On September 30, 1998, the Commerce Department imposed a \$25,000 civil penalty and a three-year denial of U.S. export privileges on Paul Dufault of Fairport, New York, and on Ed Jentz of Oyster Bay, New York, to settle allegations that they conspired to evade export laws which restrict shipments of U.S.-origin equipment to Libya. Previously, the Commerce Department had imposed the same sanctions on a third co-conspirator, Robert J. Gaudu, of Victor, New York. The Department alleged that Dufault, Jentz, and Gaudu conspired to illegally export U.S.-origin computer systems to Libya, and that they made false or misleading statements of material fact to both BXA and U.S. Customs Service officials in the course of the investigation.

To settle the allegations, Dufault, Jentz, and Gaudu each agreed to pay the \$25,000 civil penalties. As part of the settlement, the Department agreed to suspend the three-year denial periods, which will thereafter be waived provided that, during the period of suspension, the individuals do not violate the EAR.

TABLE II.6-1 -Fiscal Year 1998 Criminal Convictions For Export Administration Act Violations

Conviction Date	Defendant	Violation	Enforcement Organization	Sanction
3/19/98	Xiaoming Liang and David Salman	Conspiracy to possess, sell and illegally export wire, oral or electronic communication intercepting devices to the United Kingdom.	Commerce/ Customs	Xiaoming and Salmon each received a \$2,500 fine, 3 years of probation and 400 hours of community service.
12/19/97	Jack Allen Baugher	Illegal exports of electronic stun guns and pepper spray to Mexico and the Philippines.	Commerce/ Customs	Received a \$130,000 fine, 5 years of probation with 4 months of home detention and 100 hours of community service.
1/13/98	B/E Aerospace	Illegal export of aircraft parts to France for installation in Iran Air aircraft.	Commerce/ Customs	Received a \$2,500,000 fine and 3 years of probation.
1/6/98 1/29/98 1/29/98 6/4/98	Sport Cars Center, Alan Odeh, Ali Odeh, Jamal Odeh and Nael Odeh	Conspiracy to prepare false documentation to export vehicles to various end-users.	Commerce/ Customs	Sport Cars Center received a \$200,000 criminal fine; Alan Odeh received 36 months of probation; Jamal Odeh received a \$25,000 criminal fine and a 21- month term of imprisonment; and Nael Odeh a received \$21,000 criminal fine and a 21- month term of imprisonment.

Conviction Date	Defendant	Violation	Enforcement Organization	Sanction
4/6/98 2/18/98	Abdol Hamid Rashidian a.k.a David Rashidian and Henry Joseph Trojack	Conspiracy to procure and export alumina impregnated with a copper catalyst and General Electric gas turbine parts to Iran through the United Arab Emirates.	Commerce/ Customs	Rashidian received a 21-month term of imprisonment, 3 years of supervised release, and forfeited \$10,000. Trojack is awaiting sentencing.
3/17/98	Well Complex International Inc. and David Chan	Illegal export of hafnium granules to the People's Republic of China; false statement	Commerce	Well Complex received a \$7,500 fine and 5 years of probation. Chan received a \$500 fine and 3 years of probation.
4/6/98	Jose L. Segin	Illegal export of commercial foodstuffs and restaurant supplies to Cuba.	Commerce/ Customs	Received a \$20,000 fine, 3 years' probation and 6 months' home detention.
6/26/98 8/28/98	Augustin Lopez Rodriguez and Desideria Rodriguez	Conspiracy to illegally export small arms and shotguns to Mexico.	Commerce/ Customs/ Alcohol Tobacco and Firearms	Augustin Rodriguez received a \$5,000 fine, a 5-month term of imprisonment and 3 months of probation. Desideria Rodriguez received a \$500 fine and a 10-month term of imprisonment.
7/31/98	IBM East Europe/Asia, Ltd.	Illegal export of computers to a Russian nuclear weapons laboratory, Arzamas-16.	Commerce/ Customs	Received an \$8.5 million fine.

Go to **Table of Administrative Sanctions Imposed**

8. Office of Antiboycott Compliance

The Office of Antiboycott Compliance (OAC) is responsible for implementing the antiboycott provisions of the Export Administration Act (EAA) and EAR. The Office performs three main functions: enforcing the antiboycott provisions, assisting the public in complying with the antiboycott regulations, and compiling and analyzing information regarding international boycotts. Compliance officers in the Enforcement Division enforce the antiboycott regulations by means of investigations and audits. The Compliance Policy Division provides advice and guidance to the public concerning application of the antiboycott provisions and analyzes information about boycotts.

Enforcement Division

The investigative teams of the Enforcement Division implement the investigative and enforcement functions of the Office, including: conducting compliance reviews, investigating potential violations, issuing pre-charging letters for alleged violations, negotiating settlements where violations are alleged, preparing settlement documents or drafting charging letters initiating administrative proceedings, preparing cases for referral to the Office of the Chief Counsel for Export Administration for litigation, assisting the Office of the Chief Counsel for Export Administration in litigation of charges brought under the antiboycott provisions, and preparing cases for referral to the Department of Justice for criminal prosecution.

Compliance Policy Division

The Compliance Policy Division is responsible for developing and coordinating policies and initiatives to promote compliance with the antiboycott policies and requirements of the Act. This includes preparing amendments, interpretations, and clarifications of the Regulations; reviewing international boycott activity through communication with diplomatic posts; analysis of reports received by OAC and review of information from other sources; preparing reports on boycott activity for use by U.S. embassies and others in efforts to bring an end to the Arab boycott of Israel; developing public education programs to assist U.S. companies to comply with the antiboycott regulations; processing all boycott reports filed with the Department; and supervising the informal telephone advice provided by OAC professionals to members of the public.

Policy Implementation

During Fiscal Year 1998, the U.S. Government continued to press for complete dismantlement of the Arab League's boycott of Israel. OAC continued to focus its efforts in four major areas: (1) enforcing the law against antiboycott violators, (2) continuing to provide information concerning the boycott to the State Department, (3) continuing the active educational and

counseling program of the full time telephone advice line, which handled 1,235 calls during Fiscal Year 1998, and (4) continuing the outreach program to increase public awareness and understanding of the antiboycott regulations. During Fiscal Year 1998, OAC officials spoke at 10 events sponsored by BXA's Office of Export Enforcement, banking groups, trade associations and local bar associations. Presentations included updates on OAC enforcement efforts and detailed reviews of the regulatory program. OAC also issued a new edition of its guide to boycott requests commonly appearing in letters of credit.

Summary of Boycott Reports

The antiboycott provisions of the Act require U.S. persons to report to the Department of Commerce requests they receive to take actions which have the effect of furthering or supporting unsanctioned foreign boycotts. The report filed by U.S. persons contains information concerning both the request and the transaction(s) to which the request relates. These "transactions" are specific business activities generally involving documents such as invitations to bid, contracts, export shipping documents, and letters of credit. U.S. persons are required to report if they receive one or more requests to take specific boycott-based action, such as responding to a boycott questionnaire, furnishing information about business relationships with a boycotted country, discriminating against U.S. persons on the basis of religion or national origin, or refusing to do business with a blacklisted firm or boycotted country.

In interpreting the data presented in the Tables 7-1 through 7-6, it is important to keep two factors in mind. First, the number of reported transactions may be fewer than the number of reported requests because a single transaction may involve more than one boycott request. Second, the number of both transactions and requests (as well as the value of the transactions) may be somewhat inflated because each party to the transaction is required to file a boycott report.

During Fiscal Year 1998, 461 persons reported receipt of 1,609 boycott requests in 1,609 transactions. The corresponding figures for Fiscal Year 1997 were 507 persons, 1,868 boycott requests, and 1,867 transactions. As is generally the case, exporters were the principal category of reporters, constituting approximately 70 percent of the reporting entities in Fiscal Year 1998.

Prohibited boycott requests totaled 442 of the 1,609 boycott requests reported to OAC in Fiscal Year 1998. A prohibited request is a request to take action that is prohibited by the Regulations (e.g. a request to not to use suppliers blacklisted by a boycotting country).

The United Arab Emirates was the leading country from which boycott requests originated, with a total of 478 requests. The next four countries from which the highest number of boycott requests originated were Saudi Arabia (154), Qatar (152), Kuwait (135), and Syria (122).

Enforcement Activities

During the fiscal year, OAC continued to pursue violations of the antiboycott provisions, such as discrimination based on religion, refusals to do business with other companies for boycott reasons, and furnishing prohibited information. Most of the settlements reached in Fiscal Year 1998 involved alleged violations of the prohibition against furnishing information about business relationships with or in Israel or with companies on boycotting countries' blacklists. Several involved refusals to do business, or agreements to refuse to do business, for boycott purposes. Others involved failure to report, as the regulations require, receipt of requests to engage in restrictive trade practices or boycotts. The large majority of the settlements involved alleged violations of two or more sections of the antiboycott provisions.

Cases Completed

A total of 15 enforcement actions were completed in Fiscal Year 1998. Of that total, 10 were settlement agreements. OAC issued one charging letter and closed four cases with warning letters for violations of the reporting requirements. Additionally, 18 investigative cases were closed because violations were not found. Therefore, the total number of investigations closed in Fiscal Year 1998 was 33.

Settlement Agreements and Penalties Imposed

All of the OAC investigations which involved allegations of serious violations were resolved through settlement. This is in line with historical practice; an overwhelming majority of cases brought by the OAC have been settled. Settlement agreements may provide for payment of civil penalties, denial of export privileges and, occasionally, the establishment of compliance programs.

Civil penalties imposed in the 10 settlement agreements totaled \$380,000 in Fiscal Year 1998.
Major cases included:

Grove Europe, Limited

The Department of Commerce imposed a \$298,000 civil penalty on Grove Europe, Limited, of Sunderland, England to settle 120 alleged violations of the Regulations. The Department alleged that Grove Europe, while engaging in transactions with Libya, Saudi Arabia and the United Arab Emirates, on 15 occasions in 1989 agreed to refuse to do business with Israel or with companies or individuals known or believed to be blacklisted by countries that boycott Israel. The Department also alleged that Grove Europe furnished 105 separate items of information about its and other companies' business relationships with or in Israel and with companies known or believed to be blacklisted.

Coleman Deutschland GmbH

The Department of Commerce imposed a \$20,000 civil penalty on Coleman Deutschland GmbH for 10 alleged violations of the antiboycott provisions. The Department alleged that, on 10 occasions in 1993, in transactions involving sales to Kuwait, Qatar, Bahrain and the United Arab Emirates, the German subsidiary of The Coleman Company of Wichita, Kansas, furnished information about its business relationships with Israel.

Phoenix International Freight Services International

The Department of Commerce imposed a \$12,000 civil penalty on Phoenix International Freight Services of Wood Dale, Illinois, for alleged violations of the antiboycott provisions. The Department alleged that, on one occasion in connection with a 1993 export to Kuwait, Phoenix International furnished one item of information about the blacklist status of a shipping vessel and, in 1984, in connection with a transaction with Dubai, United Arab Emirates, Phoenix International furnished one item of information about another company's business relationships with Israel. The Department further alleged that Phoenix International failed to report its receipt of boycott requests in one letter of credit related to the 1993 export to Kuwait.

FMC Corporation

The Department of Commerce imposed a \$13,000 civil penalty to settle allegations that FMC Corporation, located in Chicago, Illinois, violated the antiboycott provisions. The Department alleged that FMC, in a 1994 transaction with Kuwait, furnished information about other persons' business relationships with or in Israel and about the ownership and blacklist status of a shipping vessel. The Department also alleged that, in seven instances, FMC failed to report its receipt of requests to engage in restrictive trade practices or boycotts.

Charging Letters:

Once allegations of violations are made to a respondent, OAC offers the respondent the opportunity to discuss the alleged violations. If the company and OAC cannot reach a mutually satisfactory resolution of the matter, a charging letter is issued. The case is then referred to an administrative law judge ("ALJ") for formal adjudication. The Office of the Chief Counsel for Export Administration represents OAC before the ALJ, who decides the case and may impose a civil penalty of not more than \$10,000 per violation or a period of denial of export privileges or both. Either party may appeal the decision of the ALJ to the Under Secretary for Export Administration. If neither party appeals, the decision of the ALJ becomes the final agency decision. The OAC issued one charging letter in Fiscal Year 1998.

Alexandria International (U.S.A.)

On May 12, 1998, OAC issued a charging letter to Alexandria International (U.S.A.). OAC charged that the Rome, Georgia carpet manufacturer and exporter violated the antiboycott provisions in an October 1995 transaction with the United Arab Emirates when it furnished

information about its business relationships with Israel. However, before the case was litigated, Alexandria International (U.S.A.) agreed to settle the case by paying a \$7,000 civil penalty. The Department withdrew the case from the administrative law judge.

Previously Issued Charging Letters:

Serfilco, Ltd.

On August 25, 1994, OAC issued a charging letter to Serfilco, Ltd., a Northbrook, Illinois manufacturer of commercial filtration and pumping equipment. The Department charged that Serfilco furnished prohibited business information to a distributor in Iraq. The Department also alleged that Serfilco failed to report its receipts of seven boycott requests. A hearing was conducted on August 23, 1995. In his decision, the ALJ found that Serfilco had violated the antiboycott provisions and imposed a \$118,000 civil penalty on the company. Also, the ALJ denied for one year Serfilco's export privileges to Bahrain, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates and the Republic of Yemen. Serfilco appealed the ALJ's decision to the Department's Under Secretary for Export Administration.

Jack H. Berg

On August 25, 1994, OAC issued a charging letter to Mr. Jack H. Berg, president of Serfilco. The Department charged that Mr. Berg furnished prohibited business information to a distributor in Iraq. A hearing was conducted on August 23, 1995. In his decision, the ALJ found that Berg had violated the antiboycott provisions and imposed a civil penalty of \$90,000 on Berg. Mr. Berg appealed the ALJ's decision to the Under Secretary for Export Administration.

In his June 10, 1996 "Final Decision and Order," the Under Secretary upheld the ALJ's decision to deny for one year to Berg's and Serfilco's export privileges to export to Bahrain, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, and the Republic of Yemen. However, the Under Secretary reduced the \$118,000 penalty imposed on Serfilco to \$38,000 and reduced the penalty imposed on Berg to \$80,000. Berg and Serfilco have refused to pay the civil penalties. At the request of the Commerce Department, the U.S. Department of Justice has filed a law suit in Federal court against Berg and Serfilco to collect the civil penalties.

All of the final orders issued during Fiscal Year 1998 imposing administrative sanctions, including civil penalties, resulting from OAC investigations are summarized in the following table.

Table 7-1: Summary of Settlements & Charging Letters in Fiscal Year 1998

Company Name & Location	Date Order Signed	Alleged Violations	Penalty Amount
Haliburton Energy Services. Inc. Houston, TX	10/16/97	15 violations of 769.6 Failed to report.	\$15,000
Global Transport Services, Inc. Houston, TX	11/06/97	4 violations alleged: 1-769.2(d) Furnished prohibited business information. 3-769.6 Failed to report.	\$10,000
Phoenix International Freight Services Wood Dale, IL	12/10/97	3 violations alleged : 2-769.2(d) Furnished prohibited business information. 1-769.6 Failed to report.	\$12,000
Grove Europe Limited Crownworks, Sunderland England	12/22/97	120 violations alleged: 15-769.2(a) Agreed to refuse to do business. 105-769.2(d) Furnished prohibited information.	\$298,000
International Paper Co. Memphis, TN	1/23/98	2 violations alleged: 1-769.2(a) Agreed to refuse to do business. 1-769.2(d) Furnished prohibited information.	\$5,000
Weco Agencies (Louisiana) Inc. New Orleans, LA	2/3/98	3 violations alleged: 1-769.2(a) Agreed to refuse to do business. 1-769.2(d) Furnished prohibited information. 1-769.6 Failed to report.	\$12,000
H.A. Gogarty, Inc. Metairie, LA	3/16/98	2 violations alleged: 1-769.2(a) Required another person to refuse to do business. 1-769.2(d) Furnished prohibited information.	\$5,000

Dell Computer, GmbH Langen, Germany	5/28/98	1 violation of 769.2(d) Furnished prohibited business information.	\$3,000
Alexandria International (U.S.A.) Rome, GA.	7/24/98	1 violation of 769.2(d) Furnished prohibited business information.	\$7,000
FMC Corporation Chicago, IL	9/18/98	10 violations alleged: 3-769.2(d) Furnished prohibited business information. 7-769.6 Failed to report.	\$13,000

CHARGING LETTERS ISSUED IN Fiscal Year 1998			
COMPANY NAME & LOCATION	DATE LETTER ISSUED	VIOLATIONS CHARGED	PENALTY AMOUNT
Alexandria International (U.S.A.) Rome, GA.	5/12/98	1 violation of 769.2(d) Furnished prohibited business information	[Case filed with Administrative Law Judge]

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TABLE 7-1. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND
RESTRICTIVE TRADE PRACTICES BY FIRM TYPE
ALL TRANSACTIONS (SUMMARY TOTALS)

ITEM	EXPORTER	BANK	FORWARDER	CARRIER	INSURER	OTHER/1	TOTAL/2
INDIVIDUAL FIRMS REPORTING.....	377	69	11	0	1	43	461
TRANSACTIONS REPORTED	1108	425	15	0	2	59	1609
REQUESTING DOCUMENTS INVOLVED.....	1108	425	15	0	2	59	1609
RESTRICTIVE TRADE PRACTICES REQUEST/3.....	1324	445	15	0	5	80	1867

DC. RQ.	EXPORTER		B A N K		FORWARDER		CARRIER		INSURER		O T H E R		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
A. ALL TRANSACTIONS														
TA	190	414391	242	24100	2	177	0	0	1	470	7	205000	442	644138
RF	916	1132707	183	22153	13	676	0	0	1	305	51	275273	1164	1431114/4
UD	1	135	0	0	0	0	0	0	0	0	0	0	1	135
TT	1107	1547233	425	46253	15	853	0	0	2	775	58	480273	1607	2075387/5
B. PROHIBITED														
TA	9	3568	0	0	0	0	0	0	0	0	0	7	9	3568
RF	433	259444	4	278	2	93	0	0	0	0	27	162578	466	422393
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	442	263012	4	278	2	93	0	0	0	0	27	162578	475	425961
C. PROHIBITED AS FIRST RECEIVED, BUT AMENDED/6														
TA	18	224	17	2398	0	0	0	0	0	0	0	0	35	2622
RF	85	334950	94	12218	6	274	0	0	1	305	9	46953	195	394700/4
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	103	335174	111	14616	6	274	0	0	1	305	9	46953	230	397322/5

TABLE 7-1. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND
RESTRICTIVE TRADE PRACTICES BY FIRM TYPE
ALL TRANSACTIONS (SUMMARY TOTALS)

DC. RQ.	EXPORTER		B A N K		FORWARDER		CARRIER		INSURER		O T H E R		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
D. EXCEPTIONS TO PROHIBITED														
TA	146	409762	74	8244	0	0	0	0	0	0	7	205000	227	623007
RF	306	512426	12	4627	1	19	0	0	0	0	12	61472	331	578544/4
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	453	922323	86	12871	1	19	0	0	0	0	19	266472	559	1201685/5
E. NOT PROHIBITED														
TA	17	837	151	13458	2	177	0	0	1	470	0	0	171	14941
RF	92	25887	73	5029	4	291	0	0	0	0	3	4270	172	35477/4
UD	0	0	0	0	0	0	0	0	1	0	0	0	0	0
TT	109	26724	224	18487	6	468	0	0	0	470	3	4270	343	59419/5

TA-- Take Action/6
RF-- Refuse
UD-- Undecided
TT-- Total

- 1/ INCLUDES BUT NOT LIMITED TO LAW FIRMS, CONSULTING FIRMS, AND GENERAL CONTRACTORS.
- 2/ TOTALS, OTHER THAN NUMBER OF FIRMS REPORTING, ARE ENHANCED TO THE EXTENT THAT AN EXPORTER AND ONE OR MORE OTHER ORGANIZATIONS REPORT ON THE SAME TRANSACTION.
- 3/ TWO OR MORE TYPES OF RESTRICTIVE TRADE PRACTICE REQUESTS ARE OFTEN REPORTED IN CONNECTION WITH ONE TRANSACTION.
- 4/ 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.
- 5/ DOLLAR VALUES MAY NOT ADD DUE TO ROUNDING.
- 6/ TRANSACTIONS ARE CHARACTERIZED AS "TAKE ACTION" OR "REFUSE" IN TERMS OF ACTION REPORTED ON THE ORIGINAL REQUEST.

TABLE 7-2. - NUMBER OF RESTRICTIVE TRADE PRACTICES BY FIRM TYPE AND TYPE OF PRACTICE
ALL TRANSACTIONS

RESTRICTIVE TRADE PRACTICE	EXPOTER	B A N K	FORWARDER	CARRIER	INSURER	OTHER/1	TOTAL/2
A. CARRIER.....	187	288	10	0	1	9	495
B. MFG/VENDOR/BUYER.....	136	4	0	0	1	9	150
C. INSURANCE.....	6	0	0	0	1	1	8
D. FINANCE.....	14	8	0	0	0	0	23
E. ORIGIN OF GOODS.....	479	131	5	0	0	21	636
F. MARKED GOODS/PACKAGES.....	0	0	0	0	0	0	0
G. WAR REPARATIONS.....	3	0	0	0	0	1	4
H. OBSERVE BOYCOTT LAWS.....	243	1	0	0	0	17	261
I. RACE/RELIGION/SEX/ORIGIN.....	5	0	0	0	0	1	6
J. RELATIONS W/BOYCOTTED COUNTRY.....	59	9	0	0	0	8	76
K. RISK OF LOSS.....	0	0	0	0	0	0	0
L. DESTINATION OF GOODS.....	171	3	0	0	0	12	186
M. OTHER RESTRICTIVE.....	21	0	0	0	0	0	22
T O T A L	1324	445	15	0	3	80	1867

1/ INCLUDES BUT NOT LIMITED TO LAW FIRMS, CONSULTING FIRMS, AND GENERAL CONTRACTORS.

2/ TOTALS ARE ENHANCED TO THE EXTENT THAT AN EXPORTER AND ONE OR MORE OTHER ORGANIZATIONS REPORT ON THE SAME TRANSACTION.

TABLE 7-3. - NUMBER/1 OF RESTRICTIVE TRADE PRACTICES BY ORIGINATING COUNTRY AND TYPE OF PRACTICE

RESTRICTIVE TRADE/PRACT	BAHRAIN	EGYPT	IRAQ	JORDAN	KUWAIT	LEBANON	LIBYA	QATAR	SAUDI ARABIA	SYRIA	U A E/2	OTHER/3	NO.	%/4
A. CRIER	38	8	0	8	13	57	1	57	7	44	208	54	495	26
B. M/V/B	15	1	0	0	4	3	3	16	11	12	57	28	150	8
C. INSRN	2	0	0	0	0	1	0	0	2	0	3	0	8	0
D. FNACE	0	0	0	0	0	0	0	0	1	0	16	6	23	1
E. ORIGN	27	3	0	2	119	5	4	12	105	32	188	140	637	34
F. MG/PK	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G. WR RP	0	0	0	0	0	0	0	0	0	0	4	0	4	0
H. OBSRV	8	0	0	10	5	1	0	15	21	43	97	61	261	14
I. R/R/S	0	1	0	0	0	0	0	2	1	0	0	2	6	0
J. R/B/C	4	2	2	1	1	6	2	3	4	16	26	9	76	4
K. RK LS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
L. DS GO	0	0	3	0	0	0	0	48	2	0	5	128	186	10
M. RSTRV	1	0	0	1	0	0	0	9	9	1	2	0	22	1
TOTAL...	95	15	5	21	142	73	10	162	163	148	806	428	1868	98

CRIER--Carrier

M/V/B--Manuufacturer/vendor/buyer

INSRN--Insurance

FNACE--Finance

ORIGN--Origin of goods

MG/PK--Marked goods/packages

WR RP--War reparations

OBSRV--Observe boycott laws

R/R/S--Race, religion, national origin

R/B/C--Relations with boycotted country

RK LS--Risk of loss

DS GO--Destination of goods

RSTRV--Other restrictions

1/ ALL FIGURES ARE ENHANCED TO THE EXTENT THAT AN EXPORTER AND ONE OR MORE SERVICE ORGANIZATIONS REPORTS ON THE SAME TRANSATION.

- 2/ INCLUDES ABU DHABI, SHARJAH, AJMAN, UMM AL-QAIWAN, RA'S AL-KHAIMAH AND FUJAIRAH.
3/ INCLUDES ALGERIA, INDIA, IRAN, MALAYSIA, NIGERIA, OMAN,
PAKISTAN, SUDAN, TUNISIA AND THE REPUBLIC OF YEMEN. 4/ PERCENTAGES MAY NOT ADD DUE TO ROUNDING.

TABLE 7-4. - NUMBER/1 OF REQUESTING DOCUMENTS BY ORIGINATING COUNTRY AND TYPE OF DOCUMENT

DOC TYPE	BAHRAIN	EGYPT	IRAQ	JORDAN	KUWAIT	LEBANON	LIBYA	QATAR	SAUDI ARABIA	SYRIA	U A E/2	OTHER/3	NO.	%/4
A. B/T/P	9	1	2	6	0	0	1	30	34	47	144	150	424	26
B. C.B/L	0	0	0	0	0	0	0	0	0	1	0	0	1	0
C. LT CR	44	2	0	10	112	57	3	59	10	42	195	71	605	38
D. QUSTN	0	0	0	1	0	2	0	0	2	9	2	0	16	1
E. RQ OR	24	6	1	4	21	3	0	63	70	19	115	140	466	29
F. UNWRT	0	0	0	0	0	0	0	0	9	0	0	1	10	1
G. OTHER	3	2	2	0	2	3	0	0	29	4	22	21	88	5
TOTAL	80	11	5	21	135	65	4	152	154	122	478	383	1610	100

B/T/P--Bid/tender/proposal

C.B/L--Carrier blacklist request

LT CR--Letter of Credit

QUSTN--Questionnaire

RQ OR--Requisition/purchase order

UNWRT--Uwritten request

OTHER--Other written documents

1/ ALL FIGURES ARE ENHANCED TO THE EXTENT THAT AN EXPORTER AND ONE OR MORE SERVICE ORGANIZATIONS REPORTS ON THE SAME TRANSATION.

2/ INCLUDES ABU DHABI, SHARJAH, AJMAN, UMM AL-QAIWAN, RA'S AL-KHAIMAH AND FUJAIRAH.

3/ INCLUDES ALGERIA, INDIA, IRAN, MALAYSIA, NIGERIA, OMAN,
PAKISTAN, SUDAN, TUNISIA AND THE REPUBLIC OF YEMEN.

4/ PERCENTAGES MAY NOT ADD DUE TO ROUNDNG.

TABLE 7-5. - NUMBER AND VALUE OF EXPORTER TRANSACTIONS BY ORIGINATING COUNTRY AND DECISION ON REQUEST/1

A. ALL TRANSACTIONS

[illegible]

TA	30	6221	26	29202	3	851	54	306233	60	71279	190	414391
RF	69	124677	115	233822	91	10450	266	435285	250	282677	916	1132707
UD	0	0	0	0	0	0	0	0	0	0	1	135
TT	99	130898	141	263024	94	11301	320	741517	310	353956	1107	1547233/4

TABLE 7-5. - NUMBER AND VALUE OF EXPORTER TRANSACTIONS BY ORIGINATING COUNTRY AND DECISION ON REQUEST/1

B. PROHIBITED

		BAHRAIN		E G Y P T		I R A Q		JORDAN		KUWAIT		LEBANON		L I
B Y A														
		NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.
TA		0	0	1	8	0	0	0	0	0	0	0	0	0
RF		0												

TABLE 7-5. - NUMBER AND VALUE OF EXPORTER TRANSACTIONS BY ORIGINATING COUNTRY AND DECISION ON REQUEST/1

A. ALL TRANSACTIONS

		BAHRAIN		E G Y P T		I R A Q		JORDAN		KUWAIT		LEBANON		L I
B Y A														
		NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.
TA		25	7630	5	96	2	0	13	24612	19	500	12	207	3
4131														

UD	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	25	7630	6	105	2	0	13	24612	19	500	12	207	3
4131													

	SAUDIA				
Q A T A R	ARABIA	S Y R I A	U A E/2	OTHER/3	T O T A L

	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	0	0	0	00	3	851	4	9	1	2700	9	3568
RF	30	739	38	57392	71	8860	122	147747	93	7530	433	259444
UD	0	0	0	0	0	0	0	0	0	0	0	0
TT	30	739	38	57392	74	9711	126	147755	94	10230	442	263012

TABLE 7-5. - NUMBER AND VALUE OF EXPORTER TRANSACTIONS BY ORIGINATING COUNTRY AND DECISION ON REQUEST/1

C. PROHIBITED AS FIRST RECEIVED, BUT AMENDED/6

[illegible]

TT	8	32067	7	84213	4	93	41	172433	27	42725	103	335174
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TABLE 7-5. - NUMBER AND VALUE OF EXPORTER TRANSACTIONS BY ORIGINATING COUNTRY AND DECISION ON REQUEST/1

D. EXCEPTIONS TO PROHIBITED

B Y A		BAHRAIN		E G Y P T		I R A Q		JORDAN		KUWAIT		LEBANON		L I

		NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.
\$ (000)														
TA	0	1	16	0	0	0	0	0	0	11	501	0	0	0

RF	4	14	0	0	0	0	0	0	11	3790	0	0	0
UD	0	0	0	0	0	0	0	0	1	135	0	0	0
TT	5	29	0	0	0	0	0	0	23	4426	0	0	0

	Q A T A R		SAUDI ARABIA		S Y R I A		U A E/2		OTHER/3		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	21	5855	26	29202	0	0	33	305753	54	68436	146	409762
RF	21	91757	61	92209	4	358	78	94611	127	229686	306	512426
UD	0	0	0	0	0	0	0	0	0	0	1	135
TT	42	97613	87	121411	4	358	111	400364	181	298122	453	922323

TABLE 7-5. - NUMBER AND VALUE OF EXPORTER TRANSACTIONS BY ORIGINATING COUNTRY AND DECISION ON REQUEST/1

E. NOT PROHIBITED

B Y A		BAHRAIN		E G Y P T		I R A Q		JORDAN		KUWAIT		LEBANON		L I

		NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.
\$ (000)														
TA		2	1	0	0	0	0	0	0	0	0	0	0	0
	0													
RF		7	270	1	0	0	0	0	0	2	6	7	977	0
	0													
UD		0	0	0	0	0	0	0	0	0	0	0	0	0
	0													
TT		9	270	1	0	0	0	0	0	2	6	7	977	0
	0													

	Q A T A R		SAUDI ARABIA		S Y R I A		U A E/2		OTHER/3		T O T A L	

	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	9	365	0	0	0	0	6	471	0	0	17	837
RF	10	114	9	8	12	1139	36	20493	8	2879	92	25887
UD	0	0	0	0	0	0	0	0	0	0	0	0
TT	19	480	9	8	12	1139	42	20964	8	2879	109	26724

TA-- Take Action/5
RF-- Refuse
UD-- Undecided
TT-- Total

- 1/ TRANSACTION FIGURES AND DOLLAR VALUES INCLUDE BIDS, TENDERS AND TRADE OPPORTUNITIES. SUCH FIGURES MAY BE DUPLICATED AND INCLUDE DOLLAR VALUE FOR POTENTIAL TRANSACTIONS THAT NEVER RESULTED IN A SALE.
- 2/ INCLUDES ABU DHABI, SHARJAH, AJMAN, UMM AL-QAIWAN, RA'S AL-KHAIMAH AND FUJAIRAH.
- 3/ INCLUDES ALGERIA, INDIA, IRAN, MALAYSIA, NIGERIA, OMAN, PAKISTAN, SOMALIA, TUNISIA, AND THE REPUBLIC OF YEMEN.

4/ DOLLAR VALUES MAY NOT ADD DUE TO ROUNDING. 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.

5/ TRANSACTIONS ARE CHARACTERIZED AS "TAKE ACTION" OR "REFUSE" IN TERMS OF ACTION REPORTED ON THE ORIGINAL REQUEST TRANSACTIONS.

TABLE 7-6. - NUMBER OF INDIVIDUAL FIRMS, BOYCOTT REQUESTS, REPORTS FILED, REQUESTING DOCUMENTS, AND RESTRICTIVE TRADE PRACTICES BY

(CONTROLLED-IN-FACT) FOREIGN SUBSIDIARIES
ALL TRANSACTIONS (SUMMARY TOTALS)

	UNITED KINGDOM	FRANCE	GERMANY	NETHERLANDS	BELGIUM	SWITZERLAND
CANADA						
INDIVIDUAL FIRMS REPORTING.....	28	6	6	10	5	2
4						
.....	79	12	8	21	11	3
5						
.....	52	12	8	21	11	3
5						
RESTRICTIVE TRADE PRACTICES						
REQUEST/3.....	63	15	9	25	14	3
5						
	ITALY	OTHER (EUROPE)/1	OTHER (ARAB)/2	ALL OTHER	TOTAL	
INDIVIDUAL FIRMS REPORTING.....	5	8	15	56	145	

TRANSACTIONS REPORTED...	8	18	62	232	459
REQUESTING DOCUMENTS INVOLVED...	8	18	62	232	432
RESTRICTIVE TRADE PRACTICES REQUEST/3	11	19	66	305	535

-
- 1/ INCLUDES AUSTRIA, DEMARK, FINLAND, GREECE, LIECHTENSTEIN, SPAIN, AND SWEDEN.
- 2/ INCLUDES BAHRAIN, EGYPT, IRAQ, JORDAN, KUWAIT, LEBANON, LIBYA, SAUDI ARABIA, AND SYRIA.
- 3/ TWO OR MORE TYPES OF RESTRICTIVE TRADE PRACTICE REQUESTS ARE OFTEN REPORTED IN CONNECTION WITH THE SAME TRANSACTION.

TABLE 7-6. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND RESTRICTIVE TRADE PRACTICES BY
(CONTROLLED-IN-FACT) FOREIGN SUBSIDIARIES
ALL TRANSACTIONS (SUMMARY TOTALS)

A. ALL TRANSACTIONS

CANADA DE RQ \$(000)	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		NO.
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	
TA	6	18208	0	0	0	0	2	300033	0	0	0	0	0
RF	46	24705	12	27890	8	1437	19	10212	11	633	3	152	5
UD	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	52	42914	12	27890	8	1437	21	310244	11	633	3	152	5

DE RQ	ITALY		OTHER(EUROPE)/2		OTHER(ARAB)/3		ALL OTHER		T O T A L				
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)			
TA	0	0	2	502	23	12202	15	205014	48	535959			
RF	8	72035	16	2246	39	203598	217	331169	384	674378			
UD	0	0	0	0	0	0	0	0	0	0			
TT	8	72035	18	2748	62	215800	232	536182	432	1210336/3			

TABLE 7-6. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND RESTRICTIVE TRADE PRACTICES BY
(CONTROLLED-IN-FACT) FOREIGN SUBSIDIARIES
ALL TRANSACTIONS (SUMMARY TOTALS)

B. PROHIBITED

CANADA DE RQ \$(000)	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		NO.
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	

TA	0	0	0	0	0	0	0	3	0	0	0	0	0
0													
RF	20	19212	7	26848	4	1103	8	4664	7	256	2	16	2
25													
UD	0	0	0	0	0	0	0	0	0	0	0	0	0
0													
TT	20	19212	7	26848	4	1103	8	4664	7	256	2	16	2
25													

DE RQ	ITALY		OTHER(EUROPE)/1		OTHER(ARAB)/2		ALL OTHER		T O T A L				
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)			

TA	0	0	0	0	0	0	0	0	3	0			
RF	6	30035	6	1539	16	121543	96	115895	174	321137			
UD	0	0	0	0	0	0	0	0	0	0			
TT	6	30035	6	1539	16	121543	96	115895	174	321137			

TABLE 7-6. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND RESTRICTIVE TRADE PRACTICES BY
(CONTROLLED-IN-FACT) FOREIGN SUBSIDIARIES
ALL TRANSACTIONS (SUMMARY TOTALS)

CANADA DE RQ \$ (000)													
	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.
TA	0	0	0	0	0	0	0	0	0	0	0	0	0
RF	10	1135	0	0	1	253	1	1140	0	1	136	136	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	10	1135	0	0	1	253	1	1140	0	1	136	136	0
	ITALY		OTHER (EUROPE) /1		OTHER (ARAB) /2		ALL OTHER		T O T A L				
DE RQ	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)			
TA	0	0	0	0	0	0	0	0	0	0			
RF	0	0	1	305	4	2607	10	5274	28	10850			
UD	0	0	0	0	0	0	0	0	0	0			
TT	0	0	1	305	4	2607	10	5274	28	10850/3			

TABLE 7-6. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND RESTRICTIVE TRADE PRACTICES BY
(CONTROLLED-IN-FACT) FOREIGN SUBSIDIARIES

ALL TRANSACTIONS (SUMMARY TOTALS)

D. EXCEPTIONS TO PROHIBITED

CANADA DE RQ \$(000)	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.

TA	6	18208	0	0	0	0	1	300000	0	0	0	0	0
0													
RF	11	19	2	600	3	81	2	4000	0	0	0	0	1
0													
UD	0	0	0	0	0	0	0	0	0	0	0	0	0
0													
TT	17	18227	2	600	3	81	3	304000	0	0	0	0	1
0													

DE RQ	ITALY		OTHER(EUROPE)/1		OTHER(ARAB)/2		ALL OTHER		T O T A L				
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)			

TA	0	0	0	0	23	12202	13	204917	43	535327			
RF	2	42000	0	0	18	79342	98	209869	137	335911			
UD	0	0	0	0	0	0	0	0	0	0			
TT	2	42000	0	0	41	91544	111	414786	180	871238/3			

TABLE 7-6. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND RESTRICTIVE TRADE PRACTICES BY
(CONTROLLED-IN-FACT) FOREIGN SUBSIDIARIES
ALL TRANSACTIONS (SUMMARY TOTALS)

E. NOT PROHIBITED

CANADA DE RQ \$(000)	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.

TA	6	18208	0	0	0	0	2	300033	0	0	0	0	0
0													
RF	26	5493	5	1043	4	334	11	5548	4	377	1	136	3
275													
UD	0	0	0	0	0	0	0	0	0	0	0	0	0
0													

TT	32	23701	5	1043	4	334	13	305581	4	377	1	136	3
275													

DE RQ	ITALY		OTHER(EUROPE)/2		OTHER(ARAB)/3		ALL OTHER		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	0	0	2	502	23	12202	15	205014	48	535959
RF	2	42000	10	707	23	82055	121	215273	210	353241
UD	0	0	0	0	0	0	0	0	0	0
TT	2	42000	12	1209	46	94257	136	420287	258	889199/3

TA--Take action
RF--Refuse
UD--Undecided
TT--Total

- 1/ INCLUDES AUSTRIA, DEMARK, FINLAND, GREECE, LIECHTENSTEIN, SPAIN, AND SWEDEN.
- 2/ INCLUDES BAHRAIN, EGYPT, IRAQ, JORDAN, KUWAIT, LEBANON, LIBYA, SAUDI ARABIA, AND SYRIA.
- 3/ DOLLAR VALUES MAY NOT ADD DUE TO ROUNDING.

9. Nonproliferation and Export Control Cooperation

BXA established the Nonproliferation and Export Control Cooperation (NEC) team in early 1994 to coordinate BXA's activities in support of U.S. export control cooperation programs with Russia, Ukraine, Kazakhstan, Belarus, the Central Asian, Caucasus, Baltic, and Central European States.

During Fiscal Year 1998, the NEC team, in conjunction with other BXA organizations and with representatives from the Departments of State, Defense, Energy, and the U.S. Customs Service, hosted or coordinated 31 technical exchange workshops, including cooperative bilateral activities with Russia, Ukraine, Kazakhstan, Belarus and several Central Asian and Caucasus states, and multilateral activities with the Baltic States of Estonia, Latvia, and Lithuania, and with the South Central European states of Bulgaria, Moldova, and Romania.

The central theme for these technical exchange workshops was to familiarize the countries with the elements that constitute an effective export control system and to assist them in developing their own export control systems. Toward this goal, legal authorities were described, licensing procedures and processes were shared, preventive enforcement techniques were explained, the need for government and industry cooperation on export control matters was emphasized and demonstrated, and automation program techniques to simplify a country's national export control system and make it more reliable and accessible were explained.

In Fiscal Year 1998, The Nonproliferation Export Control Cooperation program, saw major strides in development of national export control systems by the Newly Independent States (NIS) of the former Soviet Union, the Baltic States, and some countries in Central Europe.

The NEC team coordinates its technical exchange workshops with appropriate officials of the Departments of State, Defense, and Energy, the Arms Control and Disarmament Agency (ACDA), and the U.S. Customs Service. The outcome of these workshops has been to reduce the proliferation threat from and through the participating countries.

BXA plays a major role in the U.S. interagency program of cooperative export control exchange workshops. The NEC team coordinates the participation of export control experts from all areas of BXA and the Office of Chief Counsel for Export Administration (OCC). Because BXA holds responsibility in all technical areas of export controls, it takes the lead in a wide range of technical exchange workshops. These include workshops to address:

The Legal Basis And Framework Of Export Controls

In these workshops, legal experts focus on the legal basis and framework necessary for an effective and comprehensive export control system, including statutory authorities and implementing regulations.

Export Control Licensing Procedures and Practices

Licensing procedures and practices are the mechanisms by which individual export license decisions are made. These workshops focus on dual-use license application processing, including the method of recording decisions electronically and tracking the status of license applications. The purpose and guiding philosophy of the U.S. control list, its international development, the legal basis for controlling U.S. exports, the techniques and procedures for obtaining commodity classifications, and the procedure for resolving interagency disputes among U.S. government agencies that have various export control responsibilities and authorities also is reviewed.

To demonstrate the need for a national control list and the interagency process, several fictitious case studies are presented to illustrate U.S. government procedures. Participating foreign officials are also given the opportunity to explain their export licensing systems to BXA officials.

Export Enforcement

The emphasis of these workshops, presented by NEC staff members and Export Enforcement officials, is on export enforcement techniques. Such mechanisms as pre-license checks, post-shipment verifications, safeguard programs, and the use of criminal and administrative sanctions to deter illegal exports are discussed. Enforcement techniques are presented in the context of the global problem of proliferation of weapons of mass destruction, including, nuclear, chemical, and biological weapons and missile delivery systems.

Government-Industry Relations

In these workshops, the interlocking roles of industry and government in achieving export control cooperation is emphasized and addressed. BXA officials and industry representatives explain how government and business can work together to achieve common goals and objectives and each can simplify the task of the other.

These technical exchanges provide a business perspective on export controls, explaining the importance of voluntary industry compliance with export controls and why industry provides technical expertise via Technical Advisory Committees to U.S. Government agencies. Workshop sessions address why export controls are necessary; why industry support is essential; the role of industry-government cooperation in the formulation of laws

and implementing legislation; the mechanisms that promote industry participation; voluntary compliance; and industry internal control programs.

Export Control System Automation

In Fiscal Year 1998, the NEC team assisted the target countries to automate their export licensing systems. Electronic processing of licensing applications not only reduces delays of business transactions, but enhances business confidentiality and against internal corruption. BXA automation experts lead system automation technical exchange workshops and assist countries to automate their export control licensing functions. BXA representatives assess the need for, design and develop comprehensive licensing systems in cooperation with a country's senior export control officials, discuss and demonstrate BXA's automation system, and its interagency control features.

Technical Exchange Workshops

Kazakhstan

C Executive Exchange, Washington, D.C., September 29-October 3, 1997:

The seven member delegation of officials responsible for various facets of export controls was familiarized with the U.S. export control system. This forum focused on interagency coordination, legal elements, export control administration, licensing practices, export enforcement, industry-government relations and customs techniques.

C Executive Exchange, Washington, D.C., September 21-25, 1998:

This Executive Exchange focused on U.S. export control systems and interagency coordination. The aim of this workshop was to provide eight senior Kazakhstan officials responsible for the development and implementation of Kazakhstan's export control system an opportunity to observe the functioning of the U.S. system. Topics included interagency coordination and cooperation, legal basis and framework, licensing practices, export enforcement, industry-government relations, and the importance of regional export control cooperation.

Ukraine

C Legal Forum, Washington, D.C., December 8-12, 1997:

The forum focused on the draft export control legislation drafted by the government of Ukraine which was undergoing final governmental review before being presented to the Ukrainian parliament as proposed legislation. U.S. participants provided comments on the decree. The Ukrainian delegation at this five-day forum consisted of members of the

Ukrainian parliament and government officials.

C Industry-Government Relations Workshops, Kiev, November 18-20, 1997 and September 21-24, 1998.

In November 1997, the role of government and industry in achieving export control cooperation was explained to Ukrainian business and government officials during a workshop held in Kiev, Ukraine. A fifteen-member delegation of U.S. officials and industry representatives met with officials of various Ukrainian enterprises to introduce them to international standards and practices of modern export control systems, with a particular emphasis on the structure and operation of a company's internal control program (ICP). Workshop topics addressed the need for export control laws and the mechanisms that promote industry participation such as voluntary compliance and the use of an ICP by exporting organizations.

In September 1998, BXA led a delegation to Kiev to attend an Ukrainian-sponsored Industry-Government Relations Conference. The event picked up on the themes of the 1997 conference.

The U.S. delegation held private discussions and visits with officials of Ukrainian enterprises to compare their ICP procedures.

C Licensing Automation and Tracker Evaluation Workshop, Washington, D.C., May 4-8, 1998:

BXA/NEC hosted this workshop for the Ukraine from May 4-8, 1998 in the BXA/NEC Technical Information Center to evaluate the current version of the Tracker 97 software that export control agencies can use to track license applications through the complete process of consideration and action. The purpose of this visit was to demonstrate the functionality of Tracker 97 and discuss how it fits within the context of Ukraine's license decision processes. Other technical issues covered during the workshop included discussion of Tracker operating environment features including security and telecommunications.

C Tracker Site Survey, Kiev, May 18-22, 1998:

One NEC staff member participated in an interagency site survey pursuant to an agreement for the deployment of automated export control system software and hardware in Ukraine.

C Workshop on Conversion to the European Union Control List, Kiev, May 25-29, 1998:

This workshop was designed to urge and assist Ukraine's adoption of the European

Union (EU) Control list structure as the basis for its own national control list. A prototype workbook that explained the benefits of adopting the EU Control List was presented to Ukrainian officials.

Armenia, Georgia, Kyrgyzstan and Uzbekistan

C Export Control Enforcement Workshop, Washington, D.C., October 20-24, 1997

C Export Control Enforcement Workshop, Washington, D.C., January 20-23, 1998:

BXA hosted enforcement workshops for Armenia and Georgia in October 1997 and for Kyrgyzstan and Uzbekistan in January 1998. The workshops focused on prevention, investigation and prosecution of export control violations. The legal basis and framework of the U.S. export control system and the enforcement authorities of the Export Administration Act were explained. Actual criminal and administrative case studies were utilized. The role of international cooperation in BXA's enforcement activities was described. Pre-license checks, post-shipment verifications, and the use of criminal and administrative sanctions to deter illegal exports were discussed. The workshop also included a visit to Dulles Airport where enforcement techniques were demonstrated by the U.S. Custom Service.

Belarus

C Licensing Procedures and Practices Workshop, Washington, DC, February 2-6, 1998:

Licensing procedures and practices were presented to six officials from Belarus in February 1998. The workshop addressed the standards, practices, and procedures of export licensing to the foreign officials responsible for interpreting and implementing export control laws and decrees.

Estonia/Hungary

C Tracker Evaluation and Testing, Washington, D.C., January 20-23, 1998.

BXA demonstrated the Tracker automated export licensing system and its means of employment and value in the interagency license application process.

Romania

C Tracker Evaluation and Testing, Bucharest, February, 17-20, 1998:

BXA demonstrated the Tracker automated export licensing system and its means of employment and value in the interagency license application process.

Azerbaijan and Kyrgyzstan

C Legal Technical Forum I, Washington, D.C., May 11-15, 1998

C Legal Technical Forum II, Washington, D.C., June 1-3, 1998:

Legal programs were presented for the delegations from Azerbaijan (May 11-15) and Kyrgyzstan (June 1-3). In the program for Azerbaijan, legal experts discussed the legal authorities needed for a comprehensive and effective export control system. Topics included controls on exports of dual-use items, arms, and nuclear equipment, materials and technology; embargoes, arms imports; the authority and perspective of the U.S. Department of Defense and the U.S. Customs Service; transit authorities; and Azerbaijan's export control authority.

In the program for Kyrgyzstan, U.S. representatives provided comments on Kyrgyzstan's draft export control law, which was written following the initial legal exchange with Kyrgyzstan in 1997. (Kyrgyzstan officials expect the law to be enacted in 1999.)

Georgia

C Export Control Legal Technical Forum II, Tbilisi, Georgia, March 23-27, 1998:

In this forum, U.S. representatives from BXA/NEC, OCC, and the Office of the Chief Counsel for the Customs Service provided comments to Georgian government officials and members of its parliament on Georgia's pending export control legislation. Georgia subsequently enacted an export control law which became effective in September 1998 and was the first Caucasus state to enact such a law.

Czech Republic

Uzbekistan and Kyrgyzstan

Slovakia

C Licensing Procedures and Practices Workshop, Washington, D.C.; March 23-27, 1998

C Licensing Procedures and Practices Workshop, Washington, D.C.; April 6-10, 1998

C Licensing Procedures and Practices Workshop, Washington, D.C.; May 2-9, 1998

C Licensing Procedures and Practices Workshop, Washington, D.C.; May 18-22, 1998

Technical exchange workshops on licensing procedures and practices were conducted for officials responsible for interpreting and implementing export control laws and decrees from the Czech Republic (March 23-27), Uzbekistan and Kyrgyzstan (April 6-10), Ukraine (May 2-9), and Slovakia (May 18-22), focusing on standards, practices, and procedures in

export licensing.

Russia

- C** Government-Industry Cooperative Workshop, Boston, MA/Dallas, TX/San Antonio, TX, April 13-17; 1998:

BXA hosted an Government-Industry Cooperative Workshop for officials from Russia from April 13-17, 1998. This forum was designed to convey to the participants that cooperation between industry and government is a prerequisite for effective enforcement and to let participants directly observe methods used to achieve a successfully functioning relationship between industry and government this in the U.S. Russian enforcement officials heard U.S. industry representatives' views on the U.S. export control system and discuss those with them. The exchange also emphasized the value, in a market economy, of an independent industry perspective on export controls and strong industry support for those controls. U.S. and Russian government officials also exchanged views on topics related to the administration of export controls and on legal, licensing, and enforcement subjects.

- C** Industry-Government Relations Forum, Chicago, Il., June 7-10, 1998

- C** Industry-Government Relations Forum, Washington, D.C., June 11-12, 1998:

To further industry-government cooperation on export controls within Russia, BXA/NEC conducted two Industry-Government Forums, one in Chicago (June 7-10) and a second in Washington, D.C. (June 11-12). The purpose of these was to encourage industry-government cooperation on export controls through the exchange of views between U.S. and Russian business executives and government officials on topics related to the administration of export controls and on legal, licensing, and enforcement subjects. Visits to various high technology U.S. companies provided the Russians the opportunity to see how U.S. businesses deal with export controls, demonstrated the importance of a cooperative relationship on export controls between industry and government, and emphasized that voluntary industry compliance with export regulations is essential for an effective export control system.

- C** Industry Internal Control Program Workshop, Moscow, September 15-18, 1998:

As part of the continuing U.S.-Russian export control technical exchanges, a delegation of five U.S. industry representatives and three government officials observed the installation of version 1.0 of the Internal Control Program Training Tool (ICP) at six Russian enterprises, and assisted Russian enterprises to understand how to enhance their internal controls to achieve and maintain compliance with Russian export control rules and regulations, particularly the Cabinet of Ministers Resolution No. 57 (January 1998) "On the Further Strengthening of Export Control for Dual-Use items related to Weapons

of Mass Destruction.

Czech Republic

- C** Industry-Government Relations Conference, Prague, Czechoslovakia, June 23-24, 1998:

Approximately 100 senior Czech industry representatives, senior Czech government officials, and a delegation of U.S. industry representatives and government officials participated in this conference. The central theme of the conference was the role of industrial firms and exporters in the control of dual-use goods and technologies.

Bulgaria

- C** Tracker Survey, Sofia, March 10-15, 1998:

BXA staff participated in a site survey to assess the system requirements for future installation of the Tracker automated export licensing system software in Bulgaria.

Estonia, Latvia, and Lithuania

- C** Licensing Administration Processing, Practices, and Procedures, Level II, Technical Workshop, Washington, D.C., March 30-April 3, 1998:

This workshop acquainted officials from Estonia, Latvia, and Lithuania, and with current developments in Tracker software and the various capabilities available with this software and enabled them to gain understanding of complex aspects of national export license processing in a seminar setting and by means of visits to U.S. agencies with export control responsibilities.

Belarus

- C** LOIS and ICP and Hardware Installation, Minsk, June 1-5, 1998:

During June 1-5, 1998, a BXA/NEC automation specialist participated in the installation, configuration, and testing of hardware and software that will be used for an export control staff training program by the government of Belarus. The software, located at the government's National Security Institute, will be used to train export control

licensing officers and included the export control Licensing Officers Information System (LOIS) and model internal control program (ICP) software that Belarusian enterprises can install and tailor to their specific needs.

Latvia, Lithuania, and Romania

- C** Industry-Government Relations Conference, Riga, Vilnius, September 28-29, 1998
- C** Industry-Government Relations Conference, Bucharest, October 1-2, 1998:

A 12 member delegation of U.S. officials and U.S. industry representatives participated in these conferences in Latvia, Lithuania, and Romania to address of Industry-Government Relations with respect to export controls. Representatives from United Technologies, Inc., GTE Corporation, Westinghouse, and The Boeing Company gave presentations on the role of industry, and industry's relationship to government, in achieving the U.S. export control system and how vital industry-government cooperation is. They also related their experiences with the ICP in their respective companies. Over 100 participants representing exporters in the three countries participated in the conferences.

Special Activities

- C** Washington Intensive Nonproliferation Seminar, Washington, D.C., April 22, 1998

BXA/NEC staff assisted the Monterey Institute's Center for Nonproliferation Studies in hosting a Washington intensive nonproliferation seminar for a representative of the People's Republic of China.

- C** Fifth Annual Symposium for Foreign Export Control Officials, Washington, D.C., July 6-10, 1998.

Held in conjunction with Update'98, this event was attended by senior export control officials from twenty-two countries, including for the first time, representatives from Central Asian and Caucasus countries. This year's program had as its theme "National Support of International Control Regimes" and featured presentations on the organizational goals and benefits of membership in or adherence to the tenets of these regimes, by representatives of the Missile Technology Control Regime, the Nuclear Suppliers Group, the Australia Group, and the Wassenaar Arrangement. Representatives from U.S. agencies told participants how their agencies prepare for regime meetings. In addition, each country delegation gave presentations on current developments in its national export system.

- C** Export Control Seminar, Moscow, Russia, March 30, 1998:

BXA/NEC and OCC staff participated in a seminar conducted by the Russian Center

for Export Controls (CEC) at the Russian Space Agency. The U.S. representatives answered questions about the structure and scope of U.S. export controls.

C “Catch-all” Forum, Moscow, Russia, April, 1998:

BXA and OCC staff were members of an interagency delegation that discussed with Russian participants the implementation of catch-all controls by both the U.S. and Russia. The U.S. participants explained the legal basis, implementing regulations, license review, and enforcement of U.S. catch-all controls.

C Export Control Seminar, Yekaterinburg, Russia, June 29 - July 1, 1998:

BXA/NEC staff participated in a seminar in Yekaterinburg, Russia from June 29-July 1, 1998. Sponsored by the Moscow-based Center for Export Control (CEC). U.S. participants demonstrated the latest version of the Internal Control Program (ICP) training tool developed for use by Russian enterprises. The CEC will install and demonstrate prototype software at several Russian enterprises toward the end of 1998. In addition, the software, keyed to the Russian National Control Lists, provides company export control officials a self-paced training platform so they can learn and understand the process for setting up an ICP within their own companies.

Department of Defense/Federal Bureau of Investigation Counterproliferation Program

BXA/Export Enforcement and OCC staff lectured in the seminars for delegations from Kyrgyzstan (February) and Georgia (June) at the International Law Enforcement Academy in Budapest, Hungary which were conducted as part of the Department of Defense/Federal Bureau of Investigation Counterproliferation Program. Commerce representatives explained the legal basis and framework for U.S. controls on dual-use exports and how Commerce enforces those controls.

BXA/NEC and OCC staff hosted delegations from Kazakhstan (March 9-13) and Uzbekistan (April 20-24) as part of a forum to provide an overview of counterproliferation legal authorities, also conducted the DOD/FBI counterproliferation program. For Kazakhstan, BXA/NEC representatives stressed the importance of establishing appropriate regulations to implement and penalties to enforce Kazakhstan’s export control law. As a result of this exchange, Kazakhstan amended its criminal code and is reviewing further amendments. For Uzbekistan, BXA/NEC representatives stressed the importance of a comprehensive export control law as the basis for an effective export control system.

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TABLE -- Commerce Activities for Fiscal Year 1998

The following NEC technical exchanges took place in Fiscal Year 1998. The programs centered on the major elements that constitute an effective national export control system.

COUNTRY	Legal Foundation	Licensing Procedures and Practices	Export Control Administration	Export Enforcement Activities	Systems Automation	Govt. Industry Relations
Kazakhstan			Sept. '98			
Slovak Republic			May 98			
Ukraine	Dec. 97	May 98	May 98		May 98	Nov. 97 Sept. '98
Estonia					Jan. 98	
Hungary					Jan. 98	
Romania					Feb. 98	Sept.-Oct. 98
Belarus		Feb. '98			Oct. 97 Upgrade to computer equipment June '98	
Uzbekistan		April '98		Jan. '98		
Georgia	Mar. 98			Oct. 97		
Czech Republic		Mar. 98				June 98
Baltic States			Estonia, Latvia, and Lithuania Mar./Apr. 98		Estonia, Jan. '98	Latvia Lithuania Sept.-Oct. 98

Azerbaijan	May 98					
Kyrgystan	June 98	April 98		Jan. 98		
Russia				April 98		June 98 Sept. 98
Bulgaria					March 98	
Armenia				Oct. '97		

SPECIAL ACTIVITIES

Monterey Institute of International Studies, Center for Nonproliferation Studies, Seminar on China, April 22, 1998.

BXA/NEC assisted the Monterey Institute's Center for Nonproliferation Studies in hosting a Washington Intensive Nonproliferation Seminar for a 10-member delegation, held in Washington, D.C., April 22, 1998.

Export Control Seminar, Yakaterinburg, Russia, June 29-July 1, 1998.

Organized by the Center on Export Control for Russian Enterprises. Invited by Anatoly Boulotchnikov, Director of the Center on Export Controls. The U.S. participants demonstrated the latest version of the ICP training tool for enterprises in the Yekaterinburg region. This software was successfully demonstrated for senior Russian government and industry officials during the U.S.-Russian Government Relations Executive Forum the week of June 8-12, 1998. This was the first in a series of efforts to install and prototype the ICP software at several Russian enterprises, a task expected to extend over several months. The software provides each industry user with a self-paced training platform to learn and understand the process of setting up an internal control program within their own Russian company. A commodity classification screen provides templates which help the user identify the item as "dual-use" or "munitions," based on the multilateral control lists. For a dual use item, the templates provide a working methodology to properly assign the correct classification number based on Russian National Control Lists. Templates are also provided that may be filled out by the user to produce a working manual for the Company.

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Appendix 1

Approved Applications for Country Groups Q,W,Y,Z, and China (PRC)¹

CCL	DESCRIPTION	APPLICATIONS ²	DOLLAR VALUE

ALBANIA

1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$400,000
3A229	FIRING SETS AND HIGH CURRENT PULSE GENERATORS	1	\$19,000
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$750,000
3A232	DETONATORS/MULTIPOINT INITIATION SYSTEMS	1	\$8,000

TOTAL APPLICATIONS: 1

TOTAL CCL'S: 4

TOTAL DOLLAR VALUE: \$1,177,000

ARMENIA

0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	3	\$774,000
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$600,000
3A229	FIRING SETS AND HIGH CURRENT PULSE GENERATORS	1	\$19,000
3A232	DETONATORS/MULTIPOINT INITIATION SYSTEMS	1	\$8,000
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$1
5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	3	\$1

TOTAL APPLICATIONS: 9

TOTAL CCL'S: 6

TOTAL DOLLAR VALUE: \$1,401,002

AZERBAIJAN

1B201	FILAMENT WINDING MACHINES	1	\$200,000
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	2	\$660,000
3A229	FIRING SETS AND HIGH CURRENT PULSE GENERATORS	1	\$19,000
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$51,000
3A232	DETONATORS/MULTIPOINT INITIATION SYSTEMS	1	\$8,000
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	2	\$358,462
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	2	\$36,000
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	2	\$1,762,368

TOTAL APPLICATIONS: 10

TOTAL CCL'S: 8

TOTAL DOLLAR VALUE: \$3,094,830

BELARUS

EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	2	\$431,786
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	1	\$0
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	2	\$275,490

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	1	\$160,000
	TOTAL APPLICATIONS: 5		
	TOTAL CCL'S: 4		
	TOTAL DOLLAR VALUE: \$867,276		

BULGARIA

0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	6	\$107,749
0A985	OPTICAL SIGHTING DEVICES FOR SHOTGUNS, DISCHARGE T	3	\$86,094
3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	3	\$243,005
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	2	\$2
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	1	\$166,334
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	1	\$100
6A003	CAMERAS	1	\$200,000
9A018	COMMODITIES ON THE INTERNATIONAL MUNITIONS LIST	1	\$14,000,000
	TOTAL APPLICATIONS: 18		
	TOTAL CCL'S: 8		
	TOTAL DOLLAR VALUE: \$14,803,284		

CAMBODIA

1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$60,000
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	2	\$201
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	2	\$153,000
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$1,100
6A003	CAMERAS	1	\$18,400
	TOTAL APPLICATIONS: 7		
	TOTAL CCL'S: 5		
	TOTAL DOLLAR VALUE: \$232,701		

CHINA (PRC)

EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	29	\$59,274,081
1B001	EQUIPMENT FOR PRODUCTION OF FIBERS, PREFORMS OR CO	1	\$2,586,500
1C006	FLUIDS AND LUBRICATING MATERIALS	3	\$41,029
1C008	NON-FLUORINATED POLYMERIC SUBSTANCES	1	\$27,500
1C010	FIBROUS/FILAMENTARY MATERIALS USED IN MATRIX STRUC	1	\$163,800,000
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	4	\$156,140
1C107	GRAPHITE AND CERAMIC MATERIALS	2	\$450,000
1C111	PROPELLANTS AND CONSTITUENT CHEMICALS	2	\$255,000
1C202	ALUMINUM AND TITANIUM ALLOYS IN THE FORM OF TUBES/	4	\$7,738,842

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
1C210	FIBROUS/FILAMENTARY MATERIALS NOT CONTROLLED BY 1C	1	\$45,500
1C234	ZIRCONIUM, WITH A HAFNIUM CONTENT	3	\$832
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	39	\$145,413,912
1C351	HUMAN PATHOGENS, ZOONOSSES, AND TOXINS	1	\$604
1D001	SOFTWARE UTILIZED FOR DEVELOPMENT/USE OF EQUIPMENT	1	\$0
1E001	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT UNDER 1A00	3	\$1
1E103	TECHNOLOGY TO REGULATE TEMPERATURE OF COMPOSITES	2	\$0
2A290	GENERATORS AND OTHER EQUIPMENT	1	\$370,629
2B001	NUMERICAL CONTROL UNITS/MOTION CONTROL BOARDS	4	\$1,883,830
2B006	DIMENSIONAL INSPECTION/MEASURING SYSTEMS OR EQUIPM	4	\$181,000
2B116	VIBRATION TEST SYSTEMS,EQUIPMENT,AND COMPONENTS TH	1	\$227,020
2B204	ISOSTATIC PRESSES NOT CONTROLLED BY 2B004 OR 2B104	1	\$51,000
2B226	VACUUM AND CONTROLLED ENVIRONMENT INDUCTION FURNAC	3	\$609,000
2B230	PRESSURE TRANSDUCERS	13	\$620,982
2B231	VACUUM PUMPS	3	\$76,453
2B350	CHEMICAL MANUFACTURING FACILITIES AND EQUIPMENT	3	\$210,913
2B351	TOXIC GAS MONITORING SYSTEM; AND DEDICATED DETECTO	22	\$393,788
2B352	BIOLOGICAL EQUIPMENT	1	\$590,000
2B991	NUMERICAL CONTROL UNITS FOR MACHINE TOOLS	1	\$440,000
2D002	ADAPTIVE CONTROL/ELECTRONIC DEVICE SOFTWARE	2	\$1,800,001
2E003	OTHER TECHNOLOGY	1	\$0
2E201	TECHNOLOGY FOR USE OF COMMODITIES CONTROLLED BY 2A	1	\$0
3A001	ELECTRONIC DEVICES/COMPONENTS	7	\$406,129
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	16	\$1,243,297
3A101	ELECTRONIC EQUIPMENT/DEVICES NOT CONTROLLED BY 3A0	1	\$29,134
3A201	ELECTRONIC COMPONENTS NOT CONTROLLED BY 3A001	1	\$340,000
3A228	SWITCHING DEVICES	2	\$31,167
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$306,000
3A232	DETONATORS/MULTIPOINT INITIATION SYSTEMS	1	\$3,500
3A233	MASS SPECTROMETERS	2	\$518,000
3B001	EPITAXIAL EQUIPMENT FOR SEMICONDUCTORS	6	\$294,112,990
3B002	ION IMPLANTATION EQUIPMENT FOR SEMICONDUCTORS	3	\$161,900,000
3C004	HYDRIDES OF PHOSPHORUS, ARSENIC, OR ANTIMONY	1	\$4,872
3D001	SOFTWARE FOR DEV OR PROD OF EQUIP CERTAIN ITEMS IN	12	\$1
3D002	SOFTWARE FOR USE OF CERTAIN EQUIPMENT CONTROLLED B	8	\$6
3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	12	\$9
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	176	\$62,071
3E201	TECHNOLOGY FOR THE USE OF CERTAIN ITEMS IN 3A	1	\$133
3E292	TECHNOLOGY FOR EQUIPMENT CONTROLLED BY 3A292	1	\$1
3E980	TECHNOLOGY FOR ITEMS CONTROLLED BY 3A980 AND 3A981	1	\$0
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	242	\$110,248,696
4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	7	\$499,413
4D001	SOFTWARE FOR CERTAIN EQUIPMENT/SOFTWARE IN 4A-4D	2	\$0
4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	18	\$665,859
4D980	SOFTWARE FOR DEV/PROD/USE WITH 4A980 ITEMS	1	\$0
4D994	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 4A994/4B994/	2	\$5,795
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	40	\$20,028
4E002	OTHER TECHNOLOGY	13	\$100
4E992	TECHNOLOGY FOR DEV/PROD/USE OF 4A994/4B994/4C994	1	\$47
5A001	TELECOMMUNICATIONS/TRANSMISSION EQUIPMENT	3	\$16,100,246
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	15	\$54,524,082
5A101	TELEMETERING AND TELECONTROL EQUIPMENT USABLE WITH	1	\$40,185
5A992	INFORMATION SECURITY EQUIPMENT	2	\$9,901

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
5B001	EQUIPMENT FOR DEV/PROD OR USE OF ITEMS IN 5A001	8	\$800
5D001	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 5A001/5B001/	42	\$819
5D002	SOFTWARE FOR INFORMATION SECURITY	18	\$24,418,722
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	123	\$601,788,437
5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	25	\$33,106
6A001	ACOUSTICS	4	\$3,923,388
6A003	CAMERAS	29	\$1,065,286
6A005	OPTICAL EQUIPMENT (LASERS)	3	\$30,939
6A006	MAGNETOMETERS/MAGNETIC GRADIOMETERS/COMPENSATION S	3	\$107,745
6A203	CAMERAS/COMPONENTS NOT CONTROLLED BY ECCN 6A003	1	\$36,670
6E001	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT/MATERIALS/	2	\$0
7A001	ACCELEROMETERS FOR USE IN NAVIGATION OR GUIDANCE S	1	\$35,077
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	16	\$4,976,880
7B101	EQUIPMENT DESIGNED FOR PRODUCTION OF INERTIAL MEAS	1	\$211,000
7E004	OTHER TECHNOLOGY	1	\$0
9A004	SPACECRAFT	4	\$257,359,116
9E003	OTHER TECHNOLOGY	1	\$0
TOTAL APPLICATIONS: 866			
TOTAL CCL'S: 79			
TOTAL DOLLAR VALUE: \$1,922,304,204			

CUBA

EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	100	\$421,606,247
1C351	HUMAN PATHOGENS, ZOOSES, AND TOXINS	1	\$315
3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$150
4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	3	\$32,801
7A994	OTHER NAVIGATION/AIRBORNE COMMUNICATION EQUIPMENT	8	\$5,710,000
9A991	AIRCRAFT AND CERTAIN GAS TURBINE ENGINES N.E.S.	20	\$117,291,000
TOTAL APPLICATIONS: 128			
TOTAL CCL'S: 6			
TOTAL DOLLAR VALUE: \$544,640,513			

ESTONIA

0A982	SAPS; THUMBLOCKS, LEG IRONS, SHACKLES, AND HANDCUFF	1	\$498
3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$840
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$12,045
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	4	\$1,934,696
TOTAL APPLICATIONS: 7			
TOTAL CCL'S: 4			
TOTAL DOLLAR VALUE: \$1,948,079			

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
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GEORGIA

0A982	SAPS; THUMBCHUFFS, LEG IRONS, SHACKLES, AND HANDCUFF	1	\$371,760
1C225	BORON AND BORON COMPOUNDS/MIXTURES AND LOADED MATE	1	\$37,500
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$6,400,000
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$51,000
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$11,547

TOTAL APPLICATIONS: 5

TOTAL CCL'S: 5

TOTAL DOLLAR VALUE: \$6,871,807

KAZAKHSTAN

EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	5	\$126,993
0A982	SAPS; THUMBCHUFFS, LEG IRONS, SHACKLES, AND HANDCUFF	2	\$21,380
0A985	OPTICAL SIGHTING DEVICES FOR SHOTGUNS, DISCHARGE T	1	\$1,750
1A005	BODY ARMOR	2	\$177,300
1A984	CHEMICAL AGENTS, INCLUDING TEAR GAS	2	\$886
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$3,000
1C351	HUMAN PATHOGENS, ZOONOSSES, AND TOXINS	1	\$967
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$102,000
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	5	\$180,284
4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	4	\$48,737
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	12	\$7,035,043
5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$96
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	1	\$0
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	1	\$880,184
9A004	SPACECRAFT	4	\$505,832,400

TOTAL APPLICATIONS: 34

TOTAL CCL'S: 15

TOTAL DOLLAR VALUE: \$514,411,020

KOREA, P. DEM. REP.

EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	43	\$129,113,580
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TOTAL APPLICATIONS: 43

TOTAL CCL'S: 1

TOTAL DOLLAR VALUE: \$129,113,580

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
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KYRGYZSTAN

TOTAL APPLICATIONS: 0
TOTAL CCL'S: 0
TOTAL DOLLAR VALUE: \$0

LAOS

1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$20,000
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$51,000
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$850,000
6A006	MAGNETOMETERS/MAGNETIC GRADIOMETERS/COMPENSATION S	1	\$79,950

TOTAL APPLICATIONS: 4
TOTAL CCL'S: 4
TOTAL DOLLAR VALUE: \$1,000,950

LATVIA

0A985	OPTICAL SIGHTING DEVICES FOR SHOTGUNS, DISCHARGE T	1	\$200,000
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	1	\$17,500
5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$0
5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	1	\$0
6C002	OPTICAL SENSORS	1	\$181,000

TOTAL APPLICATIONS: 4
TOTAL CCL'S: 5
TOTAL DOLLAR VALUE: \$398,500

LITHUANIA

3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$230
3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	2	\$30,450
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	3	\$691,023
6A003	CAMERAS	2	\$55,150
9A018	COMMODITIES ON THE INTERNATIONAL MUNITIONS LIST	1	\$14,000,000

TOTAL APPLICATIONS: 9
TOTAL CCL'S: 5
TOTAL DOLLAR VALUE: \$14,776,853

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
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MOLDOVA

TOTAL APPLICATIONS: 0
TOTAL CCL'S: 0
TOTAL DOLLAR VALUE: \$0

MONGOLIA

TOTAL APPLICATIONS: 0
TOTAL CCL'S: 0
TOTAL DOLLAR VALUE: \$0

ROMANIA

0A985	OPTICAL SIGHTING DEVICES FOR SHOTGUNS, DISCHARGE T	1	\$2,133
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$5,500
3A001	ELECTRONIC DEVICES/COMPONENTS	3	\$5,000,215
3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	1	\$17,980
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	4	\$3
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	6	\$1,757,430
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	1	\$1
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$47,600
5B002	TEST/INSPECTION/PRODUCTION EQUIP FOR INFORMATION S	1	\$53,327
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	2	\$0
6A003	CAMERAS	2	\$240,968

TOTAL APPLICATIONS: 22
TOTAL CCL'S: 11
TOTAL DOLLAR VALUE: \$7,125,157

RUSSIA

EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	180	\$19,280,348
0A982	SAPS; THUMBCHUFFS, LEG IRONS, SHACKLES, AND HANDCUF	1	\$111
0A984	SHOTGUNS, BUCKSHOT,SHOTGUN SHELLS	9	\$512,709
0A985	OPTICAL SIGHTING DEVICES FOR SHOTGUNS, DISCHARGE T	5	\$112,444
0D001	SOFTWARE FOR DEVELOPMENT,PRODUCTION,USE 0B001,3,8	1	\$0
0E001	TECHNOLOGY FOR DEVELOPMENT,PRODUCTION,USE 0B001,3,	1	\$0
1A984	CHEMICAL AGENTS, INCLUDING TEAR GAS	2	\$23,250
1B001	EQUIPMENT FOR PRODUCTION OF FIBERS, PREFORMS OR CO	1	\$175,000
1C003	MAGNETIC METALS	1	\$6,190

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	6	\$5,171,300
1C232	HELIUM-3 OR HELIUM ISOTOPICALLY ENRICHED IN THE HE	7	\$2,279,757
1C233	LITHIUM	1	\$8,980
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	9	\$13,102,815
1C351	HUMAN PATHOGENS, ZOOXENOS, AND TOXINS	6	\$252,676
1C353	GENETICALLY MODIFIED MICROORGANISMS	1	\$14
1D002	SOFTWARE UTILIZED FOR DEVELOPMENT OF ORGANIC MATRI	1	\$0
1E001	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT UNDER 1A00	1	\$0
1E103	TECHNOLOGY TO REGULATE TEMPERATURE OF COMPOSITES	1	\$0
2A291	NUCLEAR REACTOR AND NUCLEAR POWER PLANT RELATED EQ	1	\$80,000
2B001	NUMERICAL CONTROL UNITS/MOTION CONTROL BOARDS	5	\$1,133,586
2B201	MACHINE TOOLS FOR REMOVING OR CUTTING METALS	1	\$1,500,000
2B350	CHEMICAL MANUFACTURING FACILITIES AND EQUIPMENT	1	\$9,425,500
2B351	TOXIC GAS MONITORING SYSTEM; AND DEDICATED DETECTO	1	\$34,000
2E001	TECHNOLOGY SUPPORTING EQUIPMENT/SOFTWARE IN 2A/2B/	1	\$0
3A001	ELECTRONIC DEVICES/COMPONENTS	29	\$306,649
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	2	\$288,056
3A233	MASS SPECTROMETERS	2	\$682,207
3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	9	\$70,665
3A991	ELECTRONIC DEVICES AND COMPONENTS	1	\$26,000
3A992	GENERAL PURPOSE ELECTRONIC EQUIPMENT	11	\$117,805
3B001	EPITAXIAL EQUIPMENT FOR SEMICONDUCTORS	1	\$726,065
3C004	HYDRIDES OF PHOSPHORUS, ARSENIC, OR ANTIMONY	1	\$7,920
3D001	SOFTWARE FOR DEV OR PROD OF EQUIP CERTAIN ITEMS IN	1	\$0
3D002	SOFTWARE FOR USE OF CERTAIN EQUIPMENT CONTROLLED B	6	\$7
3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	4	\$1
3D991	GENERAL PURPOSE ELECTRONIC EQUIPMENT FOR 3A992	1	\$5,250
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	18	\$14
3E002	OTHER TECHNOLOGY FOR ITEMS IN CATEGORY 3	1	\$1
3E991	MANUFACTURING AND TEST EQUIPMENT FOR 3B991/92	1	\$2,250
4A001	RUGGEDIZED ELECTRONIC COMPUTERS/RELATED EQUIPMENT	1	\$270
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	72	\$22,988,136
4A980	COMPUTERS FOR FINGERPRINT EQUIPMENT, N.E.S.	1	\$2,460,316
4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	67	\$3,906,911
4D001	SOFTWARE FOR CERTAIN EQUIPMENT/SOFTWARE IN 4A-4D	3	\$173,841
4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	7	\$369,804
4D980	SOFTWARE FOR DEV/PROD/USE WITH 4A980 ITEMS	1	\$2,311,805
4D994	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 4A994/4B994/	12	\$136,457
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	23	\$13,405
4E002	OTHER TECHNOLOGY	3	\$3
4E980	TECHNOLOGY FOR DEV/PROD/USE OF ITEMS IN 4A980	1	\$32,500
4E992	TECHNOLOGY FOR DEV/PROD/USE OF 4A994/4B994/4C994	2	\$1
5A001	TELECOMMUNICATIONS/TRANSMISSION EQUIPMENT	13	\$166,671
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	16	\$1,902,781
5A991	TRANSMISSION ITEMS NOT W/I PARAMETERS IN 5A001	9	\$138,000
5A992	INFORMATION SECURITY EQUIPMENT	1	\$3,600
5B002	TEST/INSPECTION/PRODUCTION EQUIP FOR INFORMATION S	2	\$3,579
5D001	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 5A001/5B001/	3	\$3
5D002	SOFTWARE FOR INFORMATION SECURITY	28	\$411,910
5D991	SOFTWARE FOR DEV/PROD/USE WITH 5B994 TEST EQUIPMEN	1	\$200
5D992	SOFTWARE NOT CONTROLLED BY 5D002	2	\$1,817
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	38	\$5,053,204
5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	3	\$0

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
6A001	ACOUSTICS	1	\$1,062,000
6A003	CAMERAS	10	\$982,850
6A005	OPTICAL EQUIPMENT (LASERS)	1	\$10,750
6A203	CAMERAS/COMPONENTS NOT CONTROLLED BY ECCN 6A003	1	\$110,000
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	4	\$2,290,283
7D001	SOFTWARE FOR EQUIPMENT CONTROLLED BY 7A/7B, EXCEPT	1	\$0
7D002	SOURCE CODE FOR INERTIAL NAVIGATION EQUIPMENT	2	\$0
7D101	SOFTWARE FOR COMMODITIES CONTROLLED BY 7A001/004,	2	\$450
7D102	INTEGRATED SOFTWARE FOR EQUIPMENT IN 7A003 OR 7A10	1	\$0
7E001	TECHNOLOGY FOR DEVELOPMENT OF EQ. CONTROLLED BY 7A	2	\$0
7E002	TECHNOLOGY FOR PRODUCTION OF EQ. COTROLLED BY 7A/7	2	\$0
7E003	TECHNOLOGY FOR REPAIR OF OF EQUIPMENT IN 7A001 TO	2	\$0
7E004	OTHER TECHNOLOGY	1	\$0
7E101	TECHNOLOGY FOR EQUIPMENT/SOFTWARE CONTROLLED BY 7A	2	\$1,800
7E102	TECHNOLOGY FOR PROTECTION AGAINST EMI AND EMP	1	\$0
9A001	AERO GAS TURBINE ENGINES	1	\$5,800,250
9A004	SPACECRAFT	3	\$293,650,000
9E003	OTHER TECHNOLOGY	1	\$0
TOTAL APPLICATIONS: 477			
TOTAL CCL'S: 80			
TOTAL DOLLAR VALUE: \$399,315,167			

TAJIKISTAN

1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$4,040,000
TOTAL APPLICATIONS: 1			
TOTAL CCL'S: 1			
TOTAL DOLLAR VALUE: \$4,040,000			

TURKMENISTAN

1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$400,000
3A229	FIRING SETS AND HIGH CURRENT PULSE GENERATORS	1	\$19,000
3A232	DETONATORS/MULTIPOINT INITIATION SYSTEMS	1	\$8,000
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	1	\$6,000
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	1	\$880,184
TOTAL APPLICATIONS: 3			
TOTAL CCL'S: 5			
TOTAL DOLLAR VALUE: \$1,313,184			

UKRAINE

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
EAR99	ITEMS SUBJECT TO THE EAR N.E.S.	1	\$1
0A982	SAPS; THUMBCHUFFS, LEG IRONS, SHACKLES, AND HANDCUFF	1	\$813
0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	6	\$557,998
0A985	OPTICAL SIGHTING DEVICES FOR SHOTGUNS, DISCHARGE T	1	\$4,875
1C232	HELIUM-3 OR HELIUM ISOTOPICALLY ENRICHED IN THE HE	1	\$100,000
2E003	OTHER TECHNOLOGY	1	\$0
3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$28,000
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$48,234
3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	1	\$5,750
3D002	SOFTWARE FOR USE OF CERTAIN EQUIPMENT CONTROLLED B	2	\$2
3D980	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 3A980 AND 3A	1	\$2,091
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	2	\$2
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	2	\$602,959
4A994	ITEMS NOT CONTROLLED BY 4A001/4A002/4A003	1	\$16,790
4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	1	\$1
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	2	\$2
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	4	\$663,695
5D001	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 5A001/5B001/	1	\$1
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	2	\$101
6A003	CAMERAS	2	\$109,795
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	1	\$352,590
TOTAL APPLICATIONS: 29			
TOTAL CCL'S: 21			
TOTAL DOLLAR VALUE: \$2,493,700			

UZBEKISTAN

1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$20,200,000
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$71,061
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	2	\$12,000
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	1	\$171,947
TOTAL APPLICATIONS: 5			
TOTAL CCL'S: 4			
TOTAL DOLLAR VALUE: \$20,455,008			

VIETNAM

0A982	SAPS; THUMBCHUFFS, LEG IRONS, SHACKLES, AND HANDCUFF	1	\$79,238
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$60,000
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	4	\$2,108,943
1C351	HUMAN PATHOGENS, ZOONOSSES, AND TOXINS	3	\$1,199
2E201	TECHNOLOGY FOR USE OF COMMODITIES CONTROLLED BY 2A	1	\$200,000
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$59,304
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$102,000

CCL	DESCRIPTION	APPLICATIONS	DOLLAR VALUE
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3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	1	\$0
3E201	TECHNOLOGY FOR THE USE OF CERTAIN ITEMS IN 3A	1	\$200,000
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	1	\$200,000
5A002	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	4	\$549,787
5B001	EQUIPMENT FOR DEV/PROD OR USE OF ITEMS IN 5A001	1	\$39,768
5D002	SOFTWARE FOR INFORMATION SECURITY	1	\$2,000
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	1	\$200,000
9A018	COMMODITIES ON THE INTERNATIONAL MUNITIONS LIST	3	\$2,192,500
9A990	CERTAIN DIESEL ENGINES, OTHER ITEMS, AND PARTS	1	\$100,000
TOTAL APPLICATIONS: 22			
TOTAL CCL'S: 16			
TOTAL DOLLAR VALUE: \$6,094,739			

¹The license and dollar value data in this appendix includes temporary export and reexport licenses.

²Within each country, the sum of the numbers in this column may not equal Total Applications because more than one CCL item may appear on an export license application.

Appendix 2

Report on Domestic Impact of U.S. Exports to Controlled Countries

In accordance with Section 14(e) of the Export Administration Act of 1979, as amended, the Bureau of Export Administration (BXA) 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 most turnkey plants and facilities (and related software and technology) to controlled destinations. In Fiscal Year 1998, BXA did not issue any licenses to export turnkey plants and facilities to controlled countries.

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 and other embargoed destinations) 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 listed on the Commerce Control List). In addition, certain turnkey plants and facilities

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

(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).

BXA does not maintain data on actual U.S. exports for either those items subject or those not subject to license. 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 1997, U.S. exports to these countries totaled \$18.1 billion, which represents an increase of \$330 million over the 1996 figure, but still only 2.82 percent of total U.S. exports. China is, by far, the largest single export market among the controlled country group, by itself counting for nearly 70 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 in 1997. Given the small share of U.S. exports to these countries, relative to total U.S. exports, the overall adverse impact through injury to U.S. industry and job displacement is probably minimal.

Although the bases for our export controls are national security, nonproliferation, foreign policy, and short supply, BXA, 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, BXA recently 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. In many cases, U.S. (and other Western) companies accede to these demands in order to capture sales or establish joint ventures. Such trade-related investment requirements and commercial offset demands are not limited to China, but are contrary to free trade principles to which members of the World Trade Organization (of which China is not a member) adhere. The United States runs a substantial trade deficit with China (\$49.5 billion in

1997), and a very high percentage of China's exports (more than 50 percent) originate from foreign-invested enterprises. Thus, these practices do raise concerns with regard to their impact on the competitiveness of U.S. industry and employment over the long term.

In addition to this study on U.S. Commercial Technology Transfers to the People's Republic of China, BXA 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 BXA's Office of Strategic Industries and Economic Security (SIES) and on BXA's Webpage.