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I. EXPORT ADMINISTRATION OVERVIEW

1. BXA Background

As a bureau of the Department of Commerce, the Bureau of Export Administration (BXA) implements and enforces the Export Administration Act (EAA) and the Export Administration Regulations (EAR). BXA administers the EAA by developing export control policies, issuing export licenses, and prosecuting violators pursuant to the EAA. Pursuant to the EAA, BXA also enhances the United States security and economic prosperity by controlling exports for national security, foreign policy, and short supply reasons. Foreign policy controls limit the proliferation of chemical and biological weapons, missile technology and nuclear related items. Pursuant to other laws and regulations, BXA enforces the EAA's antiboycott provisions and works to enhance the defense industrial base and assist U.S. defense firms which have felt the impact of reduced defense spending. BXA also helps other countries develop export control systems comparable to the U.S. system and has assisted enterprises in the republics of the former Soviet Union in converting from defense to civil production.

The EAA lapsed on August 20, 1994, and the Department of Commerce is currently acting under the authority conferred by Executive Order No. 12924 of August 19, 1994, as extended by Presidential notices of August 15, 1995 and August 14, 1996. In the Executive Order, the President invoked his authority, including authority under the International Emergency Economic Powers Act, to continue in effect the system of controls that the United States had maintained under the EAA.

2. Fiscal Year 1996 Highlights

Export Controls in the 21st Century

BXA's export control agenda for the 21st Century is focused on preventing 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 the export control system does not reflect a changed security environment. Over the past year, the Administration has taken important actions to remove unnecessary obstacles to exporting and strengthen multilateral regimes. These actions include completion of our regulatory reform effort, license processing reform, export control liberalizations, and multilateral regime participation. At the same time, the Administration has actively involved industry representatives as part of its public-private partnership effort.

Regulatory Reform

On March 25, 1996, BXA achieved a regulatory reform milestone with the publication of the revised Export Administration Regulations (EAR). Work began in November 1993, when

BXA organized a Task Group to carry out the Trade Promotion Coordinating Committee (TPCC) recommendation to simplify and clarify the regulations to make them more user-friendly, especially to new-to-export companies. BXA worked in partnership with the business community on the comprehensive revision of the EAR. During the development of a proposed rule, BXA published four discussion packages and sought comments from industry and the public. The May 11, 1995 proposed rule reflected several new features based upon comments received from the public and BXA's own assessment of how the EAR could be improved. As a follow up, BXA conducted more than a dozen Regulatory Reform Fora around the United States which reached over 1,000 industry representatives. We also considered responses from over 80 commenters to the proposed rule. Since the publication of the interim rule, BXA continues to involve industry to address their comments and concerns. For example, BXA provided companies additional time to adjust their export control systems by allowing them to comply with either the prior regulations or the revised regulations until December 31, 1996.

License Processing Reform

In February, BXA implemented significant improvements in the export license system via Presidential Executive Order 12981, which was signed by President Clinton on December 6, 1995. These new procedures limit the application review time by other U.S. agencies, provide an orderly procedure to resolve interagency disputes, and establish further accountability through the interagency review process.

The Executive Order outlines the Secretary of Commerce's authority and discretion to require, review, and make final determinations with regard to export licenses submitted to the Department. In addition, all relevant government agencies have the opportunity to review dual-use license applications. E.O. 12981 reduces the time permitted to process license applications. No later than 90 calendar days from the time a complete license application is submitted, it will either be finally disposed of or escalated to the President for a decision. Previously, all license applications had to be resolved within 120 days after submission to the Secretary.

The Executive Order addresses previous Congressional concerns that all interested agencies should review export licenses applications. By providing strict time limits for license review and a "default to decision" process, it also ensures rapid decision making and escalation of license applications.

Export Licensing Liberalizations

The Clinton Administration continues to make major 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 worked to protect other U.S. national security and foreign policy interests. These actions have greatly reduced obstacles for exporters.

On January 25, 1996, BXA published a revision of U.S. export controls on computers that adjusted them to fit the new international security environment and rapid technological change in the computer market. This followed President Clinton's October 6, 1995 announcement of the easing of restrictions on high performance computers. The rule benefits the international competitiveness of the U.S. computer industry and affects an estimated \$10 billion in exports.

On December 20, 1995, BXA expanded general license GLX treatment to semiconductor devices (integrated circuits), certain semiconductor manufacturing equipment, certain cellular phones containing encryption, and encrypted virus protection software programs. Industry has estimated that 139 billion semiconductors and 33 billion integrated circuits were sold worldwide in 1992. Less than one-third of these were produced by U.S.-owned firms. Industry believes that the availability of general license shipments for integrated circuits will significantly improve the global competitiveness of the U.S. semiconductor industry.

On March 25, 1996, BXA implemented a new licensing mechanism, the Special Comprehensive License, that will enhance the flexibility and competitiveness of U.S. international marketing operations. This new licensing option permits experienced, high-volume exporters to perform export activities under one license authorization.

On February 1, 1996, BXA published an interim rule amending a number of Export Control Classification Numbers (ECCNs) on the Commerce Control List in order to make the Nuclear Referral List conform more closely with the items contained in the Nuclear Suppliers Group (NSG) Annex published by the International Atomic Energy Agency. The NSG Annex is adhered to by the United States and other subscribing governments in the NSG. This regulation also made Poland, Argentina, New Zealand, South Africa and South Korea eligible for general license shipments of certain nuclear controlled goods to reflect their recent membership in the NSG.

On March 25, 1996, BXA updated the list of controlled biological items for the first time in three years. These changes included implementing new nomenclatures for several pathogens, modifying the wording and clarification of terms for biological items, liberalizing export controls on vaccines and immunotoxins, and revising technical parameters for fermenters, cross-flow filtration equipment, and chambers.

October 19, 1995, BXA issued the final rule to implement the Australia Group's (AG) three-tiered approach to chemical mixtures containing an AG-controlled chemical weapon (CW) precursor. This regulation provided relief to the chemical industry from the previous zero tolerance for chemical mixtures. An exporter can now export these types of mixtures under a License Exception to most destinations if it meets the de minimis threshold concentration on a solvent-free basis. It also streamlined controls and reporting requirements on sample chemical shipments.

Commodity Jurisdiction

BXA continues to make progress in the transfer of nonmilitary items from the State Department's Munitions List to the Commerce Control List. This effort ensures that U.S. exporters of such items are not unduly burdened by overly restrictive licensing policies and receive the appropriate consideration. The following are highlights of this initiative.

Communications Satellites and Hot Section Technology

On October 21, 1996, the Administration transferred jurisdiction on certain commercial communications satellites and certain hot section technology for the development and production of commercial aircraft engines from the U.S. Munitions List, administered by the State Department, to the Commerce Control List. This rule also expands national security and foreign policy controls on commercial communications satellites and hot section technology for development, production or overhaul of commercial aircraft engines and will clarify the jurisdiction for developmental aircraft designed for civil use.

Encryption

On December 30, 1996, BXA issued a regulation implementing the Administration's encryption policy announced by the Vice President on October 1, 1996. Key elements of the regulation include the transfer of commercial encryption items from the U.S. Munitions List to the Commerce Control List, liberalized treatment for recoverable products and a two-year transition period during which non-key recovery 56 bit DES or equivalent strength encryption products may be approved for export based on company commitments to build and market key recovery products and to support a key management infrastructure for electronic commerce.

Dispute Resolution

In FY 1996, the Administration completed its efforts to develop an efficient and transparent process to resolve disputes between the Departments of Commerce and State as to which agency has licensing jurisdiction over specific commodities. These new commodity jurisdiction procedures were implemented in the spring of 1996.

Enhanced Economic Analysis for Export Controls

The Department of Commerce continues its efforts to analyze the economic implications of export control regulations and policy options on U.S. industry. This includes analyses of the economic implications of controversial license applications headed for possible denial, imposition or extension of embargoes/sanctions, costs of maintaining existing controls on the competitiveness of a critical industry, and list reviews for each multilateral control regime. In

FY 1996, BXA conducted economic impact studies on a number of critical export control issues including potential export control liberalization for encryption products and reviewing the scope and international competitiveness of the U.S. biotechnology and pharmaceutical industries.

Multilateral Control System Participation

The Administration has sought to level the playing field for U.S. trade and enhance the effectiveness of controls by pursuing multilateral controls and harmonizing their implementation. We have undertaken several major initiatives to strengthen the multilateral export control regimes, which, in turn, will enhance U.S. exporters' ability to engage in legitimate trade and compete worldwide.

On July 12, 1996, representatives of 33 countries agreed to establish the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. The Wassenaar Arrangement is the successor regime to the Coordinating Committee (COCOM), which was disbanded in March, 1994. The focus of the regime is on transparency in exports of arms and sensitive dual use equipment. The United States intends to work with regime members to further develop the regime by focusing on specific regions of concern, controlling additional products to countries of concern, expanding transparency and harmonizing national practices.

In FY 1996, BXA revised the Nuclear Suppliers Group control list to eliminate outdated controls, clarify the language controlling items to better reflect nuclear proliferation concerns, and minimize the differences in interpretation among NSG members.

BXA also completed the harmonization of the U.S. control lists with European Union (EU) control lists. By conforming the numbering system used to identify items controlled by the EAR with the numbering system used by the EU to identify such items, U.S. exporters are better able to streamline and standardize their own internal export control procedures. The Administration will continue its efforts to encourage other countries to adopt a uniform numbering system.

Alaskan North Slope (ANS) Crude Oil Exports

During FY 1996, BXA chaired an interagency review of the economic and environmental effects of lifting the ban on the export of Alaskan North Slope oil. The President used this review as the basis for his decision that ANS oil exports are in the national interest. On May 31, 1996, BXA established License Exception Trans-Alaska Pipeline (TAPS) which allows for exports of ANS crude oil under certain conditions. This trade liberalization measure provides U.S. exporters with the opportunity to develop a \$500 million annual foreign market for ANS crude oil.

Offsets in Defense Trade

During FY 1996, BXA completed the first Department of Commerce "Offsets in Defense Trade" report for the Congress under Section 309 of the Defense Production Act of 1950, as amended. This report provides detailed information and analysis on new offset agreements and offset transactions fulfilled by U.S. defense prime contractors during 1993 and 1994. There has long been concern that offset practices may be detrimental to the United States defense industrial base.

The 1996 TPCC report has outlined a policy on defense offsets that will help address the competitiveness issues that arise when U.S. companies are required either to subcontract large portions of follow-on work or to transfer technology in order to win critical contracts. BXA will play a leading role in addressing these offset issues.

Defense Trade Advocacy

As part of the Department of Commerce's 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. Our defense advocacy efforts resulted in sales of \$4-5 billion in FY 1996. These successes include the \$325 million Kuwait National Guard armor personnel carrier competition and \$500 million fighter aircraft competition in Thailand.

U.S. Defense Diversification

During FY 1996, BXA continued to implement our U.S. defense diversification programs to provide assistance to the defense industry, which has been negatively impacted by defense downsizing. Our Resource Matching Program offers a series of workshops designed to provide a variety of defense export and manufacturing information to small and medium size defense firms. Our Competitive Enhancement and Needs Assessment Program targets defense subcontractors to determine those government services that would be most useful to firms diversifying their operations.

BXA also began a new series of conferences entitled "Commercialization in Defense Technology," which are designed to help small and medium size companies take advantage of emerging and existing technologies.

Enhanced Proliferation Control Initiative

In FY 1996, BXA continued its ongoing effort to clarify the "catch-all" provisions of the Enhanced Proliferation Control Initiative (EPCI), by developing a comprehensive proposal to streamline and better focus the existing process. The revised EAR accomplished one step by

defining “knowledge” of end-use or end-user that triggers a licensing requirement. Improving EPCI will positively affect U.S. nuclear, chemical/biological, and missile non-proliferation efforts and will reduce uncertainty among U.S. exporters regarding export controls.

On December 10, 1996, the National Security Council (NSC) reformed the "inform by" process under EPCI by placing it within the interagency review structure for export licenses. This initiative, which was proposed by Commerce, will improve the transparency and timeliness of the "informed by" process.

Industry Outreach

BXA’s Office of Exporter Services’ Exporter Counseling Division, Export Seminar Staff and Western Regional Offices located in Irvine and Santa Clara, California continued to conduct extensive outreach and counseling services during FY 1996. These offices advised industry and conducted seminars on export control and defense conversion issues. With the publication of the new Export Administration Regulations, BXA undertook a significant outreach effort to educate the exporting community. BXA developed comprehensive “Regulations Roll-Out” seminars which were held throughout the United States.

During FY 1996, BXA responded to over 173,000 telephone calls, directly counseled over 1,268 visitors in its offices, and organized or participated in seminars attended by over 5,700 participants. In October 1996, BXA’s Santa Clara office co-located with new U.S. Export Assistance Center in San Jose, California which provides a true "One-Stop-Shop” for small and medium sized business seeking international trade and finance information.

Improvements in Electronic Licensing System

BXA continues to make improvements in the technical capabilities of its export license system. In FY 1996, the Bureau introduced a PC-based forms processing and image management system which, along with the new multipurpose application form, enhances BXA’s ability to make quick and accurate licensing and commodity classification decisions. BXA is also developing an automated database which will provide an electronic image of all export requests and documentation as a replacement to an outdated microfiche system. Finally, the Bureau will undertake a comprehensive review of the export control automated support system to determine changing needs and requirements for the 21st Century.

BXA’s World Wide Web Site

In September 1996, BXA launched a BXA World Wide Web Page on the Internet. In developing the site, BXA recognized that this new avenue of information sharing offers an unique means to reach the international business community. With a World Wide Web presence on the Internet, BXA can provide guidance on a wide range of topics of interest to both established exporters and those new to exporting.

Customers accessing the site will find export fact sheets, information on BXA's programs, weekly highlights, information on seminars, press releases, links to other government export resources, and many other topics of interest. Response to the Web Page has been positive, and BXA continues to explore ways to develop the site and offer additional electronic services.

Industrial Capability Assessments

BXA worked on two major industrial capabilities research projects during FY 1996. A major project in its final stage of completion is an assessment of the capabilities and competitiveness of domestic supplier industries to the U.S. semiconductor industry. The goal of this assessment is to ensure that the domestic suppliers are able to meet the needs projected in the semiconductor industry's National Technology Roadmap for Semiconductors during the next fifteen years. BXA also initiated an assessment of the future viability of the ejection seat industrial base at the request of the Air Force.

3. Export Administration Organization

BXA's Export Administration (EA) comprises five offices. Three EA offices deal with a wide range of export control policy and licensing activities including: nuclear and missile technologies; chemical and biological technologies; and conventional arms, certain sensitive 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 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 the multilateral export controls under the Wassenaar Arrangement, which deals with conventional arms and related dual-use items. It also implements U.S. foreign policy controls such as crime control, anti-terrorism, and regional stability.

The Office of Nuclear and Missile Technology Controls (NMT) is responsible for all export control policy issues relating to the Nuclear Suppliers Group and Missile Technology Control Regime. It also has responsibilities associated with the licensing of exports controlled for nuclear or missile technology reasons.

The Office of Chemical and Biological Controls and Treaty Compliance (CBCTC) has overall responsibility for administering export controls and policy developments related to the multilateral Australia Group control regime (e.g. chemical precursors and biological agents). This office is the principal point of contact for U.S. industrial interests in the development of a legally binding protocol to the Biological and Toxin Weapons Convention and for the proposed Chemical Weapons Convention.

The Office of Strategic Industries and Economic Security (SIES) implements programs to ensure the U.S. defense industries can meet current and future national security requirements. It also facilitates diversification of U.S. defense related industries into civilian markets, promotes the conversion of military enterprises in the New Independent States to civilian applications, and analyzes the economic impact of U.S. export controls, other trade policies, and cooperative international defense agreements on U.S. industrial competitiveness.

The Office of Exporter Services (OExS) counsels exporters, conducts export control seminars, and drafts and publishes changes to the Export Administration Regulations. The office is responsible for licensing and compliance actions related to "special comprehensive licenses." It also processes license applications and commodity classifications.

4. Technical Advisory Committees

The Technical Advisory Committees (TACs) have been chartered pursuant to statute since 1973 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 utilization of production technology, and on export control regulations and procedures.

During FY 1996, the Committees addressed more fully the technical issues regarding nonproliferation controls and foreign policy controls. The changing technical needs of BXA and the expanding role in these areas for BXA are the reasons for its increased reliance on the TACs for technical input in these two crucial areas.

FY 1996 TAC Activities

The Information Systems Technical Advisory Committee (ISTAC) addressed issues relating to Control List Categories 3, 4, and 5. The ISTAC's recommendations reflected the analyses done by its ad hoc working groups, which addressed export controls as they relate to the topics of computer interconnect technology, cryptography metrics, input/output interface trends, measurement of aggregate performance, and the 3-D graphics limit.

The Materials Technical Advisory Committee (MTAC) reviewed proposals regarding Control List Category 1. The status of various export control regimes was reviewed by Commerce representatives and discussed with members of the Committee. The MTAC addressed the following issues: the definition of "reaction vessel" in CCL 1B70E.a.1.a, the meaning of "disposal technology" for precursors and equipment in CCL 1E60C; consideration of lists of pathogens that may be used in conjunction with the Biological and Toxin Weapons Convention, the appropriateness and validity of sampling techniques for biological weapons challenge inspections, the parameters of propriety information, and equipment or processes indicative of biological

weapons capability or activity. The MTAC plans to continue advising on the Chemical Weapons Convention and The Biological and Toxin Weapons Convention, the Wassenaar Arrangement, the Missile Technology Regime, and the Nuclear Suppliers Group.

The Materials Processing Equipment Technical Advisory Committee (MPETAC) continued to make recommendations regarding Control List Category 2 changes, including advising on the wording within Technical Note 4, paragraph 2.B on the stated accuracy levels for machine tools and on the wording regarding the intent of the software note for paragraph 2.D.2.a. The MPETAC also made recommendations on machine tool controls as they relate to the Nuclear Suppliers Group and the Wassenaar Arrangement.

The Regulations and Procedures Technical Advisory Committee (RPTAC) broadened its focus, examining issues that included the following: changing conditions under the Executive Order on license processing, cryptography controls, screening requirements for exporters, and the disclosure of trade secrets to foreign nationals. The RPTAC continued deliberating and advising on the Automated Export System (Customs Service), the Enhanced Proliferation Control Initiative, and revisions to the Export Administration Regulations.

The Sensors and Instrumentation Technical Advisory Committee (SITAC), formerly the Sensors Technical Advisory Committee, supported revisions to Control List Categories 3 and 6. Among the issues the SITAC addressed were the following: export controls on oscilloscopes to countries outside the Nuclear Suppliers Group, the Executive Order on license processing, commodity jurisdiction of night vision equipment, and implementation of the Wassenaar Arrangement.

The Transportation and Related Equipment Technical Advisory Committee (TransTAC) advised the Department regarding commodities and technical data within Control List Categories 7, 8, and 9. Among the issues the TransTAC reviewed were the following: key sector items within the Wassenaar Arrangement, hot section technology, developmental aircraft and commercial communications satellites, and foreign policy export controls. The TransTAC also supplied definitions that were used in the final ruling on jurisdiction of developmental aircraft; among those were terms regarding hot section technology, terms regarding civil derivative engines of military cores, and the meaning of "predominantly DoD funded."

President's Export Council
Subcommittee on Export Administration

The President's Export Council Subcommittee on Export Administration (PECSEA) continued to deliberate within the structure of its five task forces, which are the following: Unilateral Economic Sanctions, Enhanced Proliferation Control Initiative (EPCI), Principles of Exporting, Technology Advance, and Commodity Jurisdiction. Among the documents generated by the PECSEA and circulated within the Administration were a document on unilateral economic sanctions and a letter on the issues surrounding products and services using encryption

technology. The PECSEA prepared a draft of its Statement of Principles paper, which was forwarded to the President's Export Council for comments. The Subcommittee will continue to advise on jurisdictional issues, such as that for temporary export licenses.

II. ANNUAL REPORT

1. The Office of Exporter Services

Government and Industry Cooperative Efforts

BXA manages dual-use export controls and U.S. non-proliferation efforts in a manner that furthers vital national security and foreign policy interests of the United States, while minimizing the economic impact on the American business community. BXA is responsible for adapting this export control system as needed to keep pace with rapid technological advances and changes in U.S. international relations. BXA regulates exports through a licensing system set forth in the Export Administration Regulations (EAR)(15 CFR Parts 730-774). The success of BXA's initiatives undertaken in the past year is a direct result of the cooperative effort between BXA and industry.

The Office of Exporter Services (OExS) has the responsibility for administering EA's education and compliance role and implements of export policy within Export Administration. In this role, OExS has spearheaded government-industry cooperative efforts through participation in several initiatives, including regulation reform, implementation of new processing time frames, export control liberalization, and industry outreach.

Regulation Reform Effort

The Administration completed the first comprehensive rewrite of the Export Administration Regulations (EAR) in over 40 years with the March 25, 1996 publication in the Federal Register of an interim rule simplifying and streamlining the EAR. BXA involved industry in the development of this rule and companies' participation throughout the simplification process had a direct impact on its success.

BXA began this reform effort by releasing four draft "Discussion Packages", both electronically and in hard copy, to solicit industry participation and comment and maximize the transparency of the process. On May 11, 1995, the Federal Register published a proposed rule with a request for comments. The proposed rule reflected several new features based on the comments received from the public on how the EAR could be improved. Immediately following the publication of the proposed rule, BXA conducted numerous town-hall style meetings around the United States to engage in constructive dialogue with the exporting community in preparation for issuing the interim rule in the Spring of 1996.

With the publication of the interim rule on March 25, 1996, OExS began a series of 13 "Roll-Out" seminars throughout the United States. These seminars were designed not only to educate and guide the public through the new EAR, but also to address the public's comments

and concerns in more detail. The series drew over 4000 people and generated favorable review from industry. BXA continues to respond to comments and suggestions on the new EAR from an involved exporting community.

The New Export Administration Regulations

The EAR comprise the regulatory regime through which BXA imposes export controls on those commodities, technology, software, and activities within its jurisdiction. Over several decades, the EAR had been amended frequently to respond quickly to the various national security, nonproliferation, and foreign policy concerns of the United States. However, during this time, they had not been subjected to a systematic and comprehensive review. BXA restructured the revised EAR to make them consistent and easy to use.

Aimed at people new to exporting, the new EAR use "plain English" principles and have a streamlined "decision tree" structure. All license requirements are consolidated into a single part near the beginning of the EAR. The previous scattering of prohibitions throughout various parts essentially forced exporters to read the entire body of regulations from cover to cover in order to determine whether or not a license was required for a particular transaction. Not only are the new EAR easier to negotiate, they provide a high level of confidence that answers found are in fact correct. Since the vast majority of exports do not require a license, exporters who have minimal controls applicable to their transactions will be able to quickly find the information they need and disregard the sections that they do not need. Others will be able to determine what to do more easily with a Country Chart that graphically depicts requirements.

Export Control Liberalizations

In an attempt to enhance U.S. competitiveness, BXA undertook several licensing liberalization efforts in key areas that benefit U.S. industry. OExS played a lead role in developing and drafting these rules. On January 25, 1996, BXA published in the Federal Register a rule to implement the President's October 6, 1995, announcement on major computer export control reforms. This rule liberalizes export controls on all computers, and establishes four tiers of computer controls. In addition, this rule establishes General License G-CTP, which facilitates the liberalization of export controls of computers. This new rule provides significant benefit to the international competitiveness of the U.S. computer industry and affects an estimated \$10 billion in exports.

BXA furthered its commitment to industry by publishing an interim rule amending a number of Export Control Classification Numbers (ECCNs) on the Commerce Control List in order to make the Nuclear Referral List conform more closely with the items contained in the Nuclear Suppliers Groups (NSG) Annex published by the International Atomic Energy Agency, which is adhered to by the United States and other subscribing governments in the NSG. This

rule also added several countries eligible to receive exports under General License G-NSG. As part of the Regulation Reform effort, G-NSG was incorporated into the EAR Country Chart in part 738. Both actions have simplified the licensing process for U.S. industry.

BXA enhanced the flexibility and competitiveness of U.S. international marketing operations through the implementation of a Special Comprehensive License (SCL). The SCL regulation was published as part of the Regulation Reform effort and was effective March 25, 1996. This license allows experienced high volume exporters to export virtually all items on the Commerce Control List under this procedure.

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, by enhancing compliance and providing assistance in navigating the regulatory regime. These efforts facilitate U.S. international competitiveness.

The Office of Exporter Services accomplishes its outreach and counseling activity through its headquarters in Washington, D.C. and its Western Regional Office (WRO) in California, the state ranked 2nd in 1996 for the number of Fortune 500 companies. From its two offices, the WRO assists companies located throughout the Western United States. The WRO's main office is located in Orange County, California, with a branch office in Santa Clara, California. These two offices are within commuting distance of 29 of the 50 fastest growing telecommunication and interactive media companies in the United States. This organization permits OExS to meet the needs of the rapidly expanding exporting community.

Regulations Roll-Out

To help businesses understand and adapt to the dramatic changes in the EAR, OExS developed and conducted numerous training sessions throughout the country. Within days of the publication of the new regulations, OExS began presenting seminars in all major markets and thousands of business executives attended these events.

OExS also conducted training sessions on regulations reform for our colleagues in other U.S. Government agencies. Specialized training in Washington, D.C. was provided to those agencies that contribute their expertise to the export control system. These agencies include the Departments of Defense, State, and Energy, the Arms Control and Disarmament Agency, and the Non-Proliferation Center. OExS also provided extensive training to the U.S. Customs Service field offices via satellite and provided them with specialized on-site programs in high volume export areas.

Export Compliance Seminar Program

The Office of Exporter Services (OExS) interacts with all segments of the private business community regarding export control issues and policies. An important aspect of this activity is the cosponsoring of 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 FY 1996, OExS conducted 68 export compliance seminars with over 5,700 participants. In addition to the programs sponsored by BXA, OExS participated in over 175 international trade-related events sponsored by numerous public and private sector organizations which reached over 18,000 business representatives. This is the largest number of individuals that OExS has trained in its history.

OExS also helped defense-dependent firms to diversify into new commercial and international markets by providing financial, technical, and regulatory information to enhance their competitiveness. During FY 1996, the Western Regional Office conducted a series of 18 "hands-on" workshops that were attended by over 760 participants in seven western states. WRO representatives also participated in another 26 conferences providing trade competitiveness counseling to 4,942 attendees.

Update 1996

BXA's Update 1996 conference attracted the largest exporting audience in over five years. With over 850 participants, the program provided the exporting community an update on all export-related issues and events of the past year. This annual event is held in Washington, D.C. and hosted by numerous high-level government representatives.

This year's program was highlighted by a keynote speech by Commerce Secretary Michael Kantor. Commerce Department officials and representatives from the interagency community discussed major developments in export control policy, including the newly released Export Administration Regulations, export control liberalizations, technical data and software controls, and other relevant issues relating to export control requirements.

One-on-one Counseling

To complement its seminar program, OExS regulatory specialists in Washington, D.C. and in OExS field offices provide extensive, one-on-one counseling to the exporting community. As in past years, counselors provided accurate and in-depth responses on a wide range of export control and licensing issues of interest to the exporting community. This year's completion of the proposed rewrite of the Regulations brought an increase in correspondence and telephone calls to OExS.

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 an intermediary between exporters and licensing officials by forwarding relevant case-specific information to the licensing officers, and arranging meetings with licensing officers and industry representatives as necessary. In addition, OExS provides referrals to other trade organizations which offer assistance with other export related issues such as trade finance and marketing. During FY 1996, OExS responded to 173,000 inquiries regarding BXA policy and licensing issues, and received 1,268 visitors.

As part of the BXA and industry cooperative effort, OExS authorizes emergency processing through the licensing system on 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 few hours of receipt of the application. In FY 1996, OExS granted emergency processing to 37 cases, representing \$41 million in authorized exports.

In FY 1996, OExS continued its customer service initiatives through the distribution of brochures and export control-related publications. This year, OExS published two "how-to" documents to assist exporters entitled the "Procedures for Obtaining an Export Control Classification Number" and "Helpful Hints for Completing the Multipurpose Application Form BXA-748P".

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, 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.

Expanded Automation Services

Through its automation efforts, OExS dramatically enhanced its customer service capabilities. OExS's "Fax-on-Demand" system, which enables exporters to access useful information by facsimile 24 hours a day, was expanded significantly this year. The system now provides over 80 documents, covering such areas as recent regulatory changes, upcoming workshops, useful points of contact, and a wide variety of other competitiveness and trade-related information. Over 2,500 faxes per month are sent to our customers by this system.

OExS also expanded its free broadcast subscription services this year with its broadcast E-mail system, "netFacts". This system complements our longstanding facsimile service, "Fast Facts." Together, these two systems provide regular and timely updates to subscribers on regulatory and policy changes, upcoming workshops and other items of interest. Roughly 3,000 organizations currently subscribe to these broadcast services.

License Review

On December 6, 1995, the President issued Executive Order 12981 (EO 12981) relating to the licensing process for dual-use items. The purpose of the Executive Order was to provide better discipline to the licensing process as committed to by the Trade Promotion Coordinating Committee. EO 12981 expands the scope of interagency review and at the same time reduces the time permitted to process license applications. Under EO 12981, new authority is granted to the Departments of State, Defense, and Energy, and the Arms Control and Disarmament agency to review any export license application. The Executive Order permits agencies to inform Commerce as to the specific types of applications that they do not wish to review. Agencies are required to state a statutory or regulatory basis for their denial recommendations. OExS developed and coordinated procedures for EA's implementation of the new processing time frames. Agencies implemented the Executive Order on February 3, 1996.

BXA ensures that export license applications are analyzed and acted upon accurately, quickly, and consistently, and that exporters have access to the decision-making process, with current status reports available at all times. Rapid processing is available for the majority of applications BXA receives. Authorization to ship and current status are available through the computerized voice response system, STELA (System for Tracking Export License Applications).

BXA carefully analyzes each export license application it receives. All applications are reviewed for the reliability of the exporter and end user, the level of technology, and the appropriateness of the items to the stated end use. In addition, the FY 1991 implementation of the Enhanced Proliferation Control Initiative (EPCI) continues to place increasing emphasis on reviewing applications for countries, regions, and projects of proliferation concern related to nuclear, chemical and biological weapon, and missile technology development areas. Upon completion of this analysis, BXA either approves, denies, or returns a license application without action (RWA). Individual licenses are valid for two years.

Export License Processing

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" greatly reduced licensing activity in the past three fiscal years. For instance, the number of applications for individual licenses has been reduced by more than 65 percent between FY 1993 and FY 1996. During FY 1996, 8,705 applications were received. In contrast, in FY 1995, BXA received 9,982 applications, which in turn was an over 20 percent reduction from the 12,609 applications BXA received in 1994.

By the end of FY 1996, BXA acted upon 8,695 applications (including cases that were pending from FY 1995), approving 7,102 individual licenses, returning 1,337 without action and

denying 256. (See Table II. 1-1). At the end of FY 1996 there were 934 applications still pending. All actions represent a reduction in the number of cases processed.

Due to the 1994 and 1995 liberalization for computers, this commodity group has been replaced by shotguns as being the most significant commodity group for which export license applications were received in FY 1996. From FY 1994 to FY 1995, the number of incoming export license applications for computers in Category 4 decreased by approximately 69%. This commodity group experienced an equally significant drop in FY 1996 by approximately 45%.

BXA experienced decreases in license applications in all the Country Groups during FY 1996, the highest being an approximate 30% decrease in licenses received for exports to former COCOM countries. This decrease in license applications is based on recent liberalizations and increased eligibility for general licenses and license exceptions.

During FY 1996, BXA continued to concentrate on reducing the number of applications pending past statutory deadlines. By the end of FY 1996, only 49 applications were still pending over the statutory deadlines. This is a significant decrease compared to FY 1995 when the number of applications still pending past the statutory deadline was 82.

Prior to implementation of Executive Order 12981, the average processing time for applications during FY 1996 that did not require referral to another agency increased to 16 days, from 12 days in FY 1995. The average processing time for applications requiring referral was 47 days, an increase from 41 in FY 1995. After implementation of EO 12981, the average processing time for applications that did not require referral to another agency was nine days, and the average processing time for applications requiring referral was 30 days. During the second and third quarters of FY 1996, 91 percent of all applications required interagency referral. Overall, average processing times increased from 30 days in FY 1995 to 33 days in FY 1996. This increase in processing time can be attributed to the backlog of cases that developed during the government furlough and the increased percentage of cases referred to other agencies.

License Referral Process

The Department of Commerce, both by law and practice, refers certain applications, based on the level of technology, the appropriateness of the items for the stated end use, and the country of destination, 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). ACDA has increased its role in the license review process with the implementation of Executive Order 12981.

During the first few months of FY 1996 (prior to Executive Order 12981), the interagency license review and escalation procedure was governed by guidelines established by a Presidential Directive in December 1990. Contentious export license applications were referred to various

working-level interagency groups for resolution, under agreed procedures. Agencies represented at the working level were the Departments of Commerce, Defense, Energy and State.

Commerce chairs the interagency Operating Committee (OC), which reviews cases involving national security and certain foreign policy controlled items. The Department of State chairs the Subgroup on Nuclear Export Coordination (SNEC), the Missile Technology Export Control group (MTEC) and the Chemical and Biological Weapons Control group (SHIELD). These groups review cases subject to nuclear nonproliferation, missile technology, and chemical/biological weapons controls, respectively.

If the reviewing agencies do not reach consensus on an application at the working level, the application is escalated to the Advisory Committee on Export Policy (ACEP). This Assistant Secretary-level body is chaired by Commerce with its principal members coming from the agencies listed above. If a dispute remains unresolved at this level, the decision can be further escalated to the Export Administration Review Board (EARB), a Cabinet-level group chaired by the Secretary of Commerce with the Secretaries of Defense, and State as the other statutory members. The Chair of the Joint Chiefs of Staff and the Director of Central Intelligence have non-voting rights as members of the Board. If a participating agency disagrees with the recommendation of the EARB, it can escalate the decision to the President.

Under Executive Order 12981, applications that are in dispute among the agencies are referred to the OC. Export license applications are no longer referred to the working groups (SNEC, MTEC and SHIELD). These working-level interagency groups remain a part of the licensing process in a consultative basis. With the Executive Order implementation, the role of the OC was expanded to include the review of all license applications for which reviewing departments and agencies are not in agreement. The Commerce Chair considers the recommendations of the reviewing agencies and informs these entities of the Chair's decision within 14 days after receipt of the agency recommendations. Agency recommendations are required to be submitted within 30 days of receipt of the original referral from Commerce. 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 will be final.

If any agency disagrees with a licensing determination of the Department of Commerce made through the OC, it may appeal the matter to the ACEP for resolution. An agency must appeal a matter within 5 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 by submitting a letter from the head of the agency to the Secretary of Commerce, in his role as Chair of the Export Administration Review Board (EARB), and the Secretary of Commerce will then call a meeting to consider the license application. In the absence of a timely appeal, the majority vote decision of the ACEP shall be final.

Export applications considered by the EARB are resolved by a majority vote decision. Any agency may appeal this decision to the President. In the absence of a timely appeal, the majority vote decision of the EARB shall be final.

Executive Order 12981 reduces the time permitted to process license applications. No later than 90 calendar days after it is submitted, a complete license application will either be finally disposed of or escalated to the President for decision. Prior to Executive Order 12981 implementation, statutory authority required all license applications to be resolved within 120 days after an application was submitted.

Commodity Jurisdiction Process

The Administration achieved its goal of developing an efficient and transparent process to resolve disputes by implementing a new Commodity Jurisdiction (CJ) process. The procedures to implement this process are intended to improve interagency coordination with regard to commodity jurisdiction and commodity classification requests. New procedures, based on an interagency agreement between the Departments of Commerce, State, and Defense, were implemented on May 15, 1996.

The Department of Commerce will share with the Departments of State and Defense all commodity classification requests and license requests for items/technologies specifically designed, developed, configured, adapted and modified for a military application, or derived from items/technologies specifically designed, developed, configured, adapted or modified for a military application. The Department of State will share with Commerce all applications for munitions licenses for items/technologies not specifically designed, developed, configured, adapted and modified for a military application, or not derived from items/technologies specifically designed, developed, configured, adapted or modified for a military application. Commerce, State and Defense may refer any of the classification requests or munitions license applications for commodity jurisdiction determinations within two working days of receipt. Silence will be deemed to be consent at the end of those two working days and the originating agency may proceed with the processing of a final and binding commodity classification or munitions license in accordance with its own regulations, practices and policies.

Commodity classifications and munitions license applications referred to the CJ process, as well as any CJ requests, have a 95 calendar day cumulative time line for resolution of any conflict. The guidelines for resolution begin with referral of CJ applications by the State Department's Defense Trade Controls (DTC) to other agencies within five days. Departments are required to submit recommendations to DTC within five days and may request ten additional days to submit recommendations for extraordinary cases. The Director of DTC makes a final decision within five days of receipt of such recommendations. If the decision is disputed by another agency the decision must be escalated within five days and reviewed for up to ten days by an Assistant Secretary. The matter may be further escalated to the Cabinet level, with authority to escalate the decision to the President. The exporter will be notified and may then appeal that determination.

Electronic Licensing

BXA continues to upgrade and expand its electronic licensing process to provide prompt customer service. This year, BXA introduced the License Application Scanning System (LASSie) which is a PC-based forms processing and image management system. To ensure compatibility with LASSie, BXA revised the export application form. The new 748P Multipurpose Application Form can be used to apply for an export license or a classification request. In FY 1996, BXA processed 70% of the submitted applications for all destinations on LASSie. The remaining 30% of all applications received in FY 1996 were submitted electronically using the Export License Application and Information Network (ELAIN). For both LASSie and ELAIN, technical specifications, import certificates, and other documents are submitted by telefax or express mail.

BXA is currently updating the Multipurpose Application Records & Retrieval System (MARRs) as the replacement for the current microfiche system. MARRs is a PC-based forms and image management system. The automated data base will provide an electronic image of all export and classification requests and supporting documentation whether submitted manually or electronically. The database will be accessible to all BXA personnel with export licensing duties and to any U.S. Government Agency to which export requests are referred. It will be capable of accepting exporter transmissions of various digitized media and will also allow immediate access for retrieval of all data existing within the data base.

Special Licensing Procedures

Special Comprehensive License

In an effort to respond to concerns from high-tech businesses, BXA removed regulatory obstacles and streamlined the Special License procedure outlined in the EAR to offer a new licensing option titled the Special Comprehensive License (SCL). The new Special Comprehensive License (SCL) replaces and consolidates all of the separate Special Licenses. The SCL became effective through Federal Register Notice, Vol. 61, No. 58, dated March 25, 1996. This SCL allows for expanded commodities and destinations and permits companies to perform all existing export/reexport activities under one license authorization.

By creating this new license, BXA has provided more flexibility that allows a company to tailor a license to its individual needs. The 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). This new license expands the ICP to cover export activities not previously performed under the Special Licensing Procedures. Unlike Special Licenses, the SCL was automated to provide exporters the ability to submit applications electronically, similar to other license submissions.

Before implementation of the SCL through the Regulation Reform effort, there were six separate types of Special License procedures: (1) Project License; (2) Distribution License; (3) Service Supply Procedure; (4) Humanitarian License; (5) Aircraft and Vessel Repair Station Procedure; and (6) Special Chemical License. The following is a description of each type of license procedure:

Project License

The Project License (PL) authorizes large scale exports of a wide variety of commodities and technical data for specified activities. Those activities can include capital expansion, maintenance, repair or operating supplies, or the supply of materials to be used in the production of other commodities for sale. The typical users of the PL are firms wishing to establish offshore manufacturing facilities or firms that wish to supply maintenance, repair, and operating supplies to serve an existing facility such as an airline.

Distribution Licenses

The Distribution License (DL) authorizes U.S. companies to make multiple exports and reexports of certain controlled commodities to pre-approved consignees located in most countries in Country Groups T and V, except Iran, Jordan, Lebanon, Syria, and the People's Republic of China. DL consignees, whether resellers (e.g., distributors) or end-users (e.g., manufacturers) may be affiliated or unaffiliated with the DL holder. Only firms that demonstrate a thorough knowledge of the EAR and strictly adhere to the DL requirements are granted this privilege.

An Internal Control Program (ICP) is a mandatory requirement of the DL and is crafted by each DL participant to ensure that its export procedures comply with the requirements of the DL and the EAR. Broadly speaking, the 15 elements of the ICP can be summarized under the headings of: (1) Customer Screening (i.e., EPCI, Denied Persons List, Diversion Risk Profile, and Product/Country); (2) Auditing; (3) Training; and (4) Administrative, (e.g. Corporate commitment to EAR compliance). BXA has assisted exporters and consignees which participate in this procedure to develop and refine their internal control programs. The DL Internal Control Program has been the standard for use by multinational companies worldwide since its implementation in 1985.

Service Supply License Procedure

The Service Supply Procedure, which encompasses both the Service Supply License and foreign-based Service Facility, enables persons or firms in the United States and abroad to provide prompt service for equipment: (1) exported from the United States; (2) produced abroad by a

subsidiary, affiliate or branch of the U.S. firm; or (3) produced abroad by a manufacturer who uses parts imported from the United States in the manufactured product. The Service Supply Procedure permits the export and reexport of spare and replacement parts to customers in most countries in Country Groups T and V, and under certain conditions, the export and reexport of replacement parts (but not spare parts) to customers in Country Groups Q, W, and Y.

Humanitarian License

The Humanitarian License (HL) authorizes exports of donated goods to meet basic human needs. The exporter should have experience in this field and may not charge recipients for the exported products. Further, firms must have a monitoring system that ensure goods reach the intended beneficiaries.

This procedure was abolished upon publication of the revised regulations on March 25, 1996. License Exception NEED was created to cover most export transactions for donated goods to meet basic human needs.

The Aircraft and Vessel Repair Station

The Aircraft and Vessel Repair Station Procedure is an alternative method of supplying an end-use document that would otherwise be required to support an application for an individual license. Parts exported under the license must be for installation on the aircraft or vessel. No reexports of the uninstalled parts by the Repair Station are authorized. This procedure was abolished upon publication in of the revised regulations on March 25, 1996, due to the decontrol of commodities associated with the airline industry. In most instances, other commodities that were not decontrolled are controlled for missile technology reasons and must be exported under an individual license.

Special Chemical License

The Special Chemical License authorizes exports of certain controlled chemicals and chemical and biological equipment to all destinations except Country Groups S and Z, Iran, Iraq, and Syria. This procedure is intended to assist those firms that ship significant amounts of these commodities by removing the requirement for applying for numerous individual licenses. Only reliable firms that can demonstrate the ability to adhere to the EAR and the Special Chemical

License requirements may participate, and eligibility is further restricted to consignees that are subsidiaries, affiliates, or unaffiliated firms which are the actual end-users of the commodities. There is a general prohibition on resale, transfer, and reexport of commodities received under this procedure without prior written authorization from BXA.

USG-Agency International Cooperative Licenses

In 1993, a license was developed to assist a U.S. Government Agency in meeting its mission and activities under the Nunn-Lugar Program for the dismantlement of weapons of mass destruction in Belarus, Kazakhstan, Russia, and the Ukraine under the Cooperative Threat Reduction Program (CTRP).

In FY 1996, OEXS approved 11 requests to multiple consignees for the shipment of items needed to support the various projects involved under the CTRP. Some of these projects involve assistance in export control development, defense conversion, accountability, control, and protection systems for nuclear material, the dismantlement of nuclear weapons and destruction of strategic nuclear vehicles, and rail transport of nuclear weapons.

In FY 1996, a license was developed to assist a U.S. Government Agency in fulfilling the U.S. partnership role in the international Space Station Program. The license authorizes exports of items that are part of bilateral agreements between the U.S. and foreign government space agencies.

Evaluation of Special Licensing

Originally, Special Licenses were established for exporters who routinely make high volume shipments of pre-approved items to pre-approved destinations and end uses/users. These procedures were established to help U.S. firms remain competitive in the global market place by allowing special licenses in lieu of submitting individual applications. By approving these license paperwork burden on exporters/reexporters, improving U.S. competitiveness in the global market by allowing more flexibility, and improving delivery times by not having to wait for individual license approvals from BXA.

Exporters can now receive most of these same benefits through the increased availability of general license and commodity decontrols, rather than seeking Special Licensing authority. The number of Special Licenses has continued to decline in FY 1996 in direct proportion to these decontrols and general license availability. The most significant impact on Special Licenses during this period was the October 6, 1995, Presidential announcement to reform computer export controls. Since the majority of Distribution License Holders have been computer related companies, the changes made to computer export controls, as found in Federal Register Notice, Vol.61, No. 17, dated January 25, 1996, essentially eliminated the need for a Special License for these types of companies. Exporters can now use General License G-CTP for the export/reexport of higher level computers. A breakdown of the total number of current Special License holders for FY 1996 are identified below.

Distribution License	27
Project License	24
Service Supply	7
Service Facility	24

Special Chemical	1
Humanitarian	0
Aircraft/Vessel Repair	0
Special Intl. License	2
Total	85

Transition

All current Special Licenses (i.e, Distribution, Project, Service Supply & Facility, Special Chemical) will expire on March 31, 1997. OExS has contacted each current Special License holder to offer counseling to those who are still in the process of analyzing the benefits of the new SCL. During FY 1996, OExS completed seven pre-application consultations with SCL applicants to determine eligibility under a SCL. OExS reviewed other written advisory requests by firms to determine eligibility under the SCL.

In addition to working through the transition period of the new license, OExS counsels exporters on the establishment of Internal Control Programs (ICP). Current Distribution License holders already have Internal Control Programs that can be adapted to the new SCL. Even though the other types of SL holders do not require ICPs, OExS continues working with firms to customize ICPs to unique exporter activities.

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 ICP implemented by SL holders and consignees, to ensure compliance with the EAR, and to provide necessary education and guidance to the SL holders and consignees. Reviews are conducted by export compliance specialists located in the OExS', Special Licensing and Compliance Division (SLCD) in Washington, D.C.

Furthering BXA's customer service objectives during FY 1996, OExS revised and updated the Special Comprehensive License (SCL) Internal Control Program (ICP) Guidelines, SCL Holder Review Module, SCL Holder and Consignee Systems Reviews Questionnaires, and other SL related material. During these revisions, an appendix was created to the SCL ICP Guidelines that provides guidance to participants on the development of the ICP based on their specific activities under the SCL.

OExS also revised and updated the Export Management Systems (EMS) Guidelines. In accordance with the Enhanced Proliferation Control Initiative (EPCI) provisions, the 80-page pamphlet includes a description of how an exporter of decontrolled or license exception eligible commodities can set up screening procedures, similar to those required under the SCL program, to help ensure that sales are not made to entities involved with the design, development, production,

stockpiling or use of weapons of mass destruction. Sales to these entities in specified countries are prohibited even under general license. The EMS Guidelines are based in part on the experience gained by OExS in conducting over a thousand on-site systems reviews. All of these publications are available to the public. In the future, BXA will offer the ICP and EMS Guidelines on BXA's Internet Website. During July and August, 1996, BXA distributed over 800 copies of the revised and updated SCL ICP and the EMS Guidelines.

Table II-1.3 Summary of Systems Reviews

Fiscal Year	1984-88	1989	1990	1991	1992	1993	1994	1995	1996	Total
Special Licensing and Compliance Division (SLCD)										
Domestic:	282	69	42	52	39	16	9	9	3	521
Foreign:	88	61	82	24	41	32	19	0	0	347
Desk:	0	0	6	6	12	0	0	5	1	30
	28	14	4	898						
SLCD Total:	370	130	130	82	92	48				
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	1050

* 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

2. The Office of Strategic Trade and Foreign Policy Controls

The Office of Strategic Trade & Foreign Policy Controls (STFPC) implements the multilateral export controls under the Wassenaar Arrangement to control the spread of conventional arms and related technologies. STFPC also is responsible for the bilateral High-Performance Computer Regime with Japan. It represents the Department in international negotiations on export controls and control list development for both regimes. The office is responsible for all policy actions, export licenses, commodity classifications, and advisory opinions for commodities subject to these two regimes. STFPC also implements U.S. foreign policy controls to ensure that exports are consistent with our national goals relating to human rights, crime control, antiterrorism, and regional stability.

National Security Controls

The United States maintains national security controls on the export and reexport of strategic commodities and technical data worldwide to prevent the diversion of such strategic items to certain destinations. To achieve this objective, the United States pursues a multilateral approach and imposes controls in cooperation with other nations participating in the Wassenaar Arrangement.

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 list of controlled 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

For over two years the members of the former Coordinating Committee on Multilateral Controls (COCOM), which was dissolved on March 31, 1994, have been meeting to work out a follow-on regime. It was decided that an important element of the new regime would be its initial scope and membership--both of which were to be greatly expanded. These negotiations culminated in an agreement on the initial elements of the regime in December 1995. The group took the name of the city in which the agreement was reached, Wassenaar, in the Netherlands. Membership was expanded and negotiations continued.

On July 11-12, 1996, the 33 members of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-use Goods and Technologies approved the regime's guidelines and procedures. The parties also approved lists of controlled arms, munitions and dual-use goods and technologies. The purpose of the regime is "to promote greater transparency, responsibility and restraint with regard to transfer of arms and sensitive dual-use goods and technologies." An important feature of the Wassenaar Arrangement is its commitment to control conventional arms and related dual-use technologies. The regime is intended to be a complement to the existing non-proliferation regimes: the Missile Technology Control Regime, the Australia Group and the Nuclear Suppliers Group. The United States believes the Wassenaar Arrangement will have two distinct advantages over COCOM. First, it will be a vehicle for monitoring transfers of sensitive goods to countries of concern. Second, it will provide members with a forum to share information about transfers for the benefit of the group as a whole and the members themselves--at a national level.

The regime enters into effect on November 1, 1996, the target date for implementing the control lists. During a September 24-25 working group, parties met to finalize procedures to safeguard the confidentiality of information provided to the secretariat and ensure that their own national legislation and regulations permit the sharing of such information. A voluntary information exchange occurred in September with formal reporting due in November. The next plenary will meet in Vienna in December 1996.

Export Control Changes

On November 28, 1995, BXA amended the Export Administration Regulations by expanding foreign policy controls on specially designed implements of torture. Previously, such implements were controlled under ECCN 0A82C of the Commerce Control List, along with handcuffs, police helmets and shields, as crime control and detection commodities. As such, they did not require a validated license for export to member countries of the North Atlantic Treaty Organization (NATO), Australia, Japan or New Zealand. The new rule created a new CCL entry, 0A83D, requiring a validated license for export of specially designed implements of torture to all destinations, including Canada. Applications for such exports will continue to be subject to a general policy of denial.

On December 20, 1995, BXA expanded general license GLX treatment to semiconductor devices (integrated circuits), certain semiconductor manufacturing equipment, certain cellular phones containing encryption and encrypted virus protection software programs. Industry has estimated that 139 billion semiconductors and 33 billion integrated circuits were sold worldwide in 1992. Less than one-third of these were produced by U.S.-owned firms. Industry believes that the availability of general license shipments for integrated circuits will significantly improve the global competitiveness of the U.S. semiconductor industry.

On January 25, 1996, BXA published a regulation implementing the President's October 6, 1995 announcement on major reform of computer export controls. The President announced a liberalization of export controls on all computers to countries in North America, most of Western Europe, and parts of Asia. For certain other countries, including many in Latin America and Central and Eastern Europe, this rule also liberalized export controls on computers. For the former Soviet Union, China and certain other countries, U.S. export controls focused on computers intended for military and proliferation end-uses or users, and eased controls on exports of computers to civilian customers. Finally, there were no changes in current policy for computer shipments to terrorist countries with the exception of the addition of Sudan to ECCNs 4A994F, 4D994F, 4E994F, and Computer Tier 4 (a grouping of terrorist countries, for the purpose of computer controls). This decision streamlined validated license requirements for U.S. computer manufacturers of computers that are, or will be in the next two years, widely available in the international market place.

On March 5, 1996, BXA amended the Export Administration Regulations (EAR) to reflect the imposition of additional economic sanctions on Iran as a result of the issuance of Executive Order 12959 on May 6, 1995. The Executive Order delegates implementation responsibility to the Department of the Treasury's Office of Foreign Assets Control (OFAC), including authority for exports and certain reexports. If OFAC authorizes an export or reexport, no separate authorization from BXA is necessary. This rule makes clear that enforcement action may be taken under the EAR with respect to an export or reexport prohibited both by the EAR and by the Executive Order and not authorized by OFAC. STFPC has also been providing technical analyses to OFAC on export license applications, including requests to maintain commercial passenger airlines to ensure safety of flight.

Bilateral Cooperation/Country Policy

Cuba: Following the shootdown of U.S. civilian aircraft by Cuban military aircraft in February 1996, the President ordered the grounding of U.S. flights to Cuba.

The Cuban Liberty and Democratic Solidarity (LIBERTAD) Act (Public Law 104-114) was signed into law on March 12, 1996. The legislation, among other things, codifies the embargo and authorizes the President to assist independent non-governmental organizations in Cuba and to establish an exchange of news bureaus. The Act did not impact current BXA licensing of exports of humanitarian items to Cuba under Section 1705 of the Cuban Democracy Act (CDA).

Hong Kong/Taiwan: In May 1996, BXA participated in an interagency delegation that held export control talks with Hong Kong and British officials and with Taiwan officials. In Hong Kong, the talks centered on building nonproliferation expertise among the Hong Kong officials to replace their reliance on British expertise. Hong Kong officials also came to Washington in July 1996 to participate in the Missile Technology Control Regime's transshipment seminar. Other Hong Kong officials came in August 1996 to meet with nonproliferation-control experts at BXA and at State and to attend the Department of Energy's Nuclear Nonproliferation seminar. In Taiwan, talks focused on helping Taiwan to adopt nonproliferation controls now that they have munitions and dual-use goods controls in place. In September 1996, an interagency team returned to both Hong Kong and Taiwan to give further training in nonproliferation controls.

Israel: In July 1996, a group of Israeli export control officials came to Washington for a five-day program that included participation in BXA's annual "Update" conference and briefings at the Departments of State and Defense. In addition, BXA conducted a one-day program to discuss BXA's licensing process, computer system, and export control legal authorities.

China: U.S. and Chinese representatives met in September 1996 for the 10th meeting of the Joint Commission on Commerce and Trade (JCCT). BXA was able to arrange a side meeting on export controls with some of the Chinese delegates. Both sides recounted changes in their export control system that had occurred during the year since the last JCCT meeting and both sides shared some export control problems. Agreement was reached to meet again in the early spring to continue export control cooperation.

Japan: U.S. and Japanese representatives met in September for export control discussions. Agenda items included consideration of the Wassenaar Arrangement, joint export control efforts in East Asia, and the U.S.-Japan high performance computer agreement.

Commodity Jurisdiction

Commercial Communications Satellites and Hot Section Technology

In October, BXA published a rule in the Federal Register transferring jurisdiction on certain commercial communications satellites and certain hot section technology for the development and production of commercial aircraft engines from the U.S. Munition List, administered by the State Department, to the Commerce Control List. These commodities are controlled by the Wassenaar Arrangement whose members include most of the other producers of these commodities. These items are also controlled for foreign policy reasons. The Secretary of Commerce took this action with the concurrence of the Secretaries of State and Defense, in the belief that these controls are necessary to further significantly the foreign policy of the United States. The United States is the world leader in the production of commercial communications satellites and of hot section technology.

Encryption

On December 30, 1996, BXA issued a regulation implementing the Administration's encryption policy announced by the Vice President on October 1, 1996. The regulation establishes procedures and conditions for companies to follow for approval to export encryption products and creates a new license exception for recoverable encryption products. Key elements of the regulation include the transfer of commercial encryption items from the U.S. Munitions List to the Commerce Control List, liberalized treatment for recoverable products and a two-year transition period during which non-key recovery 56 bit DES or equivalent strength encryption products may be approved for export based on company commitments to build and market key recovery products and to support a key management infrastructure for electronic commerce.

In addition, beginning on January 1, 1997, nonrecoverable 56 bit DES or equivalent strength encryption products will also be exportable under a special six month license exception, which can be renewed during the two year transition period. This special license exemption requires a one time review of the product and assurances that satisfactory progress is being made to build and market recoverable encryption products. The Administration's initiative will support the growth of electronic commerce, increase the security of the global information, and sustain the economic competitiveness of U.S. encryption product manufacturers during the transition to a key management infrastructure with key recovery.

European Union Harmonization Effort

During FY 1996, STFPC renumbered the national security and foreign policy commodities, equipment, and technology on the Commerce Commodity Control List to conform with the numbering system of the European Union. The harmonized control list for these items simplifies comparisons between the U.S. and foreign numbering systems for Customs and enforcement officials.

3. The Office of Nuclear and Missile Technology Controls

The Office of Nuclear and Missile Technology Controls (NMT) is responsible for all policy and technology issues related to U.S. dual-use export controls on nuclear and missile technology, including the full range of activities associated with the licensing of exports. As the lead office on nuclear and missile issues, NMT staff participates as part of the U.S. delegation to the multilateral Nuclear Suppliers Group (NSG) and the Missile Technology Control Regime (MTCR). These multilateral organizations coordinate export controls on items that could contribute to the proliferation of weapons of mass destruction.

NMT provides both policy and technical perspectives, ensuring that dual use equipment and technology critical to the development of such weapons and their delivery systems are controlled. NMT participates in export control outreach efforts, engaging foreign governments, multilateral government organizations, and international and U.S. industry groups in formal seminars and informal contacts to enhance nuclear and missile nonproliferation efforts worldwide.

European Union List Harmonization

As part of an overall BXA effort, NMT initiated discussions with the European Union (EU) that resulted in the harmonization of the Commerce Control List (CCL) with the EU dual use control list. This effort has enabled BXA to publish a new CCL that reflects commonality with the EU list, with few exceptions. Consultations continue with the EU to ensure that both lists are kept current, and that questions and concerns have a forum for discussion and resolution. By harmonizing U.S. control language with that of the EU, and eliminating any possibility of misinterpretation as to what is intended to be controlled, U.S. exporters are now on a level playing field internationally with their European competitors, and enforcement of the controls is strengthened.

The Nuclear Suppliers Group Regime

The Nuclear Suppliers Group Dual-Use Regime (NSG), which began in March of 1992, is an informal group whose 34 members have agreed to multilaterally control exports of dual-use commodities that have nuclear weapons utility. These controls are described in two NSG documents, the Guidelines and the Annex. The Guidelines provide the underlying precepts of the Regime, while the Annex lists those items subject to NSG controls. The NSG requires members to establish licensing procedures for the transfer of Annex items.

Once a nation indicates its willingness to abide by the NSG's precepts and demonstrates that intent by adopting NSG controls as part of its national laws and regulations, it may formally apply for membership. The newest members to join the NSG include Argentina in April 1994; New Zealand in October 1994; South Africa and South Korea in April 1995; and Brazil and Ukraine in April 1996.

Export Control Changes

The NSG is a dynamic regime which must be revised to reflect advances in nuclear technology. BXA has been an active participant and a strong advocate of revisions to the NSG Dual Use List to eliminate outdated controls. Seminars and meetings are regularly held to refine the list of controlled items, and to update procedures to enhance the regime's effectiveness.

On February 1, 1996, BXA published an interim final rule amending a number of Export Control Classification Numbers (ECCNs) on the Commerce Control List in order to make the Nuclear Referral List conform more closely with the items contained in the NSG Annex, including the removal of nuclear proliferation controls on machine tools that are no longer warranted. This rule also added several countries which were eligible to receive exports under general license (G-NSG), under the old Regulations, and are eligible to receive exports without a license, under the revised Regulations published on March 25, 1996.

NSG List Reformatting

NMT has been actively involved in an ongoing U.S.-sponsored NSG initiative to reformat the NSG control language by eliminating confusing or awkward terms. The new format clarifies the exact meaning of the controls to all NSG members and their exporting companies, so that there is consistency in the application of controls by all member governments. BXA has championed this effort and played a lead role in the reformatting.

The Missile Technology Control Regime

The Missile Technology Control Regime (MTCR) was founded in 1987 by the United States and its six major trading partners: the United Kingdom, Germany, France, Canada, Italy and Japan. The MTCR presently comprises 28 member countries that have agreed multilaterally to control missile related exports to prevent the proliferation of missiles capable of delivering weapons of mass destruction.

MTCR export controls are based on the Guidelines and the Annex. The Guidelines provide licensing policy, procedures, and review factors, along with standard government assurances, to prevent the proliferation or re-transfer of sensitive technology. The MTCR Annex lists missile systems, major subsystems, production equipment, materials, components, and test equipment that are subject to controls. Each member country, under its own national laws, has agreed to abide by the provisions of the MTCR by implementing export controls on dual-use items identified in the MTCR Annex. In the case of the United States, there are approximately 120 entries on the Commerce Control List subject to missile technology controls.

MTCR Transshipment Seminar

In July 1996, BXA assisted in the development of the first MTCR Transshipment Seminar. This seminar was a ground-breaking exercise for nonproliferation export control regimes. For the first time, MTCR and non-MTCR countries were brought together to discuss the role that transshipment plays in illicit trade. Twelve MTCR countries and seven non-MTCR participants -- Cyprus, Malta, Singapore, South Korea, Hong Kong, Jordan, and the United Arab Emirates -- met to discuss concerns relating to missile proliferation.

At the seminar, BXA addressed issues relating to legislation, regulations, policy, licensing, and enforcement of missile-related exports. In an effort to continue this dialogue between MTCR and non-MTCR countries on missile technology issues of mutual interest, a series of expert level workshops on the various aspects of export control implementation will be scheduled in the year ahead.

The Enhanced Proliferation Control Initiative

NMT continues to lead the effort to clarify the Enhanced Proliferation Control Initiative (EPCI) and to urge multilateral implementation of similar measures by our trading partners. EPCI covers exports and reexports of otherwise uncontrolled goods and technology where there is a risk of diversion to proliferation activities. EPCI also addresses services by persons subject to U.S. jurisdiction who may contribute to proliferation activities. These regulations are designed to prevent exports that would make a material contribution to proliferation projects of concern, without affecting legitimate commercial trade.

EPCI began as a unilateral control, but with U.S. leadership, many of our nonproliferation regime partners have also incorporated end-use restrictions. On July 1, 1995, the European Union began implementing dual use regulations containing end-use restrictions, and Japan began implementing its end-use controls on October 1, 1996. Strengthening EPCI will improve U.S. nonproliferation efforts and reduce uncertainty among U.S. exporters regarding export controls.

4. Office of Chemical and Biological Controls and Treaty Compliance

The Office of Chemical and Biological Controls and Treaty Compliance (CBTC) is the focal point within the U.S. Government for implementing dual-use multilateral export controls in the area of chemical and biological weapons (CBW) proliferation. The office carries out its responsibilities by: 1) participating in multilateral export control activities under the Australia Group (AG); 2) administering compliance through export licensing; 3) ensuring that U.S. industry's interests are taken into consideration in the development of export control laws and regulations; and 4) participating in international negotiations involving the Biological Weapons Convention (BWC) and the Chemical Weapons Convention (CWC). CBTC works closely with U.S. industry by providing commodity classifications and advisory opinions and participating in relevant BXA Technical Advisory Committees. The office plays a strong role in implementing policies that promote U.S. nonproliferation goals while protecting company proprietary information, including commercial technologies.

CBTC also administers Congressionally-mandated restrictions on the export of domestically produced petroleum and unprocessed timber. This office led in implementation of the Alaskan North Slope oil export liberalization, revision of the short supply crude oil export regulations, and administration of the state log export ban mandated by the Forest Resources Conservation and Shortage Relief Amendments Act of 1993. This office also is responsible for analyzing the impact of export control/economic policy options with respect to the U.S. oil industry (see section on Short Supply).

Chemical and Biological Controls

The United States maintains chemical and biological weapons (CBW) controls on the export and reexport of commodities, equipment, and technology worldwide to prevent the diversion of such items to certain destinations and end-users. To achieve this objective, the United States pursues a multilateral approach and imposes controls in cooperation with other nations participating in the Australia Group (AG).

Sanctions

During FY 1996, the U.S. Government continued chemical and biological sanctions on several foreign firms and nationals pursuant to the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991. These sanctions prohibit the U.S. government from procuring goods and services from the sanctioned entities and also prevent the importation into the United States of any goods produced by them.

Australia Group Regime

The Australia Group (AG) is an informal forum of 30 industrialized countries that have agreed to cooperate in curbing the proliferation of chemical and biological weapons. The AG is

meeting this objective through the harmonization of export controls and the exchange of information on CBW-related activities of concern. Since 1985, the AG has expanded its control list to cover a variety of CBW-related items, including chemical weapons precursors, dual-use chemical and biological manufacturing facilities, equipment, and related technology, and biological agents including plant, animal and human pathogens, and toxins. The key criteria for membership in the Australia group are that a country must have an export control system in place that includes an enforcement mechanism, and a country must not have a CBW program or assist other countries that are developing such programs.

Export Control Liberalization

On October 19, 1995, BXA issued the final rule to implement the Australia Group's (AG) three-tiered approach on chemical mixtures containing an AG-controlled chemical weapon (CW) precursor. This regulation provided relief to the chemical industry from the previous zero tolerance for chemical mixtures and streamlined controls and reporting requirements on sample chemical shipments. An exporter can now export these types of mixtures containing an AG-controlled chemical precursor under a general license to most destinations if the precursor meets the de minimis threshold concentration on a solvent-free basis.

During FY 1996, BXA updated the biological control list for the first time in three years. BXA published the changes in the Federal Register on March 25, 1996. These changes included implementing new nomenclatures for several pathogens, modifying the wording and clarification of terms for biological items, liberalizing BW export controls on vaccines and immunotoxins, and revising technical parameters for fermenters, cross-flow filtration equipment, and chambers.

In FY 1996, BXA initiated and cleared a draft regulation which would permit the export of solvents containing trace quantities of controlled chemical precursors under the provisions of a license exception for consideration by the AG members. At present, for example, items such as dry cleaning agents which contain trace quantities require a validated license. This proposal would relieve the U.S. chemical industry from some licensing requirements. At the October 1996 Australia Group Plenary session, AG members reviewed the issue of using a solvent free basis to compute the percentage of CW precursor and agreed to hold an Intersessional experts meeting to discuss member country proposals to modify the solvents rule. If the AG agrees to modify the solvents rule, BXA may revisit the proposed exemption for trace quantities of precursors. During the coming year, BXA will provide analytical and technical support to the Intersessional experts group.

Chemical Weapons Convention

On January 13, 1993, the United States signed The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC). The purpose of the CWC is to ban the use, development, production, or stockpiling of Chemical Weapons. The CWC is a comprehensive arms control agreement that bans an entire

class of weapons and affects the operations of the chemical industry. The CWC requires affected industries to submit initial and annual declarations on their production, use, stockpiling, and trade in: 1) Schedule 1 CW agents; 2) Schedule 2 other CW Agents and Precursors; and 3) Precursor Chemicals with Industrial Uses. Affected industries are subject to routine and challenge inspections from a team of inspectors from the Organization for the Prohibition of Chemical Weapons. In addition, the trade restriction provisions of the CWC are compatible with the existing AG-related export licensing regulations administered by BXA.

On September 12, 1996, the Senate canceled the scheduled vote on providing its advice and consent to ratification of the CWC. Further consideration of the CWC is anticipated during the 105th Congress.

Biological Weapons Convention

The Biological Weapons Convention of 1972 (BWC), an international arms control agreement ratified by the U.S. and 136 other countries, bans the development, production, stockpile, or acquisition of biological agents or toxins that have no peaceful uses. An Ad Hoc Group was established in 1994 to consider measures to strengthen the BWC and incorporate them into a legally binding protocol. During FY 1996, BXA participated fully in U.S. delegations to all BWC international negotiations. The 4th Biological Weapons Review Conference took place in November 1996. BXA worked within the interagency policy formulation process to devise and evaluate measures to enhance compliance, and to develop guidance to help negotiators effectively promote U.S. protocol objectives. BXA's objective is to ensure that the protocol that will be developed enhances confidence in the BWC without endangering U.S. industry interests.

Biological Terrorism

During FY 1996, BXA participated in the interagency Culture Collection Committee formed to address potential threats of biological terrorism. The Center for Disease Control within the U.S. Department of Health and Human Services led the interagency group to develop plans that would ensure that public safety is protected without encumbering legitimate scientific and medical research in the United States.

On June 10, 1996, the Committee published in the Federal Register a proposed rule which places additional shipping and handling requirements on facilities involved in interstate commerce that transfer or receive selected agents capable of causing substantial harm to human health. It designed the rule to: 1) collect and provide information on biological facilities where agents are transferred, 2) track the domestic transfer of these specific agents, and 3) establish a process for alerting appropriate authorities if an unauthorized attempt is made to acquire these agents.

European Union Harmonization Effort

During FY 1996, CBTC renumbered the chemical and biological commodities, equipment, and technology on the Commerce Control List to conform with the numbering system of the European Union. The harmonized control list for CB items simplifies comparisons between the U.S. and foreign numbering systems for Customs and enforcement officials.

Exporter Outreach

As part of its outreach program, BXA conducted special seminars on CBW regulations. BXA also designed special half-day seminars for academia and those companies involved in research, sales, and service of chemical and biological products. The seminars provided an overview of BXA's role in the area of CBW export control regulations and nonproliferation concerns. Other appropriate agencies also made presentations on their regulations as they pertain to CBW products.

Short Supply Controls

Sections 3(2)(c) and 7 of the Export Administration Act of 1979, as amended, (the Act) authorize the President to prohibit or curtail the export of goods "where necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of foreign demand". In support of this objective, Section 7 also authorizes the President to monitor exports of certain goods to determine the impact of such exports on the domestic supply and whether this impact has an adverse effect on the U.S. economy.

BXA also administers export controls under the Energy Policy and Conservation Act, the Mineral Leasing Act, the Naval Petroleum Reserves Production Act, the Outer Continental Shelf Lands Act, and the Forest Resources Conservation and Shortage Relief Act (FRCSRA) of 1990, as amended during FY 1996. BXA continued to conduct economic, policy, regulatory, and technical analyses of short supply controls for domestically produced petroleum, minerals and unprocessed timber.

Actions related to these controls included:

Alaskan North Slope (ANS) Crude Oil Exports: During FY 1996, BXA chaired an interagency review of the economic and environmental effects of lifting the ban on the export of Alaskan North Slope oil pursuant to Public Law 104-58. The President used this review as the basis for his decision that ANS oil exports are in the national interest. He directed BXA to establish a license exception with conditions for the export of this oil. On May 31, 1996, BXA established License Exception TAPS (Trans-Alaska Pipeline) which allows for exports of ANS crude oil under certain conditions. This trade liberalization measure provides U.S. exporters with the opportunity to develop a \$500 million annual foreign market for ANS crude oil. During FY 1996, U.S. firms exported five cargoes of ANS crude oil totaling approximately 5.3 million barrels.

California Heavy Crude Oil Exports: During FY 1996, BXA issued five licenses for the export of California heavy crude. U.S. companies are exporting this oil to foreign tankers as part of bunker fuel blends.

Regulatory Reform

On March 25, 1996, as part of the comprehensive revision of the Export Administration Regulations, the Department published in the Federal Register revisions to the short supply export control regulations. These changes included:

Establishing license exceptions for certain sample shipments of crude oil and certain shipments of oil from the Strategic Petroleum Reserve.

Clarifying the language and simplifying application of the Export Administration Regulations (EAR).

During FY 1996, as authorized by Section 7 of the Export Administration Act of 1979 (the Act), the Department of Commerce controlled certain domestically produced crude oil and unprocessed Western Red Cedar timber harvested from Federal and state lands.

Section 7(k) of the Act specifies that for purposes of export controls imposed under this Act, the shipment of crude oil, refined petroleum products, or partially refined petroleum products from the United States for use by the Department of Defense or United States-supported installations or facilities should not be considered as exports.

Section 14(a)(13) of the Act requires a report on any monitoring program conducted pursuant to this Act or Section 812 of the Agricultural Act of 1970. Therefore, this chapter includes a report by the U.S. Department of Agriculture (USDA) on its monitoring activities during FY 1996.

Crude Oil and Refined Petroleum Products

Exports of most domestically produced crude oil continued to be subject to statutory restrictions in FY 1996. Four separate statutes require the Department to administer various restrictions on the export of domestically produced crude oil.

- The Energy Policy and Conservation Act (EPCA) requires the President to prohibit the export of domestically produced crude oil (Section 103).
- The Mineral Leasing Act (MLA) prohibits exports of domestic crude oil transported by pipeline over Federal rights-of-way granted under Section 28(u).

- Naval Petroleum Reserves Production Act (NPRPA) of 1976 restricts exports of petroleum (crude or refined products) produced from the Naval Petroleum Reserve.
- The Outer Continental Shelf Lands Act (OCSLA) restricts exports of crude oil or natural gas produced from Federally owned submerged lands of the Outer Continental Shelf.

Licensing Actions

All of the statutes establish various stringent tests (e.g., consumer savings through lower prices for replacement oils) a license applicant must meet before BXA will approve the license and authorize crude oil exports. BXA can waive these tests only by a national interest finding issued by the President or his delegated representative. The President has retained the authority to make national interest findings under three of the statutes, but has delegated to the Secretary of Commerce the authority to make findings under EPCA.

Since the legislation came into effect, there have been only five national interest findings providing exemptions from the statutory prohibitions. The President issued two findings that allow: 1) as of 1985, the export to Canada of crude oil produced in the lower 48 states; and 2) as of 1989, the export of 50,000 barrels per day (B/D) of ANS crude pursuant to the U.S.-Canadian Free Trade Agreement. In 1985, the Secretary of Commerce issued a finding allowing the export of Alaskan Cook Inlet crude oil to Pacific Rim energy markets. On October 23, 1992, the President authorized the export of 25,000 B/D of California heavy crude oil having a gravity (i.e., weight) of 20 degrees API or lower. On April 28, 1996, the President determined that exports of ANS crude oil when transported on U.S.-flag tankers are in the national interest.

During FY 1996, BXA approved 15 licenses involving a total of 11,620,070 barrels of crude oil or approximately 31,840 B/D. This included:

Exports to Canada: During FY 1996, BXA issued three licenses totaling more than 7,062,000 barrels for shipment to Canada of crude oil produced in the lower 48 states.

Crude Oil For Testing Purposes: The Department can authorize the export of small quantities of domestically produced crude oil for testing purposes under an individual validated license (IVL). In FY 1996, BXA issued six such licenses amounting to slightly more than 70 barrels of crude oil. On March 25, 1996, the Department established a License Exception SS-Sample which allows an exporter to ship up to 10 barrels of crude oil to any one end-user annually, up to an annual cumulative limitation of 100 barrels per exporter.

Temporary Exports for Convenience or Efficiency of Transportation: Pursuant to Section 7(d) of the Act, the Department permits Alaskan North Slope (ANS) crude oil to be shipped to U.S. East Coast, Gulf Coast, and Caribbean ports through approved non-U.S. transshipment

terminals and approved temporary non-U.S. storage facilities. Participating companies report monthly to BXA on the quantities of ANS crude oil leaving Valdez, Alaska, the quantities entering, leaving, or in temporary storage at transshipment terminals; and the quantities en route and discharged at various U.S. terminals. During FY 1996, there was no activity under this authority.

The Department also authorizes temporary exports to Canada and Mexico for convenience and efficiency of transportation. During FY 1996, BXA issued one license for 550,000 barrels for temporary exports to Canada under this authority.

Crude Oil from Cook Inlet: The Department authorizes the export of crude oil derived from state-owned submerged lands in Alaska's Cook Inlet under an IVL unless the oil has been or will be transported by a pipeline over a Federal right-of-way granted pursuant to the Mineral Leasing Act or the Trans-Alaska Pipeline Authorization Act. In FY 1996, there was no activity under this program.

Exports of California Heavy Crude Oil: During FY 1996, BXA issued five licenses pursuant to the California rule making to export 25,000 B/D of California heavy crude oil. The five licenses were for 3.55 million barrels of crude and were valued at \$55 million. The bulk of the heavy crude oil exported was for use as bunker fuel for vessels in foreign trade.

Alaskan North Slope Crude Oil: On November 28, 1995, the President signed into law Public Law 104-58 which created a new Section 28(s) of the Mineral Leasing Act allowing exports of oil transported over right-of-way granted pursuant to Section 203 of the Trans-Alaska Pipeline Authorization Act. The law allowed exports of Alaskan North Slope (ANS) crude oil under certain conditions, notably that the oil be exported on a U.S.-flag tanker. Prior to enactment of Public Law 104-58, the Trans-Alaska Pipeline Authorization Act of 1973 (TAPS), as referenced in Section 7(d) of the Export Administration Act, was the principal statute that prohibited the export of ANS crude oil.

Public Law 104-58 required the President to conduct a review of the economic and environmental effects of lifting the ANS ban prior to making a determination that such exports were in the national interest. At the direction of the National Economic Council, the Department chaired an interagency task force to prepare the economic and environmental review. The Department conducted public hearings in Washington, D.C., Seattle, and Anchorage and solicited public input from interested parties.

On May 31, 1996, BXA amended the short supply provisions of the Export Administration Regulations by establishing License Exception TAPS authorizing such exports with certain conditions. The License Exception TAPS was based on: 1) Public Law 104-58, which allows for the export of crude oil transported by pipeline over right-of-way granted pursuant to Section 203 of the Trans-Alaska Pipeline Authorization Act (TAPS); 2) the President's April 28, 1996, determination that such exports are in the national interest; and 3) the

President's direction to the Secretary of Commerce to issue a license exception with conditions for the export of TAPS crude oil. During FY 1996, U.S. firms exported five cargoes of ANS crude oil totaling approximately 5.3 million barrels.

Wood Products

BXA administers short supply export controls on Western Red Cedar, as mandated by Section 7(i) of the Act. BXA also administers the ban on exports of unprocessed timber originating from public lands in all or parts of 17 western states pursuant to FRCSRA.

Western Red Cedar: Section 7(i) of the EAA prohibits the export of unprocessed Western Red Cedar (WRC) harvested from state or Federal lands. This prohibition applies to those contracts entered into after September 30, 1979. However, exports of unprocessed WRC harvested from state or Federal lands under contracts entered into before October 1, 1979, are permitted under an Individual Validated License. During FY 1996, BXA did not issue any export licenses for WRC.

FRCSRA: Under FRCSRA, the Department of Commerce is responsible for administering the ban on the export of unprocessed timber originating from public lands in 17 western states. In the alternative, the affected states can request the Secretary of Commerce to authorize them to administer their own programs. BXA has undertaken the following actions implementing FRCSRA:

- First Log Export Order: On August 23, 1993, the Secretary of Commerce signed a General Order (Order) prohibiting the export of unprocessed timber originating from non-Federal public lands located west of the 100th meridian in the contiguous United States.
- Advance Notice of Proposed Rule making: On June 7, 1995, BXA published in the Federal Register an advance notice of proposed rule making requesting comments on regulations the Department is considering to administer FRCSRA. BXA will issue a final rule making during FY 1997.
- Second Log Export Order: On September 29, 1995, the Secretary of Commerce issued a second Order, as required by Section 491(b)(2)(B) of FRCSRA. The Order applies to states with annual unprocessed timber sales greater than 400 million board feet. It prohibits the export of the lesser of 400 million board feet or that State's annual sales volume of any unprocessed timber originating from public lands. The Order became effective January 1, 1996. Washington State is currently the only state with over 400 million board feet in annual timber sales.

Congressional Action: On September 30, 1996, Congress passed and the President signed Public Law 104-208. Section 319 of Title III of Section 101(d) of Title I of P.L. 104-208 required the Secretary of Commerce to extend until September 30, 1997, the order issued under

Section 491(b)(2)(A) of the FRCSRA prohibiting the export of non-Federal timber originating from public lands in states with annual sales greater than 400,000,000 board feet (i.e., Washington state). Section 319 also requires the Secretary of Commerce to make effective on October 1, 1997, the prohibition of section 491(b)(2)(B) of FRCSRA on the export of only the lesser of 400,000,000 board feet or the annual sales volume of unprocessed timber origination from public lands in states west of the 100th meridian in the contiguous 48 states with more than 400,000,000 board feet of annual sales volume of such timber. Effective October 1, 1997, therefore, the export of such timber that is in excess of 400,000,000 board feet is permitted, unless prohibited by any other provision of law. As the Secretary of Commerce has delegated the authority for carrying out the policies and programs necessary to administer laws regarding the control of U.S. exports to the Under Secretary, the Undersecretary issued the order required under P.L. 104-208 on October 18, 1996.

AGRICULTURAL COMMODITIES

Wheat

Domestic Situation

The United States' Number 2 Hard Red Winter wheat achieved a record-high price of \$262 (f.o.b. Gulf) per ton in 1995/96, considerably more than the average \$156 per ton in 1994/95. The season average farm price is estimated to have been \$4.55 per bushel, up \$1.10 per bushel over the previous year. Despite the high price, U.S. wheat exports rose to 33.6 million metric tons (mmt), an annual increase of four percent. The pace of exports remained strong throughout the year as the United States capitalized on its reputation as a reliable supplier and its ability to provide a wide selection consisting of every class of wheat. Production dropped 3.7 mmt to 59.5 mmt from 1994/95 and although consumption also declined by an almost-equal 3.9 mmt, the increase in exports was enough to send ending stocks down to 10.2 mmt, second only to 1973/74 as the lowest level on record.

World Supply and Trade

The price of wheat rose to record levels in the international market during 1995/96 as global consumption exceeded production for the third consecutive year. The high price, accompanied by a modest two percent increase in production to 535.9 mmt, combined to drive world trade down to 91.9 mmt, below the 100 mmt level for the first time in nine years. A strong effort by the European Union to actively discourage wheat exports and relatively small harvests in most traditional exporters (particularly in drought-affected Argentina) enabled the United States to significantly increase its share of the world wheat market. Imports by China increased 17 percent to 12 mmt even as production achieved the second highest level on record at 102 mmt. In India, five straight years of record harvests allowed the nation to emerge as a major exporter for

the first time, while Eastern Europe took advantage of greater production and strong prices to increase its wheat exports as well to 4.6 mmt, the highest level in several years. Ending global stocks of 104.7 mmt for 1995/96 resulted in a stocks-to-use ratio of 19.1, the lowest level on record.

Coarse Grains

Domestic Situation

U.S. corn production in 1995/96 of 187.3 mmt was down 69 mmt from the previous year. Domestic utilization was down about 23 mmt to 160.7 mmt. The season average price for corn rose 99 cents to a record \$3.25 per bushel in 1995/96. U.S. corn exports fell approximately 5 mmt to about 53.5 mmt and stocks decreased 29 mmt to 10.4 mmt.

World Supply and Trade

World coarse grain production was down 73 mmt to 794 mmt in 1995/96 with corn production falling 46 mmt to 513.3 mmt. World coarse grain trade decreased 8.8 mmt to 88.4 mmt, while corn trade fell nearly 5 mmt to 66.2 mmt. Competition for U.S. corn rebounded slightly in 1995/96 as China remained a net importer of 1.35 mmt. The U.S. corn was able to move not only to China, but to other Asian markets where Chinese corn had historically displaced U.S. corn export opportunities.

Actions Taken by Other Countries

Mexico raised the tariff rate quota for corn to record levels, allowing record exports of U.S. corn to enter Mexico duty-free. China, by continuing its ban on corn exports (except for corn exports from surplus northern provinces to deficit southern provinces) and establishing a net import position for the second year in a row, enabled U.S. corn to enter many Asian markets virtually free of competition.

Rice

Domestic Situation

U.S. 1995/96 rice production (rough basis) fell by 1.1 mmt to 7.9 mmt. Domestic Utilization (milled basis) reached 3.5 mmt and exports totaled 2.7 mmt, leaving carry-out stocks of 816,000 tons, a decline of 200,000 tons.

World Supply and Trade

World production (rough basis) increased 9 mmt to a record 550 mmt. Stocks fell 1.3 mmt (milled basis) to 48 mmt or 12.9 percent of consumption. World trade forecasts of 18.9 mmt for calendar year 1996 are the second highest level ever, following 1995's 21 mmt in trade. India solidified its position as the world's second largest exporter (behind Thailand) with total exports of 3.25 mmt, while Vietnam displaced the United States as the third largest exporter with 2.8 mmt in exports. While 1995/96 witnessed no large scale crop failures among major rice consumers for the first time ever, five nations (Bangladesh, Brazil, Indonesia, Iran, and the Philippines) imported 1 mmt or more of rice.

Action Taken By Other Countries

Opportunities for U.S. rice sales increased markedly following the opening of rice markets in South Korea and Japan under the terms of the Uruguay Round agreements.

Soybeans and Products

Domestic Situation

U.S. soybean production declined 9.9 mmt in 1995 to 58.6 mmt. Soybean acreage increased as wet weather forced some growers to forgo grain plantings and switch to soybeans. However, yields declined 16 percent from record levels in 1994 due to more normal growing conditions and early frosts in the upper Midwest. U.S. soybean exports in 1995/96 reached 22.9 mmt, up less than one percent from last year's good showing. Soybean crush declined 3 percent to 37.1 mmt while ending stocks declined 49 percent to 4.6 mmt.

Total soybean meal consumption in the United States rose 1 percent to 24.4 mmt as high grain prices helped maintain the demand for soybean meal in feed rations. However, high meal prices kept the increase to a minimum. Exports of soybean meal declined 14 percent to 5.3 mmt in 1995/96 as average prices rose nearly 50 percent over a year earlier.

U.S. soybean prices for 1995/96 (Central ILL. cash, Sept.-Aug.) averaged \$266/MT, a 30 percent increase over the 1994/95 level. The increase in soybean prices in 1995/96 is in response to an increased demand for soybeans and soybean meal resulting from tight feed grain supplies and higher grain prices. Soybean meal prices rose 48 percent in 1995/96 (Decatur, ILL., 48% protein) to \$251/MT. In contrast, soybean oil prices (Decatur, ILL.) for the same period declined 10

percent to \$549/MT. Reduced export demand for U.S. soybean oil, particularly in China, and increased competition from palm oil led to this year's lower prices.

World Oilseeds and Products Supply and Trade

Total world oilseed production declined 3 percent in 1995/96 to 254.0 mmt. Soybean production at 123.6 mmt, down 10 percent from 1994/95, accounted for most of this year's decline, with smaller reductions in peanut and copra production. Increases in cottonseed, up 4 percent to 34.4 mmt, sunflowerseed, up 10 percent to 25.8 mmt, and rapeseed production, up 14 percent to 34.6 mmt, helped counter some of the decline in soybean production. Higher rapeseed production in Canada, the European Union, Poland, and India more than offset lower production in China in 1995/96. Increased sunflowerseed production in the Former Soviet Union, up 41 percent to 7.4 mmt, and in Eastern Europe led to the increase in total world 1995/96 production. World oilseed exports for 1995/96 were 2 percent lower reflecting a reduction in soybean and rapeseed exports. World soybean exports were down 1 percent to 31.9 mmt. The United States captured a slightly larger share of soybeans exports as Brazil's exports declined due to lower production and increased domestic use. World rapeseed exports, primarily by Canada, declined 7 percent to 5.5 mmt.

World protein meal production increased 2 percent in 1995/96 to 145.3 mmt. Production increases were noted for most major protein meals in 1995/96, with declines limited to world peanut, copra, and fishmeal production. World protein meal exports rose slightly in 1995/96 to 48.1 mmt due to a 2-percent increase in soybean meal exports. Brazil, Argentina, and India increased soybean meal exports in 1995/96.

World vegetable and marine oil production increased 3 percent in 1995/96 to 71.3 mmt. Increases were noted for most major oils with soybean oil up 1 percent to 20.0 mmt and palm oil production up 5 percent to 15.5 mmt. Declines were limited to fish, olive, coconut, and peanut oil production. Vegetable and marine oil trade declined in 1995/96 with lower soybean and rapeseed oil trade. World soybean oil exports declined 13 percent to 5.3 mmt while rapeseed oil exports declined 10 percent to 2.3 mmt. China's vegetable oil imports declined 24 percent from the previous year's record level to 3 mmt in 1995/96 with rapeseed and palm oil accounting for most of the decline.

Cotton

Domestic Situation

Cotton production in MY 1995/96 approached 19.7 million bales, down 9 percent from the previous season's record. The decline was due to below average yields in several growing regions. Upland cotton production, at 17.5 million bales, was 1.8 million bales below the 1994/95 level. American-Pima production totaled 368 thousand bales, up 9 percent from 1994/95.

The area planted to all cotton totaled 16.9 million acres, a 6 percent increase from the previous year. Harvested area, at 16.0 million acres, was up 20 percent from the previous year. Abandonment of upland cotton acreage during 1995/96 totaled 6 percent, up from 3 percent a year earlier. Upland yields averaged 533 pounds per acre, 172 pounds below yields realized the previous year.

Total cotton mill use during 1995/96 was 10.6 million bales, down from 11.2 million the previous year. Upland cotton use, at 10.5 million bales, was down 5 percent. American-Pima consumption was estimated at 100 thousand bales. Total marketing year 1995/96 exports are estimated at 7.7 million bales, down 18 percent from the previous season. According to U.S. Census data, the largest shipments during 1995/96 were to China, Japan, Indonesia, Korea, and Mexico. United States ending stocks for 1995/96 were estimated at 2.6 million bales, down 50 thousand bales from the previous year.

International cotton prices in 1995/96 were lower than the previous season, with the Cotton A-Index (average of 5 lowest c.i.f. Northern Europe quotes) averaging 85.55 cents per pound. The A-Index reached its highest level in September 1995 with a monthly average of 91.18 cents per pound, while the season's lowest prices were in July 1996 when the A-Index averaged 78.80 cents per pound.

World Supply and Trade

World 1995/96 cotton production is estimated at 91.5 million bales, up 7 percent from the previous season. Foreign production is estimated at 73.6 million bales, up 12 percent. The 1995/96 season was characterized by larger crops in major producing countries including China, Greece, India, Pakistan, and Turkey. World consumption for 1995/96 is estimated at 85.0 million bales, up slightly from the previous year. The decline in U.S. consumption was offset by increases in consumption for Pakistan and India. Exports for 1995/96 totaled 27.6 million bales, down 3 percent from the previous year. Increased exports from the Franc-Zone Africa, Australia, and Pakistan were more than offset by decreased exports from the United States and Uzbekistan.

World ending stocks for 1995/96 are estimated at 34.9 million bales, 19 percent higher than the previous year's estimate. Reflecting the increase in world production for the second year in a row, stocks were rebuilt in China by 4.7 million bales alone. Stocks were drawn down slightly in the United States, Pakistan, and the European Union to meet strong world demand for cotton.

Hides and Skins

Domestic Situation

In 1995, the United States produced 1.15 mmt of raw cattle hides and skins, approximately 30 percent of total world production. The United States exported approximately 54 percent of its production to foreign markets, mostly in the form of whole cattle hides. Exports for 1995 totaled 20 million whole hides valued at nearly \$1.22 billion, up from 17.9 million hides valued at \$1.06 billion a year earlier. Strong prices and demand in 1995 resulted in exports of 5.21 million pieces or \$194 million worth of calfskins, up from 4.66 million pieces or \$182 million worth of calfskins the previous year.

In 1995, Korea, Japan, Taiwan, and China purchased 83 percent of total U.S. exports of whole cattle hides. Korea was the largest purchaser of U.S. whole cattle hides, buying about 8.3 million hides or 41 percent of total U.S. exports. Although Korea's imports increased in 1995, they are still perceived as a declining market. Nevertheless, Korea has been a steady purchaser, with imports ranging between 7.5 million and 10.3 million whole cattle hides per year for each of the last nine years. Japan was the second largest purchaser of U.S. hides, buying 3.2 million whole cattle hides, slightly higher than 1994's imports. Taiwan imported 3 million U.S. hides, up 21 percent from a year earlier.

World Supply and Trade

Hides and skins production for the 31 major countries reported by USDA has been relatively constant over the last 9 years. Production increased from 1988 to 1990, then declined in 1991 through 1994 because of a down turn in Eastern Europe and Russia. Production increased in 1995, because of an upturn in output in South America and the United States which offset the decline in Russian production. In 1996, production is projected to continue its upward trend, as the increases in South America and the United States continue to offset the declines in Russia.

Trade in raw hides and skins between major countries in 1995 increased 7 percent compared to 1994. Increases in exports were experienced by the United States, South America, the European Union, and Australia offsetting the declines in Russia. Korea and Japan, which together account for nearly 35 percent of the world's trade in raw hides, are expected to continue decreasing import levels in 1996 and 1997. Korea and Japan's declining share of the world hide trade reflects not only pollution concerns, but the increasing competition from leather manufactures in less developed countries, particularly China and Southeast Asia.

Wood Products

Domestic Situation

Residential construction, which generally accounts for more than one-third of the softwood lumber and plywood consumed annually in the United States, as well as a substantial portion of other softwood and hardwood products, was up 7 percent on a seasonally adjusted annual basis in 1996, to an estimated 1.45 million units. Mortgage rates averaged around 8.25 percent in late August, still low by historical standards. Housing starts through the first seven months of 1996 totaled 836,300 units; 80 percent of which was single-family housing.

The upturn in the construction sector pushed the prices of some construction-related wood products higher in 1996. In mid-August, the composite lumber price for framing lumber stood at \$442 per thousand board feet, compared to \$331 per thousand board feet the same time last year. It is expected that lumber prices will remain relatively high, given the generally favorable economic outlook and the continued controversy surrounding timber harvesting on national forests in the Pacific Northwest and elsewhere. Structural panel prices, as reflected by the structural panel composite price, remained relatively stable in 1996 because of a significant increase in new oriented strand board capacity in the United States and Canada. Log prices were generally lower in 1996.

U.S. wood products exports, after posting a modest gain in 1995, declined in 1996, to an estimated \$7 billion. Much of the decline was in exports of logs to Japan. Wood product imports were an estimated record \$9.6 billion in 1996. U.S. exports of softwood logs decreased substantially in 1996, to an estimated 9.8 million cubic meters (m³) from 11.6 million m³ in 1995. Significant reductions were registered in exports to both Japan and Canada, our largest overseas markets. U.S. exports of softwood logs to Japan totaled an estimated 7.0 million m³ in 1996, compared to 13.4 million m³ in 1989. Despite the significant drop in the volume of U.S. softwood log exports to Japan over this period, there has been little change (less than 5 percent) in the proportion of U.S. softwood log exports to total U.S. wood products exports on a value basis. Softwood logs still account for over 50 percent of U.S. exports to Japan on a value basis. Demand for U.S. softwood logs in Japan is expected to remain relatively steady over the near-term, however, due to the reduced availability of tropical logs.

U.S. hardwood log exports declined to slightly less than 1.1 million m³ in 1996, from 1.2 million m³ in 1995, because of continuing problems in several end-use markets, most notably over capacity in the furniture sector in Europe. Importers in several European countries have also turned to importing semi-finished and finished products because of rising production costs.

U.S. imports of both softwood and hardwood logs increased in 1996, but still represent only a small percentage of the softwood and hardwood logs consumed annually in the United States.

World Supply and Trade

Indications are that worldwide sawlog and veneer log production declined slightly in 1996, a reflection of increased environmental pressure around the world to reduce harvest levels to sustainable levels and to eliminate harvesting of primary forests. Discussions on how to define

sustainable forest management and, equally important, how to measure a country's progress toward sustainable forest management are ongoing under the auspices of the U.N. Commission on Sustainable Development's Intergovernmental Panel on Forests. The outcome of these discussions could have a significant impact on harvest levels, and, consequently, the volume of wood products that enters international trade.

Actions Taken by Other Nations in 1995/96

On May 29, 1996, the United States and Canada entered into an agreement on the trade of softwood lumber. This agreement caps Canadian softwood lumber exports to the United States at 14.7 billion board feet annually, 9 percent below the record 16.2 billion board feet in 1995. Softwood lumber exports in excess of that amount will be subject to an export tax of \$50 per thousand board feet for the first 650 million board feet above the 14.7 billion board foot quota, and \$100 per thousand board feet for amounts in excess of 15.35 billion board feet. Exports from the maritime provinces, Manitoba, and Saskatchewan are exempt from the export tax. It is unclear what effect the agreement will have on lumber prices in that the agreement has a clause to allow increased tax-free imports if lumber prices rise above a certain level.

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
WHEAT					
All Foreign Countries					
Production	494.7	494.1	461.6	476.5	517.0
Consumption	519.2	528.2	513.7	518.2	531.1
Ending Stocks	130.3	126.6	104.3	94.5	103.7
USA					
Production	67.1	65.2	63.2	59.5	62.5
Imports	1.9	3.2	2.4	1.7	1.9
Consumption	30.7	33.7	35.0	31.1	35.7
Exports	37.1	33.1	32.2	33.6	25.0
Ending Stocks	14.4	15.5	13.8	10.2	13.8
World Total, Trade	112.7	100.2	96.5	91.9	88.6
RICE					
All Foreign Countries					
Production	349.8	350.3	358.9	365.6	370.1
Consumption	354.6	355.5	364.2	369.2	373.4
USA					
Production	5.7	5.2	6.5	5.7	5.6
Imports	0.2	0.2	0.2	0.3	0.3
Consumption	3.0	3.3	3.3	3.5	3.5
Exports	2.6	2.8	3.1	2.7	2.3
World Total, Trade	14.9	16.5	21.0	18.9	18.3
TOTAL COARSE GRAINS					
All Foreign Countries					
Production	591.7	611.5	583.1	585.6	611.1
Consumption	642.1	651.7	649.6	658.2	664.9
USA					
Production	277.4	186.5	284.9	209.4	254.2
Imports	1.5	4.6	3.1	2.3	3.0
Consumption	198.7	185.9	207.9	180.3	190.7
Exports	50.1	40.0	65.7	59.6	58.0
Ending Stocks	63.1	27.4	45.3	14.5	22.2
World Total, Trade	91.7	85.6	97.0	88.4	88.9
WORLD TOTAL GRAIN, INCLUDING RICE					
All Foreign Countries					
Production	1,436.1	1,455.9	1,403.5	1,427.6	1,498.2
Consumption	1,515.9	1,535.5	1,527.6	1,545.6	1,569.4
USA					
Production	350.3	256.9	354.6	274.6	322.2
Imports	3.6	8.0	5.8	4.3	5.2
Exports	89.9	75.9	101.0	95.9	85.3
World Total, Trade	219.3	202.3	214.5	199.3	195.8

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
EXPORTS					
Argentina	7,326	4,492	7,830	4,400	9,000
Australia	9,532	12,751	7,774	12,100	14,000
Canada	21,735	18,728	20,850	16,200	18,500
India	31	28	77	1,600	300
Kazakstan	5,800	5,500	3,500	3,000	3,000
Saudi Arabia	2,490	2,019	1,700	200	0
Turkey	1,636	1,194	1,804	800	800
EU	23,687	20,066	16,800	12,500	14,000
Eastern Europe	1,300	328	2,314	4,585	1,460
Others	2,038	2,015	1,632	2,950	2,500
Subtotal	75,575	67,121	64,281	58,335	63,560
United States	37,136	33,084	32,208	33,594	25,000
WORLD TOTAL	112,711	100,205	96,489	91,929	88,560
IMPORTS					
Algeria	3,800	4,813	4,500	3,000	3,500
Bangladesh	1,040	1,065	1,718	1,200	1,200
Bolivia	432	424	430	400	400
Brazil	5,831	5,769	6,600	5,600	5,200
Belarus	950	900	550	450	275
Chile	536	790	615	700	700
China	6,719	4,310	10,235	12,000	7,000
Colombia	883	920	850	950	900
Cuba	898	1,083	950	700	900
Ecuador	398	404	400	400	400
Egypt	6,004	5,866	5,850	6,000	6,000
Georgia	700	850	700	600	600
India	2,980	83	28	35	35
Indonesia	2,651	2,925	3,818	3,450	4,000
Iran	2,982	3,537	3,182	3,000	3,500
Iraq	420	737	650	600	1,000
Israel	730	1,369	950	750	800
Japan	5,919	6,095	6,309	6,300	6,300
Jordan	576	734	730	725	600
Korea, North	333	105	100	100	50
Korea, South	3,994	5,647	4,293	2,500	3,000
Lebanon	311	419	375	400	400
Libya	998	1,123	1,167	750	750
Malaysia	942	1,327	1,153	900	1,250
Mexico	1,350	1,828	1,370	1,500	1,750
Morocco	2,811	2,403	1,215	2,350	1,000
Nigeria	875	816	550	600	700
Pakistan	2,785	2,085	2,107	1,900	2,200
Peru	1,057	1,338	1,200	1,000	1,300
Philippines	1,992	2,217	2,050	2,100	2,000
Russia	14,470	5,000	1,560	4,100	2,500
South Africa	957	598	751	675	400
Sri Lanka	858	825	942	1,050	1,000
Sudan	205	533	475	300	200
Syria	732	520	240	100	100
Taiwan	929	916	895	900	900
Tunisia	615	806	1,510	900	500
Turkey	977	644	474	1,350	500
Ukraine	1,225	100	265	100	200
Uzbekistan	3,200	3,500	2,250	1,500	1,500

Venezuela	1,126	1,037	1,141	1,000	1,050
Vietnam	382	371	400	325	425
Yemen	1,621	1,784	1,926	2,000	2,000
EU	1,442	1,343	2,095	2,300	2,100
O.W. Europe	640	508	560	500	600
Eastern Europe	3,495	2,516	1,585	939	1,475
United States	1,857	3,161	2,390	1,748	1,900
Subtotal	96,628	86,144	84,104	80,747	75,060
Other Countries	11,906	12,007	10,907	10,498	10,475
Unaccounted	4,177	2,054	1,478	684	3,025
WORLD TOTAL	112,711	100,205	96,489	91,929	88,560

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
PRODUCTION					
Algeria	1,750	1,100	750	1,250	2,200
Argentina	9,800	9,700	11,300	8,600	14,000
Australia	16,184	16,479	8,903	16,975	19,500
Brazil	2,739	2,107	2,185	1,511	3,000
Canada	29,871	27,232	23,122	25,432	29,800
China	101,590	106,390	99,300	102,000	107,000
India	55,690	57,210	59,840	65,470	66,000
Japan	759	638	565	444	440
Kazakistan	18,285	11,659	9,052	6,490	10,000
Mexico	3,127	3,596	4,151	3,460	3,200
Morocco	1,562	1,573	5,523	1,100	5,900
Pakistan	15,684	16,157	15,212	17,002	17,000
Russia	46,170	43,500	32,100	30,100	37,000
Saudi Arabia	4,070	3,600	2,679	2,000	1,300
Syria	2,800	3,400	3,700	4,000	4,300
Tunisia	1,584	1,400	500	530	2,000
Turkey	15,500	16,500	14,700	15,500	16,500
EU	87,719	82,930	84,541	86,157	96,750
Eastern Europe	26,430	30,620	33,962	34,669	27,160
Others	53,358	58,265	49,466	53,760	53,972
Subtotal	494,672	494,056	461,551	476,450	517,022
United States	67,135	65,220	63,167	59,481	62,478
WORLD TOTAL	561,807	559,276	524,718	535,931	579,500
CONSUMPTION					
Algeria	5,400	5,313	5,500	5,100	5,500
Australia	4,200	4,100	3,907	3,616	4,500
Brazil	7,839	8,000	8,100	8,100	8,100
Canada	8,135	9,340	7,835	8,403	8,500
China	109,054	110,646	110,525	113,000	113,000
Egypt	10,421	10,516	9,950	11,100	11,200
India	55,559	56,482	57,660	61,310	63,500
Japan	6,400	6,471	6,509	6,550	6,350
Morocco	5,100	4,956	5,315	4,806	5,700
Pakistan	17,405	17,900	18,125	18,900	19,700
Russia	56,617	48,945	42,626	39,420	38,700
Turkey	15,000	15,200	15,213	15,700	16,000
Ukraine	21,820	19,211	15,835	16,700	16,460
EU	65,270	72,178	73,291	77,193	79,986
Eastern Europe	30,955	31,058	31,197	31,468	29,510
Others	100,000	107,925	102,126	96,785	104,429
Subtotal	519,175	528,241	513,714	518,151	531,135
United States	30,688	33,738	35,014	31,138	35,652
WORLD TOTAL	549,863	561,979	548,728	549,289	566,787
ENDING STOCKS					
Australia	5,017	3,711	2,367	2,946	4,466
Canada	12,193	11,117	5,679	6,633	9,558
EU	24,134	16,218	12,208	10,592	15,451
Others	88,998	95,563	84,030	74,341	74,193
Subtotal	130,342	126,609	104,284	94,512	103,668
United States	14,442	15,472	13,787	10,201	13,758
WORLD TOTAL	144,784	142,081	118,071	104,713	117,426

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
IMPORTS					
North America 1/	3,307	5,121	3,885	3,373	3,775
Latin America 2/	13,050	13,877	14,198	12,750	12,850
EU	1,442	1,343	2,095	2,300	2,100
Other Wst. Eur. 3/	640	508	560	500	600
Former USSR	24,103	13,520	7,687	8,890	7,285
Eastern Europe 4/	3,495	2,516	1,585	939	1,475
Middle East 5/	9,312	10,578	9,428	9,834	9,835
North Africa 6/	14,228	15,011	14,242	13,000	11,750
Other Africa 7/	5,640	5,700	5,253	4,935	4,535
South Asia 8/	7,685	4,151	4,825	4,291	4,460
Other Asia 9/	25,240	25,363	30,815	30,050	26,425
Oceania 10/	392	463	438	383	445
PRODUCTION					
North America 1/	100,133	96,048	90,440	88,373	95,478
Latin America 2/	14,869	14,244	16,027	12,222	19,561
EU	87,719	82,930	84,541	86,157	96,750
Other Wst. Eur. 3/	751	901	818	939	990
Former USSR	89,714	83,363	60,710	59,781	69,385
Eastern Europe 4/	26,430	30,620	33,962	34,669	27,160
Middle East 5/	34,500	36,578	34,398	34,821	35,250
North Africa 6/	9,663	9,003	11,033	8,130	15,630
Other Africa 7/	3,542	3,937	4,183	4,230	4,801
South Asia 8/	74,999	77,118	78,867	86,242	86,620
Other Asia 9/	103,107	107,836	100,646	103,182	108,175
Oceania 10/	16,380	16,698	9,093	17,185	19,700
CONSUMPTION					
North America 1/	43,225	48,502	48,169	44,366	48,977
Latin America 2/	21,560	22,532	22,510	21,820	22,495
EU	65,270	72,178	73,291	77,193	79,986
Other Wst. Eur. 3/	1,491	1,489	1,553	1,538	1,590
Former USSR	102,024	89,103	76,910	74,019	73,252
Eastern Europe 4/	30,955	31,058	31,197	31,468	29,510
Middle East 5/	38,862	41,431	42,598	43,310	44,875
North Africa 6/	24,268	24,314	24,302	23,706	25,480
Other Africa 7/	9,148	9,060	9,398	9,150	9,286
South Asia 8/	78,534	80,264	81,992	86,381	89,045
Other Asia 9/	128,243	132,597	131,759	131,782	132,952
Oceania 10/	4,763	4,761	4,537	4,189	5,140
ENDING STOCKS					
North America 1/	27,085	27,039	20,033	17,286	23,893
Latin America 2/	1,842	2,200	2,507	1,309	1,575
EU	24,134	16,218	12,208	10,592	15,451
Other Wst. Eur. 3/	810	730	555	456	456
Former USSR	30,568	31,848	19,383	9,935	9,353
Eastern Europe 4/	3,504	5,252	6,788	6,868	4,533
Middle East 5/	9,864	12,572	10,351	10,196	9,106
North Africa 6/	3,373	3,073	4,046	1,520	3,420
Other Africa 7/	661	806	883	673	623
South Asia 8/	12,134	13,108	14,582	18,064	18,899
Other Asia 9/	25,678	25,404	24,253	24,753	25,551
Oceania 10/	5,131	3,831	2,482	3,061	4,566

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

- 2/ Includes Central America, 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

	1993	1994	1995	1996	1997 Sep 11
EXPORTS					
Argentina	276	215	350	395	425
Australia	540	570	519	615	625
Burma	223	619	645	400	500
China	1,374	1,519	32	200	250
Egypt	133	262	150	75	75
Guyana	122	183	203	225	225
India	625	600	4,201	3,250	3,000
Indonesia	469	225	0	0	0
Pakistan	937	1,399	1,592	1,400	1,400
Taiwan	101	117	189	125	50
Thailand	4,798	4,738	5,931	5,500	5,500
Uruguay	451	396	470	500	450
Vietnam	1,765	2,222	2,308	2,800	2,800
EU	153	185	250	175	200
Others	304	421	1,059	575	505
Subtotal	12,271	13,671	17,899	16,235	16,005
United States	2,644	2,794	3,073	2,700	2,300
WORLD TOTAL	14,915	16,465	20,972	18,935	18,305
IMPORTS					
Bangladesh	0	175	1,570	1,000	500
Brazil	831	1,098	850	1,000	1,250
Canada	182	190	214	210	215
China	112	700	2,000	750	1,250
Cuba	397	252	316	400	400
Cote d'Ivoire	384	187	256	300	300
Ghana	121	90	106	100	100
Guinea	160	255	291	125	200
Haiti	147	140	191	175	175
Indonesia	22	950	3,000	1,250	1,500
Iran	1,161	645	1,700	1,200	1,000
Iraq	647	64	92	250	500
Jamaica & Dep	75	75	74	75	75
Japan	107	2,473	29	450	600
Jordan	86	127	76	90	75
Korea, North	112	53	675	350	200
Korea, South	1	4	13	100	350
Liberia	73	75	17	20	25
Malaysia	385	317	437	400	450
Mexico	275	242	245	350	350
Nigeria	382	300	450	350	350
Peru	336	220	258	400	300
Philippines	215	0	247	1,200	1,000
Russia	127	48	122	150	100
Saudi Arabia	859	698	615	750	750
Senegal	396	252	387	350	400
South Africa	431	402	634	500	500
Sri Lanka	267	39	25	300	50
Syria	137	136	200	125	150
Turkey	309	235	441	250	250
UAE	75	80	85	85	85
Yemen	131	172	68	100	100
EU	444	725	550	600	500
O.W. Europe	60	60	60	60	65
Eastern Europe	213	127	172	130	160
United States	199	244	221	250	260

Subtotal	9,859	11,850	16,687	14,195	14,535
Other Countries	3,117	2,854	3,294	2,843	2,826
Unaccounted	1,939	1,761	991	1,897	944
WORLD TOTAL	14,915	16,465	20,972	18,935	18,305

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
PRODUCTION					
Australia	955	1,083	1,137	1,145	1,259
Bangladesh	27,513	27,064	25,252	26,517	27,003
Brazil	9,901	10,515	10,885	9,779	10,294
Burma	13,400	15,086	16,000	17,241	18,000
China	186,220	177,700	175,930	185,214	185,714
Egypt	3,908	4,198	4,565	3,387	4,032
India	109,313	120,462	121,752	121,452	123,012
Indonesia	48,182	46,638	49,846	51,077	52,308
Japan	13,216	9,793	14,977	13,435	12,637
Korea, South	7,257	6,404	6,882	6,386	6,419
Pakistan	4,674	5,993	5,171	5,701	5,701
Philippines	9,523	9,923	10,475	10,769	10,769
Taiwan	2,060	2,211	2,061	2,069	2,070
Thailand	19,917	19,200	21,400	21,818	21,515
Vietnam	21,703	24,315	25,152	26,364	26,970
EU	2,177	1,971	2,043	1,994	2,470
Others	38,328	37,338	38,970	38,279	39,325
Subtotal	518,247	519,894	532,498	542,627	549,498
United States	8,149	7,081	8,971	7,886	7,779
WORLD TOTAL	526,396	526,975	541,469	550,513	557,277
CONSUMPTION					
Bangladesh	18,586	18,300	17,780	18,326	18,500
Brazil	7,750	7,900	8,100	8,150	8,200
Burma	8,050	8,300	8,700	9,500	9,800
China	127,000	128,000	129,000	130,000	132,000
Egypt	2,291	2,378	2,500	2,075	2,400
India	75,368	76,045	77,106	79,710	80,000
Indonesia	31,344	32,107	34,425	35,000	35,250
Iran	2,600	2,550	2,700	2,900	3,000
Japan	9,500	9,400	9,350	9,300	9,250
Korea, North	1,512	1,153	2,075	1,650	1,500
Korea, South	5,400	5,300	5,300	5,200	5,100
Philippines	6,350	6,725	7,142	7,500	7,800
South Africa	360	396	400	500	550
Taiwan	1,500	1,475	1,450	1,450	1,450
Thailand	8,500	8,500	8,400	8,500	8,500
Vietnam	12,559	13,826	14,302	14,600	15,000
EU	1,768	1,786	1,835	1,812	1,833
Others	34,199	31,397	33,636	33,025	33,274
Subtotal	354,637	355,538	364,201	369,198	373,407
United States	2,964	3,323	3,256	3,462	3,491
WORLD TOTAL	357,601	358,861	367,457	372,660	376,898
ENDING STOCKS					
Brazil	820	1,045	1,347	847	897
Burma	856	687	622	722	862
China	29,602	25,173	21,292	21,492	20,492
India	10,600	14,230	14,083	12,083	11,083
Indonesia	1,592	525	1,500	950	1,200
Korea, South	1,939	1,393	1,006	615	615
Pakistan	861	1,324	711	611	611
Philippines	1,334	1,274	941	1,416	1,416
Thailand	976	410	203	603	803

Others	4,948	4,550	6,686	7,897	8,029
Subtotal	53,528	50,611	48,391	47,236	46,008
United States	1,252	865	1,040	816	829
WORLD TOTAL	54,780	51,476	49,431	48,052	46,837

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

	1993	1994	1995	1996	1997 Sep 11
IMPORTS					
North America 1/	656	676	680	810	825
Latin America 2/	1,992	2,250	2,266	2,588	2,666
EU	444	725	550	600	500
Other West. Eur. 3/	60	60	60	60	65
Former USSR	266	71	212	230	195
Eastern Europe 4/	213	127	172	130	160
Middle East 5/	3,599	2,370	3,534	3,010	3,135
North Africa 6/	172	176	65	110	125
Other Africa 7/	3,282	2,640	3,307	2,745	2,775
South Asia 8/	457	281	1,772	1,355	630
Other Asia 9/	1,649	5,136	7,173	5,205	6,085
Oceania 10/	186	192	190	195	200
	1992/93	1993/94	1994/95	1995/96	1996/97
PRODUCTION					
North America 1/	8,449	7,291	9,356	8,156	8,049
Latin America 2/	17,554	18,332	19,850	18,493	19,154
EU	2,177	1,971	2,043	1,994	2,470
Other West. Eur. 3/	0	0	0	0	0
Former USSR	1,885	1,947	1,537	1,433	1,535
Eastern Europe 4/	96	78	76	72	61
Middle East 5/	2,670	3,003	3,309	3,349	3,659
North Africa 6/	3,955	4,237	4,628	3,419	4,095
Other Africa 7/	12,505	10,849	10,776	10,892	11,078
South Asia 8/	147,055	159,652	158,613	159,609	161,937
Other Asia 9/	329,095	318,532	330,144	341,951	343,980
Oceania 10/	955	1,083	1,137	1,145	1,259
CONSUMPTION					
North America 1/	3,626	3,998	3,970	4,197	4,231
Latin America 2/	13,079	13,065	13,625	14,140	14,215
EU	1,768	1,786	1,835	1,812	1,833
Other West. Eur. 3/	54	60	65	60	65
Former USSR	1,466	1,243	1,119	1,060	1,117
Eastern Europe 4/	269	219	215	175	194
Middle East 5/	5,056	4,643	4,895	5,067	5,640
North Africa 6/	2,494	2,551	2,634	2,201	2,566
Other Africa 7/	10,810	10,019	9,613	9,871	9,650
South Asia 8/	100,269	101,035	101,733	104,883	105,325
Other Asia 9/	216,296	219,328	224,663	227,302	230,384
Oceania 10/	425	441	453	470	480
ENDING STOCKS					
North America 1/	1,418	936	1,113	894	912
Latin America 2/	1,588	1,742	2,386	1,797	1,888
EU	259	201	230	171	231
Other West. Eur. 3/	17	17	12	12	12
Former USSR	0	0	0	0	0
Eastern Europe 4/	0	0	0	0	0
Middle East 5/	483	360	1,259	1,292	1,177
North Africa 6/	203	133	283	233	258
Other Africa 7/	961	713	631	690	641
South Asia 8/	12,273	16,257	15,257	13,917	12,917
Other Asia 9/	37,380	30,994	28,137	28,994	28,754
Oceania 10/	198	123	123	52	47

NOTES: Footnotes appear at the end of the Regional Wheat table. Production is on a rough basis; all other data reported on a milled basis.

WORLD COARSE GRAIN TRADE
OCTOBER/SEPTEMBER YEAR
THOUSAND METRIC TONS

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
EXPORTS					
Argentina	6,029	4,855	6,363	7,325	6,625
Australia	2,887	4,954	1,489	4,260	3,560
Canada	4,122	5,588	4,331	4,260	5,600
China	13,014	12,041	1,601	350	550
South Africa	0	3,006	2,576	1,425	3,000
Russia	400	475	1,778	475	700
Turkey	531	793	817	80	755
EU	9,068	10,080	8,108	5,100	6,550
Others	5,566	3,778	4,294	5,559	3,550
Subtotal	41,617	45,570	31,357	28,834	30,890
United States	50,101	40,041	65,671	59,581	58,026
WORLD TOTAL	91,718	85,611	97,028	88,415	88,916
IMPORTS					
Australia	5	6	433	30	10
Algeria	1,603	1,973	1,321	650	925
Brazil	1,346	1,411	1,535	775	1,625
Belarus	1,060	450	386	270	150
Canada	1,193	586	1,113	510	710
Chile	405	478	557	550	610
China	647	1,318	6,381	3,400	2,400
Colombia	506	1,164	1,374	1,209	1,240
Costa Rica	313	376	409	350	400
Dominican Republic	654	658	684	650	675
Egypt	1,757	2,211	2,624	2,825	2,900
Iran	1,334	891	1,476	1,500	1,400
Israel	1,420	1,076	1,234	1,100	1,200
Japan	22,103	21,213	21,174	20,470	21,020
Jordan	634	799	1,047	700	750
Korea, North	383	258	120	100	100
Korea, South	6,716	5,778	8,966	10,150	9,900
Malaysia	1,957	1,977	2,400	2,300	2,600
Mexico	4,511	4,872	5,832	7,680	6,780
Morocco	935	488	885	500	425
Peru	633	764	1,017	865	1,010
Poland	2,332	332	884	350	250
Romania	851	863	80	10	10
Russia	6,162	3,160	809	1,050	500
Saudi Arabia	4,761	5,579	3,935	3,850	5,100
South Africa	2,230	54	457	570	20
Taiwan	5,883	5,885	6,623	6,375	6,330
Tunisia	320	665	611	601	326
Turkey	683	168	578	950	500
Uzbekistan	510	305	222	255	255
Venezuela	1,139	963	1,170	1,101	1,201
Yugoslavia	170	135	190	25	0
Zimbabwe	1,360	0	25	202	0
EU	2,129	2,956	4,102	3,825	2,875
O.W. Europe	654	616	559	510	605
United States	1,515	4,640	3,144	2,295	3,035
Subtotal	80,814	75,068	84,357	78,553	77,837
Other Countries	8,562	8,006	8,226	7,457	7,932
Unaccounted	2,342	2,537	4,445	2,405	3,147

WORLD TOTAL	91,718	85,611	97,028	88,415	88,916
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WORLD COARSE GRAIN PRODUCTION, CONSUMPTION AND STOCKS
 LOCAL MARKETING YEARS
 THOUSAND METRIC TONS

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
PRODUCTION					
Australia	8,251	9,842	5,017	9,097	8,435
Argentina	14,079	13,289	13,395	13,710	15,415
Brazil	29,856	33,760	37,758	33,756	33,830
Canada	19,626	24,041	23,394	24,092	28,850
China	108,640	117,840	113,680	126,340	128,050
Egypt	5,285	5,885	6,580	6,663	6,720
Hungary	6,273	5,352	6,200	6,308	6,695
India	36,779	31,020	30,080	29,680	33,600
Indonesia	5,650	5,400	5,200	5,300	5,500
Mexico	22,269	22,709	20,605	20,000	22,000
Philippines	4,810	5,030	4,534	4,200	4,100
Romania	9,049	10,164	10,762	12,073	10,805
South Africa	10,731	13,990	5,400	11,288	10,195
Ukraine	15,585	20,289	18,526	15,607	10,830
Yugoslavia	7,228	6,755	8,253	9,153	8,703
EU	90,443	92,429	86,455	88,281	101,074
Others	197,142	193,687	187,295	170,022	176,285
Subtotal	591,696	611,482	583,134	585,570	611,087
United States	277,416	186,453	284,886	209,419	254,161
WORLD TOTAL	869,112	797,935	868,020	794,989	865,248
CONSUMPTION					
Argentina	7,687	8,519	7,601	7,560	7,860
Brazil	31,023	34,361	36,596	38,501	37,735
Canada	16,836	19,427	21,389	20,828	21,520
China	99,667	109,167	116,628	126,290	131,390
Egypt	7,042	7,951	8,904	9,700	9,670
India	35,391	32,014	30,215	29,646	33,280
Indonesia	5,900	6,151	6,847	6,870	7,200
Japan	22,468	21,914	21,658	20,807	21,312
Korea, South	7,276	6,282	9,148	10,756	10,405
Malaysia	1,960	2,030	2,300	2,490	2,600
Mexico	26,530	27,426	26,616	27,685	29,105
Romania	11,209	10,826	10,820	10,860	10,515
Russia	60,680	54,496	43,877	35,977	33,300
Saudi Arabia	7,094	7,231	7,012	6,354	6,054
South Africa	8,350	8,871	7,357	8,283	8,565
Yugoslavia	7,890	7,061	7,799	7,953	7,993
Others	285,108	287,986	284,877	287,684	286,352
Subtotal	642,111	651,713	649,644	658,244	664,856
United States	198,650	185,862	207,900	180,296	190,692
WORLD TOTAL	840,761	837,575	857,544	838,540	855,548

ENDING STOCKS					
Canada	5,291	5,071	3,301	3,015	5,455
China	28,331	26,281	28,113	31,213	29,723
Russia	6,034	5,985	6,239	1,537	1,137
EU	20,729	18,008	11,884	9,282	13,244
Others	60,000	58,388	50,593	39,738	41,197
Subtotal	99,656	95,725	88,246	75,503	77,512
United States	63,092	27,383	45,338	14,530	22,221
WORLD TOTAL	162,748	123,108	133,584	90,033	99,733

REGIONAL COARSE GRAIN IMPORTS, PRODUCTION, CONSUMPTION AND STOCKS
THOUSAND METRIC TONS

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
IMPORTS					
North America 1/	7,219	10,098	10,089	10,485	10,525
Latin America 2/	5,881	6,766	8,173	6,771	7,946
EU	2,129	2,956	4,102	3,825	2,875
Other West. Eur. 3/	654	616	559	510	605
Former USSR	11,184	5,559	2,794	2,430	1,730
Eastern Europe 4/	3,812	1,962	1,242	487	395
Middle East 5/	9,751	9,243	9,288	8,992	9,935
North Africa 6/	5,407	6,159	5,782	5,026	5,026
Other Africa 7/	4,893	1,954	1,728	1,729	1,212
South Asia 8/	1	0	0	5	0
Other Asia 9/	38,371	37,625	47,948	45,425	45,350
Oceania 10/	28	39	488	110	65
PRODUCTION					
North America 1/	319,311	233,203	328,885	253,511	305,011
Latin America 2/	55,043	57,964	62,000	58,590	60,713
EU	90,443	92,429	86,455	88,281	101,074
Other West. Eur. 3/	3,389	3,719	3,929	3,761	4,092
Former USSR	95,286	95,587	81,827	59,613	58,097
Eastern Europe 4/	43,234	44,465	46,977	52,033	48,519
Middle East 5/	17,555	20,119	18,940	18,319	18,822
North Africa 6/	8,874	7,743	11,026	8,396	13,263
Other Africa 7/	60,549	63,137	57,779	66,465	64,303
South Asia 8/	40,901	34,960	34,467	33,962	37,877
Other Asia 9/	127,240	135,857	132,139	144,110	146,481
Oceania 10/	8,818	10,473	5,622	9,732	9,055
CONSUMPTION					
North America 1/	242,016	232,715	255,905	228,809	241,317
Latin America 2/	54,099	58,894	61,131	63,245	63,228
EU	82,365	88,000	88,564	89,550	93,169
Other West. Eur. 3/	2,562	2,394	2,618	2,602	2,584
Former USSR	101,941	97,054	83,115	66,620	60,324
Eastern Europe 4/	48,935	45,677	47,815	48,753	47,274
Middle East 5/	27,724	27,816	28,150	27,967	27,817
North Africa 6/	14,403	14,560	15,228	15,049	16,949
Other Africa 7/	57,785	61,068	61,150	63,642	64,290
South Asia 8/	39,513	35,954	34,602	33,933	37,557
Other Asia 9/	155,554	163,722	175,385	186,494	192,493
Oceania 10/	5,964	6,042	4,978	5,517	5,390
ENDING STOCKS					
North America 1/	70,619	34,732	50,667	19,518	29,274
Latin America 2/	6,200	7,123	9,317	4,998	3,229
EU	20,729	18,008	11,884	9,282	13,244
Other West. Eur. 3/	1,015	1,027	990	811	691
Former USSR	10,476	13,617	12,440	6,383	4,836
Eastern Europe 4/	2,968	3,327	2,727	3,916	3,706
Middle East 5/	5,555	6,265	4,571	3,485	3,270
North Africa 6/	1,127	549	2,070	543	1,883
Other Africa 7/	5,779	4,520	3,145	3,095	2,670
South Asia 8/	1,919	620	420	420	720
Other Asia 9/	34,023	31,431	34,095	36,506	34,994
Oceania 10/	1,426	951	553	603	743

NOTES: Footnotes appear at the end of the Regional Wheat table. Imports are reported on an international year basis. All other data are reported using marketing years.

WORLD CORN TRADE
OCTOBER/SEPTEMBER YEAR
THOUSAND METRIC TONS

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
EXPORTS					
Argentina	4,779	4,230	6,046	6,700	6,000
China	12,623	11,796	1,413	250	500
Hungary	222	18	370	500	750
Romania	1	1	47	750	250
South Africa	0	3,006	2,525	1,400	3,000
Thailand	198	88	160	100	200
EU	1,256	1,722	347	300	400
Others	1,381	2,365	1,636	2,739	1,895
Subtotal	20,460	23,226	12,544	12,739	12,995
United States	41,766	33,148	58,645	53,500	51,500
WORLD TOTAL	62,226	56,374	71,189	66,239	64,495
IMPORTS					
Algeria	1,251	1,326	1,000	600	900
Belarus	520	100	50	70	50
Brazil	1,170	1,134	1,435	500	1,500
Canada	1,190	585	1,108	500	700
Chile	395	439	551	500	600
China	0	0	4,287	1,600	500
Colombia	429	939	1,072	1,000	1,000
Costa Rica	313	376	409	350	400
Dominican Republic	654	658	684	650	675
Egypt	1,742	2,135	2,600	2,750	2,850
Guatemala	163	143	207	170	175
Indonesia	357	962	1,738	1,500	1,800
Iran	1,160	503	1,092	1,250	1,000
Israel	626	290	673	625	450
Japan	16,760	16,165	16,481	16,000	16,000
Jordan	295	378	366	400	350
Korea, North	383	258	120	100	100
Korea, South	6,544	5,696	8,223	9,000	8,750
Malaysia	1,957	1,977	2,400	2,300	2,600
Mexico	396	1,691	3,166	5,500	4,000
Peru	582	750	977	800	950
Philippines	0	1	138	525	750
Poland	1,041	153	185	300	200
Russia	4,268	2,760	218	100	100
Saudi Arabia	844	1,073	933	1,100	1,100
South Africa	2,102	30	424	550	0
Taiwan	5,629	5,316	6,288	6,000	6,000
Thailand	80	8	222	350	200
Tunisia	315	275	224	250	300
Turkey	159	9	525	800	400
Uzbekistan	200	150	20	150	150
Venezuela	1,126	945	1,170	1,100	1,200
Zimbabwe	1,300	0	25	202	0
EU	1,611	2,615	3,400	2,700	2,250
O.W. Europe	218	209	249	260	225
United States	166	519	245	385	250
Subtotal	55,946	50,568	62,905	60,937	58,475
Other Countries	5,148	4,514	4,465	3,821	3,945
Unaccounted	1,132	1,292	3,819	1,481	2,075

WORLD TOTAL

62,226 56,374 71,189 66,239 64,495

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
PRODUCTION					
Argentina	10,200	10,000	10,900	10,660	12,500
Brazil	29,200	32,934	36,982	33,000	33,000
Canada	4,883	6,501	7,043	7,251	7,000
China	95,380	102,700	99,280	112,000	114,000
Egypt	4,500	4,980	5,650	5,738	5,800
Hungary	4,301	4,012	4,300	4,600	5,300
India	9,992	9,600	9,120	9,800	10,000
Indonesia	5,650	5,400	5,200	5,300	5,500
Mexico	18,631	19,141	17,005	16,000	16,500
Philippines	4,810	5,030	4,534	4,200	4,100
Romania	6,829	8,000	8,500	9,923	9,000
South Africa	9,990	13,275	4,845	10,500	9,500
Thailand	3,400	2,900	3,800	3,700	4,200
Ukraine	2,851	3,786	1,537	3,392	2,000
Yugoslavia	6,650	5,912	7,500	8,300	7,700
EU	30,242	30,487	28,298	28,952	33,790
Others	50,347	49,882	48,164	52,727	50,920
Subtotal	297,856	314,540	302,658	326,043	330,810
United States	240,719	160,954	256,621	187,305	223,630
WORLD TOTAL	538,575	475,494	559,279	513,348	554,440
CONSUMPTION					
Brazil	30,200	33,250	35,700	37,500	36,750
Canada	6,209	7,100	7,650	7,255	7,300
China	85,757	92,904	99,654	110,000	115,500
Egypt	6,242	6,915	7,950	8,700	8,700
Hungary	4,899	4,030	4,000	4,100	4,600
India	9,983	9,550	9,120	9,796	10,000
Indonesia	5,900	6,151	6,847	6,870	7,200
Japan	16,850	16,450	16,450	16,100	16,150
Korea, South	6,630	5,795	8,010	9,200	8,850
Malaysia	1,960	2,030	2,300	2,490	2,600
Mexico	18,463	20,477	20,250	21,500	21,000
Romania	8,336	8,097	8,503	8,900	8,700
Russia	6,214	5,771	2,154	1,800	1,600
South Africa	7,603	8,132	6,820	7,500	7,850
Yugoslavia	7,238	6,100	6,900	7,100	7,100
Others	117,696	117,590	113,292	124,147	122,048
Subtotal	340,180	350,342	355,600	382,958	385,948
United States	172,927	159,819	183,577	160,662	165,235
WORLD TOTAL	513,107	510,161	539,177	543,620	551,183
ENDING STOCKS					
Brazil	3,598	4,586	7,275	3,165	915
China	27,000	25,000	27,500	30,850	29,350
South Africa	1,687	2,400	900	900	1,050
EU	4,937	3,824	2,934	2,295	3,885
Others	21,276	18,985	17,422	17,099	17,379
Subtotal	53,561	50,971	53,097	52,014	48,694
United States	53,672	21,595	39,571	10,382	16,959
WORLD TOTAL	107,233	72,566	92,668	62,396	65,653

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
IMPORTS					
North America 1/	1,752	2,795	4,519	6,385	4,950
Latin America 2/	5,483	6,132	7,616	6,091	7,430
EU	1,611	2,615	3,400	2,700	2,250
Other Wst. Eur. 3/	218	209	249	260	225
Former USSR	6,188	3,655	609	530	475
Eastern Europe 4/	1,610	363	369	400	335
Middle East 5/	3,779	2,707	4,365	4,825	4,025
North Africa 6/	3,841	4,246	4,492	4,225	4,600
Other Africa 7/	4,630	1,725	1,536	1,627	1,110
South Asia 8/	1	0	0	0	0
Other Asia 9/	31,955	30,608	40,047	37,625	36,950
Oceania 10/	23	13	109	30	40
PRODUCTION					
North America 1/	264,233	186,596	280,669	210,556	247,130
Latin America 2/	47,629	51,311	56,561	52,516	54,585
EU	30,242	30,487	28,298	28,952	33,790
Other Wst. Eur. 3/	210	210	260	230	240
Former USSR	7,109	8,957	4,032	6,950	5,015
Eastern Europe 4/	20,708	20,174	22,716	25,371	24,125
Middle East 5/	2,907	3,162	2,347	2,447	2,902
North Africa 6/	4,719	5,075	5,856	6,091	6,153
Other Africa 7/	34,374	36,854	28,908	37,872	35,288
South Asia 8/	13,034	12,498	12,423	13,010	13,235
Other Asia 9/	112,866	119,617	116,665	128,736	131,417
Oceania 10/	375	419	419	477	425
CONSUMPTION					
North America 1/	197,599	187,396	211,477	189,417	193,535
Latin America 2/	47,647	52,101	55,272	57,207	57,125
EU	28,355	32,299	32,474	32,116	33,945
Other Wst. Eur. 3/	446	419	499	500	470
Former USSR	13,314	12,292	6,361	6,592	5,972
Eastern Europe 4/	24,706	20,823	22,175	22,970	22,845
Middle East 5/	6,386	5,945	6,502	7,325	6,882
North Africa 6/	8,376	9,024	10,153	10,568	10,813
Other Africa 7/	32,468	33,632	32,803	34,697	35,048
South Asia 8/	13,025	12,448	12,423	13,006	13,235
Other Asia 9/	134,730	140,522	151,194	163,155	169,150
Oceania 10/	363	436	505	502	450
ENDING STOCKS					
North America 1/	56,480	24,075	41,873	12,680	18,707
Latin America 2/	5,399	6,486	8,902	4,617	2,857
EU	4,937	3,824	2,934	2,295	3,885
Other Wst. Eur. 3/	100	100	110	100	95
Former USSR	2,140	2,850	1,089	1,722	1,140
Eastern Europe 4/	2,239	1,724	1,890	2,416	2,256
Middle East 5/	475	312	519	461	501
North Africa 6/	137	335	630	378	318
Other Africa 7/	4,022	3,950	2,145	2,470	2,220
South Asia 8/	100	100	100	100	100
Other Asia 9/	31,187	28,793	32,461	35,137	33,554
Oceania 10/	17	17	15	20	20

NOTES: Footnotes appear at the end of the Regional Wheat table. Imports are reported on an international year basis. All other data are reported using marketing years.

WORLD BARLEY TRADE
OCTOBER/SEPTEMBER YEAR
THOUSAND METRIC TONS

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
EXPORTS					
Australia	2,600	4,232	1,356	3,400	3,200
Canada	2,859	3,789	2,556	2,600	3,600
Russia	100	185	1,500	300	500
Syria	100	227	745	350	400
Turkey	523	705	812	25	750
EU	5,816	6,793	5,061	2,750	4,000
Eastern Europe	827	26	433	410	55
Others	2,259	1,029	876	925	325
Subtotal	15,084	16,986	13,339	10,760	12,830
United States	1,611	1,553	1,355	1,100	750
WORLD TOTAL	16,695	18,539	14,694	11,860	13,580
IMPORTS					
Algeria	352	622	296	50	25
Brazil	145	262	85	250	100
China	647	1,318	1,345	1,400	1,500
Colombia	50	172	261	175	200
Ecuador	25	12	25	30	35
Iran	174	388	384	250	400
Israel	571	720	347	125	450
Japan	1,663	1,719	1,751	1,650	1,750
Jordan	339	421	681	300	400
Korea, South	55	67	121	100	100
Libya	603	685	216	250	300
Mexico	89	87	110	275	275
Morocco	591	115	342	75	25
Russia	1,554	400	584	800	300
Saudi Arabia	3,917	4,497	3,002	2,750	4,000
Taiwan	242	539	306	300	300
Tunisia	5	390	386	350	25
Turkey	87	145	53	150	100
EU	38	53	60	150	100
O.W. Europe	398	397	504	255	355
Eastern Europe	1,531	1,527	806	77	50
United States	195	2,042	1,125	825	1,200
Subtotal	13,271	16,578	12,790	10,587	11,990
Other Countries	2,617	1,546	1,522	1,108	991
Unaccounted	807	415	382	165	599
WORLD TOTAL	16,695	18,539	14,694	11,860	13,580

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
PRODUCTION					
Algeria	1,500	410	240	540	1,300
Argentina	500	455	350	450	450
Australia	5,460	6,956	2,791	5,498	5,800
Canada	11,032	12,972	11,690	13,035	16,200
China	4,000	4,200	3,800	4,000	4,000
Japan	286	271	225	218	200
Kazakhstan	8,511	7,149	5,100	2,407	3,000
Mexico	450	450	500	400	400
Morocco	1,081	1,019	3,720	600	3,800
Russia	26,989	26,900	27,000	15,800	16,000
Saudi Arabia	406	1,100	2,025	1,200	400
Syria	1,090	1,550	1,480	1,200	1,700
Tunisia	570	160	145	80	850
Turkey	6,500	7,300	6,500	6,900	7,500
EU	47,457	47,039	43,687	43,752	51,160
Eastern Europe	11,436	10,830	10,996	11,251	10,080
Others	28,591	32,535	32,175	26,296	23,123
Subtotal	155,859	161,296	152,424	133,627	145,963
United States	9,908	8,666	8,162	7,819	8,583
WORLD TOTAL	165,767	169,962	160,586	141,446	154,546
CONSUMPTION					
Algeria	1,900	1,112	536	590	1,325
Australia	2,834	3,034	2,020	2,100	2,400
Canada	7,925	9,304	10,317	10,658	11,000
China	4,723	5,418	5,395	5,450	5,500
Japan	1,929	1,981	2,025	1,985	1,990
Morocco	1,900	1,900	2,656	2,000	2,600
Russia	28,368	27,041	24,711	18,202	16,000
Saudi Arabia	6,011	5,900	5,800	5,000	4,750
Turkey	5,800	6,073	6,289	6,575	6,850
EU	41,588	42,198	41,917	42,611	44,654
Eastern Europe	12,156	12,007	11,748	11,077	10,055
Others	43,015	44,612	44,615	35,911	34,055
Subtotal	158,149	160,580	158,029	142,159	141,179
United States	7,916	9,053	8,726	7,601	8,514
WORLD TOTAL	166,065	169,633	166,755	149,760	149,693
ENDING STOCKS					
Australia	1,032	518	211	229	429
Canada	3,271	3,376	1,820	1,807	3,417
EU	11,492	9,859	6,404	4,795	7,251
Others	12,836	15,476	15,197	8,741	9,041
Subtotal	28,631	29,229	23,632	15,572	20,138
United States	3,292	3,023	2,451	2,197	2,484
WORLD TOTAL	31,923	32,252	26,083	17,769	22,622

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
IMPORTS					
North America 1/	287	2,130	1,240	1,110	1,485

Latin America 2/	274	525	433	581	411
EU	38	53	60	150	100
Other Wst. Eur. 3/	398	397	504	255	355
Former USSR	3,876	1,464	1,656	1,400	850
Eastern Europe 4/	1,531	1,527	806	77	50
Middle East 5/	5,312	6,447	4,709	3,817	5,610
North Africa 6/	1,555	1,888	1,264	750	425
Other Africa 7/	10	24	20	20	20
South Asia 8/	0	0	0	5	0
Other Asia 9/	2,607	3,643	3,523	3,450	3,650
Oceania 10/	0	26	97	80	25

PRODUCTION

North America 1/	21,390	22,088	20,352	21,254	25,183
Latin America 2/	1,349	1,171	1,023	1,050	1,160
EU	47,457	47,039	43,687	43,752	51,160
Other Wst. Eur. 3/	896	1,042	1,012	1,053	1,027
Former USSR	52,406	54,984	53,096	33,068	30,795
Eastern Europe 4/	11,436	10,830	10,996	11,251	10,080
Middle East 5/	13,175	15,469	15,115	14,391	14,531
North Africa 6/	3,401	1,829	4,365	1,450	6,220
Other Africa 7/	1,679	1,340	1,641	1,696	1,615
South Asia 8/	2,075	1,953	1,723	1,965	1,975
Other Asia 9/	4,714	4,871	4,415	4,618	4,600
Oceania 10/	5,789	7,346	3,161	5,898	6,200

CONSUMPTION

North America 1/	16,394	18,894	19,653	18,934	20,214
Latin America 2/	1,514	1,616	1,419	1,571	1,541
EU	41,588	42,198	41,917	42,611	44,654
Other Wst. Eur. 3/	1,374	1,335	1,478	1,452	1,457
Former USSR	53,228	53,458	51,458	37,141	31,590
Eastern Europe 4/	12,156	12,007	11,748	11,077	10,055
Middle East 5/	19,221	20,252	19,933	18,861	19,246
North Africa 6/	5,262	4,615	4,242	3,575	5,245
Other Africa 7/	1,689	1,364	1,610	1,691	1,635
South Asia 8/	2,075	1,953	1,723	1,970	1,975
Other Asia 9/	7,377	8,405	8,237	8,235	8,290
Oceania 10/	3,198	3,392	2,420	2,530	2,810

ENDING STOCKS

North America 1/	6,638	6,474	4,346	4,079	5,951
Latin America 2/	124	104	80	65	20
EU	11,492	9,859	6,404	4,795	7,251
Other Wst. Eur. 3/	619	680	720	576	476
Former USSR	3,608	5,567	6,597	2,924	2,279
Eastern Europe 4/	1,107	1,431	1,052	893	913
Middle East 5/	5,000	5,915	4,039	3,011	2,756
North Africa 6/	886	167	1,395	120	1,520
Other Africa 7/	0	0	0	0	0
South Asia 8/	20	20	20	20	20
Other Asia 9/	1,352	1,461	1,162	995	955
Oceania 10/	1,077	574	268	291	481

NOTES: Footnotes appear at the end of the Regional Wheat table. Imports are reported on an international year basis. All other data are reported using marketing years.

WORLD SORGHUM TRADE
OCTOBER/SEPTEMBER YEAR
THOUSAND METRIC TONS

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
EXPORTS					
Argentina	1,023	426	192	500	500
Australia	62	513	50	550	100
China	391	245	188	100	50
Sudan	520	263	235	100	50
Others	248	303	91	50	25
Subtotal	2,244	1,750	756	1,300	725
United States	6,634	5,318	5,653	4,950	5,750
WORLD TOTAL	8,878	7,068	6,409	6,250	6,475
IMPORTS					
Australia	0	0	282	0	0
Israel	223	66	214	350	300
Japan	3,221	2,852	2,407	2,300	2,750
Jordan	0	0	0	0	0
Korea, South	117	15	0	50	50
Mexico	4,021	3,089	2,544	1,900	2,500
Sudan	15	47	12	25	25
Taiwan	12	30	29	75	30
Turkey	411	14	0	0	0
EU	399	211	585	950	500
Subtotal	8,419	6,324	6,073	5,650	6,155
Other Countries	325	196	291	143	93
Unaccounted	134	548	45	457	227
WORLD TOTAL	8,878	7,068	6,409	6,250	6,475

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
PRODUCTION					
Argentina	2,830	2,270	1,650	2,100	2,000
Australia	557	931	1,015	1,555	900
Burkina	1,292	1,310	1,232	1,150	1,200
China	4,740	6,300	6,300	6,000	5,700
Colombia	622	649	560	543	575
Egypt	615	745	760	775	750
Ethiopia	1,300	1,150	1,200	1,150	1,200
India	12,806	11,410	9,200	9,700	11,000
Mexico	3,088	3,018	3,000	3,500	5,000
Nigeria	4,437	6,175	6,500	6,800	6,800
Sudan	4,050	2,400	3,700	2,800	3,000
Tanzania, United Rep	600	625	450	840	800
Venezuela	528	367	200	230	230
EU	834	745	554	470	540
Others	4,861	5,016	4,929	5,046	5,056
Subtotal	43,160	43,111	41,250	42,659	44,751
United States	22,227	13,569	16,491	11,694	19,406
WORLD TOTAL	65,387	56,680	57,741	54,353	64,157
CONSUMPTION					
Argentina	1,754	1,885	1,608	1,550	1,550
Australia	495	653	1,009	1,005	800
Burkina	1,293	1,310	1,232	1,150	1,200
China	4,585	6,205	6,355	6,100	5,650
Ethiopia	1,300	1,233	1,269	1,200	1,250
India	12,227	11,659	9,340	9,675	10,800
Japan	3,210	3,000	2,650	2,200	2,650
Mexico	7,409	6,307	5,644	5,400	7,300
Nigeria	4,437	6,175	6,500	6,800	6,800
Sudan	3,091	3,088	3,027	3,100	3,150
Venezuela	1,123	1,041	1,144	1,470	1,050
Others	8,794	7,754	7,708	8,621	7,891
Subtotal	49,718	50,310	47,486	48,271	50,091
United States	12,091	11,687	10,223	7,468	12,802
WORLD TOTAL	61,809	61,997	57,709	55,739	62,893
ENDING STOCKS					
China	700	550	325	125	125
Mexico	591	391	291	291	491
Sudan	105	62	42	22	22
Others	3,556	1,870	1,636	1,324	1,499
Subtotal	4,952	2,873	2,294	1,762	2,137
United States	4,446	1,208	1,819	965	1,854
WORLD TOTAL	9,398	4,081	4,113	2,727	3,991

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

	1992/93	1993/94	1994/95	1995/96	1996/97 Sep 11
IMPORTS					
North America 1/	4,021	3,089	2,544	1,900	2,500
Latin America 2/	62	54	69	30	35
EU	411	14	0	0	0
Other Wst. Eur. 3/	0	0	0	0	0
Former USSR	0	0	7	0	0
Eastern Europe 4/	39	0	0	0	0
Middle East 5/	634	89	214	350	300
North Africa 6/	11	0	1	51	1
Other Africa 7/	228	180	172	82	82
South Asia 8/	0	0	0	0	0
Other Asia 9/	3,350	2,897	2,490	2,430	2,830
Oceania 10/	0	0	282	0	0
PRODUCTION					
North America 1/	25,315	16,587	19,491	15,194	24,406
Latin America 2/	5,013	4,353	3,320	3,935	3,900
EU	834	745	554	470	540
Other Wst. Eur. 3/	0	0	0	0	0
Former USSR	0	0	0	0	0
Eastern Europe 4/	4	4	5	5	5
Middle East 5/	714	739	719	737	675
North Africa 6/	630	760	775	785	760
Other Africa 7/	14,120	14,238	15,732	15,400	15,690
South Asia 8/	13,044	11,622	9,434	9,930	11,230
Other Asia 9/	5,002	6,591	6,611	6,267	5,966
Oceania 10/	557	931	1,015	1,555	900
CONSUMPTION					
North America 1/	19,500	17,994	15,867	12,868	20,102
Latin America 2/	3,971	4,012	3,331	3,377	3,460
EU	1,123	1,041	1,144	1,470	1,050
Other Wst. Eur. 3/	0	0	0	0	0
Former USSR	0	0	7	0	0
Eastern Europe 4/	43	4	5	5	5
Middle East 5/	1,328	847	958	1,087	975
North Africa 6/	641	815	778	836	761
Other Africa 7/	13,200	15,061	15,219	15,757	15,897
South Asia 8/	12,465	11,871	9,574	9,905	11,030
Other Asia 9/	8,231	9,537	9,430	8,697	8,646
Oceania 10/	495	653	1,009	1,005	800
ENDING STOCKS					
North America 1/	5,037	1,599	2,110	1,256	2,345
Latin America 2/	525	462	297	260	310
EU	105	62	42	22	22
Other Wst. Eur. 3/	0	0	0	0	0
Former USSR	0	0	0	0	0
Eastern Europe 4/	0	0	0	0	0
Middle East 5/	57	38	13	13	13
North Africa 6/	102	47	45	45	45
Other Africa 7/	1,456	550	1,000	625	450
South Asia 8/	799	300	100	100	300
Other Asia 9/	1,227	923	406	306	406
Oceania 10/	90	100	100	100	100

NOTES: Footnotes appear at the end of the Regional Wheat table. Imports are reported on an international year basis. All other data are reported using marketing years.

SOYBEANS: WORLD SUPPLY AND DISTRIBUTION
(MILLION METRIC TONS)

	1992/93	1993/94	1994/95	1995/96	1996/97
PRODUCTION					
UNITED STATES	59.61	50.92	68.49	58.56	62.59
BRAZIL	22.50	24.70	25.90	23.20	26.00
ARGENTINA	11.35	12.40	12.65	12.60	13.50
CHINA	10.30	15.31	16.00	13.50	13.30
EUROPEAN UNION	1.27	0.81	1.03	0.94	0.99
PARAGUAY	1.75	1.80	2.20	2.30	2.50
OTHER	10.51	11.60	11.27	12.52	12.78
TOTAL	117.30	117.53	137.54	123.62	131.66
EXPORTS					
UNITED STATES	20.94	16.03	22.81	22.86	22.32
BRAZIL	4.06	5.43	3.57	3.20	3.50
ARGENTINA	2.42	3.07	2.50	2.60	3.10
PARAGUAY	1.25	1.20	1.45	1.50	1.55
CHINA	0.30	1.10	0.60	0.30	0.25
OTHER	0.83	1.19	1.26	1.42	1.45
TOTAL	29.80	28.03	32.19	31.88	32.16
IMPORTS					
EUROPEAN UNION	15.17	13.11	16.05	14.26	13.83
GERMANY	3.31	2.79	2.96	2.85	2.80
NETHERLANDS	4.26	4.14	4.62	4.37	4.20
SPAIN	2.48	1.72	2.85	2.40	2.35
ITALY	1.33	1.17	1.30	1.16	1.12
BEL-LUX	1.31	1.22	1.37	1.21	1.17
PORTUGAL	0.56	0.53	0.95	0.65	0.60
OTHER W EUROPE	0.10	0.29	0.40	0.38	0.38
EASTERN EUROPE	0.30	0.28	0.27	0.30	0.33
FSU-12	0.12	0.10	0.31	0.07	0.06
RUSSIA	0.06	0.07	0.07	0.05	0.04
UKRAINE	0.06	0.03	0.02	0.02	0.02
CHINA	0.15	0.13	0.15	0.60	0.80
JAPAN	4.87	4.86	4.84	4.90	4.86
KOREA, REP OF	1.13	1.16	1.38	1.40	1.40
TAIWAN	2.51	2.50	2.60	2.55	2.50
INDONESIA	0.53	0.71	0.62	0.70	0.55
MEXICO	2.14	2.20	1.87	2.45	2.45
BRAZIL	0.38	0.11	1.20	0.60	0.90
OTHER	2.93	2.94	3.34	3.75	3.89
TOTAL	30.31	28.37	33.04	31.96	31.94
CRUSH					
UNITED STATES	34.81	34.72	38.24	37.15	37.01
LATIN AMERICA	28.42	31.80	33.38	35.46	36.31
BRAZIL	15.55	18.44	20.19	21.00	21.20
ARGENTINA	8.49	8.77	8.69	9.50	9.90
MEXICO	2.67	2.64	2.33	2.61	2.71
EUROPEAN UNION	14.09	12.24	14.43	13.51	13.05
OTHER W EUROPE	0.10	0.28	0.39	0.38	0.38
FSU-12	0.58	0.58	0.70	0.36	0.44
EASTERN EUROPE	0.53	0.42	0.45	0.49	0.51
ASIA	15.85	19.56	19.62	20.35	20.42
JAPAN	3.79	3.70	3.76	3.80	3.75
CHINA	4.49	7.61	8.03	7.26	7.50
TAIWAN	2.32	2.24	2.34	2.25	2.23

OTHER	2.36	2.42	2.88	3.04	3.27
TOTAL	96.73	102.01	110.10	110.73	111.39
ENDING STOCKS					
UNITED STATES	7.96	5.69	9.11	4.62	4.76
BRAZIL	6.07	5.31	6.95	5.02	5.50
ARGENTINA	3.71	3.80	4.77	4.79	4.79
OTHER	2.48	2.44	2.65	2.43	2.21
TOTAL	20.21	17.23	23.48	16.87	17.26

Source: Counselor and Attache Reports, Official Statistics,
and USDA Estimates. Totals may not add due to rounding.

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

	1992/93	1993/94	1994/95	1995/96	1996/97
PRODUCTION					
SOYBEAN	117.30	117.53	137.54	123.62	131.66
COTTONSEED	31.60	29.48	33.02	34.35	33.59
PEANUT	23.08	24.00	26.28	25.94	26.35
SUNFLOWERSEED	21.31	20.73	23.50	25.78	23.25
RAPESEED	25.31	26.74	30.28	34.58	29.82
COPRA	4.92	4.97	5.47	5.01	5.14
PALM KERNEL	4.00	4.25	4.54	4.70	4.96
TOTAL	227.52	227.71	260.64	253.98	254.76
EXPORTS					
SOYBEAN	29.80	28.03	32.19	31.88	2.16
COTTONSEED	0.70	0.64	0.76	0.70	.69
PEANUT	1.34	1.43	1.53	1.55	.46
SUNFLOWERSEED	1.90	2.61	3.34	3.41	.62
RAPESEED	4.01	5.28	5.91	5.48	.67
COPRA	0.23	0.24	0.21	0.20	.21
PALM KERNEL	0.06	0.07	0.06	0.06	.06
TOTAL	38.05	38.29	44.00	43.28	1.87
IMPORTS					
SOYBEAN	30.31	28.37	33.04	31.96	1.94
COTTONSEED	0.73	0.69	0.77	0.67	.65
PEANUT	1.32	1.44	1.52	1.50	.52
SUNFLOWERSEED	1.87	2.45	3.13	3.22	.61
RAPESEED	4.01	5.20	5.92	5.44	.67
COPRA	0.25	0.26	0.24	0.23	.25
PALM KERNEL	0.08	0.04	0.05	0.05	.05
TOTAL	38.58	38.44	44.65	43.06	1.69
CRUSH					
SOYBEAN	96.73	102.01	110.10	110.73	11.39
COTTONSEED	24.70	22.85	25.29	26.62	5.94
PEANUT	12.53	12.83	14.41	14.09	4.53
SUNFLOWERSEED	18.60	17.82	20.61	22.27	0.98
RAPESEED	22.81	24.36	27.11	30.33	8.44
COPRA	4.90	4.95	5.50	5.01	.15
PALM KERNEL	3.90	4.26	4.49	4.68	.91
TOTAL	184.17	189.09	207.51	213.72	11.33
ENDING STOCKS					
SOYBEAN	20.21	17.23	23.48	16.87	7.26
COTTONSEED	0.46	0.53	0.68	0.69	.62
PEANUT	0.81	0.60	0.67	0.48	.46
SUNFLOWERSEED	0.55	0.74	0.87	1.36	.97
RAPESEED	1.14	0.80	0.97	1.96	.75
COPRA	0.12	0.11	0.07	0.06	.05
PALM KERNEL	0.19	0.12	0.13	0.10	.11
TOTAL	23.47	20.14	26.86	21.52	0.22

Source: Counselor and Attache Reports, Official Statistics,

and USDA Estimates. Totals may not add due to rounding

World Cotton Supply, Use and Trade¹
August/September
1,000 480 Lb. Bales

	1992/93	1993/94	1994/95	1995/96	1996/97 Projection
Production					
World Total	82,450	76,701	85,535	91,497	87,354
China	20,700	17,200	19,900	21,900	18,000
U.S.	16,218	16,134	19,662	17,900	17,900
India	10,775	9,487	10,814	12,258	11,300
Pakistan	7,073	6,282	6,250	8,100	8,200
Uzbekistan	5,851	6,067	5,778	5,740	5,300
Brazil	2,113	1,860	2,526	1,791	1,900
Consumption					
World Total	85,765	85,353	84,688	84,960	86,840
China	21,500	21,300	20,200	20,200	20,200
U.S.	10,250	10,418	11,198	10,600	11,200
India	9,761	9,916	10,544	11,400	11,800
Pakistan	6,634	6,725	6,750	7,000	7,000
EU 4/	5,407	5,617	5,443	5,200	5,170
S.E. Asia 2/	4,242	4,506	4,551	4,468	4,540
Russia	2,200	2,200	1,263	1,250	1,350
Imports					
World Total	27,027	27,854	30,842	26,937	26,392
EU 4/	4,748	5,194	4,930	4,431	4,435
S.E. Asia 2/	4,146	4,527	4,463	4,440	4,590
Russia	2,650	3,000	2,159	1,100	1,350
Japan	2,228	1,993	1,750	1,520	1,425
Korea	1,711	1,689	1,747	1,550	1,550
Taiwan	1,264	1,236	1,114	1,150	1,100
China	242	808	4,060	3,045	1,700
Exports					
World Total	25,583	26,735	28,478	27,586	26,442
U.S.	5,201	6,862	9,402	7,700	6,200
Uzbekistan	5,500	5,800	5,006	4,700	4,500
Afr. Franc 3/2,048	2,026	2,026	2,682	2,798	2,797
Australia	1,695	1,682	1,345	1,400	1,900
India	1,075	305	84	550	500
Pakistan	1,175	318	148	1,500	1,300
China	684	749	183	21	200
Ending Stocks					
World Total	34,312	26,280	29,289	34,949	35,223
China	10,442	6,101	9,678	14,402	13,702
U.S.	4,662	3,530	2,650	2,600	3,600
Pakistan	2,164	1,694	1,692	1,337	1,282
Uzbekistan	1,534	1,006	956	1,126	1,011
EU 4/	1,461	1,651	1,707	1,651	1,787

1/ World import and export totals have been expanded to include trade among the 12 republics of the former Soviet Union and the 3 Baltic States from 1970/71 onward.

2/ Includes Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

3/ Includes Benin, Burkina, Cameroon, CAR, Chad, Cote d'Ivoire, Mali, Niger, Senegal, and Togo.

4/ European Union (EU) now includes 15 countries with the addition of Austria, Finland, and Sweden.

Totals may not add due to rounding.

Source: USDA/FAS

Wood Products: Sawlogs/Veneer Logs Production and Trade 1990-1995
Calendar Year
1,000 cubic meters

SAWLOG/VENEER LOG PRODUCTION	1990	1991	1992	1993	1994	1995
SOFTWOOD	757,557	633,690	603,306	605,091	601,015	NA
HARDWOOD	298,430	293,404	300,656	294,338	294,052	NA
TOTAL WORLD PRODUCTION	1,055,390	927,094	903,963	895,429	895,067	NA
SAWLOG/VENEER LOG EXPORTS						
SOFTWOOD						
United States	18,091	15,754	13,838	11,956	10,961	11,561
Canada	800	812	1,142	1,126	952	676
Russia	NA	NA	NA	11,600	11,950	14,200
New Zealand	2,931	3,567	4,117	4,289	4,837	4,900
Sweden	336	326	338	410	401	400
Other	NA	NA	NA	NA	NA	NA
SOFTWOOD TOTAL	33,858	32,863	NA	NA	NA	NA
HARDWOOD						
Malaysia		20,378	19,320	17,797	9,382	8,561
7,864						
Papua New Guinea		1,349	1,500	1,929	2,867	3,100
2,900						
France	1,655	1,530	1,537	1,350	1,485	1,560
United States	995	1,823	1,015	1,074	1,195	1,213
Ivory Coast	403	355	248	320	376	380
Other	8,427	8,438	NA	NA	NA	NA
HARDWOOD TOTAL	33,207	32,881	NA	NA	NA	NA
TOTAL WORLD EXPORTS	67,065	65,744	NA	NA	NA	NA
SAWLOG/VENEER LOG IMPORTS						
SOFTWOOD						
Japan	16,682	15,086	14,967	14,730	14,434	14,905
China (Mainland)		4,140	3,304	2,272	1,512	1,191
590						
Korea, South	4,553	5,047	4,744	5,414	5,701	6,450
Canada	4,089	4,146	3,543	3,477	3,815	5,000
United States	80	45	167	388	427	241
Other	4,906	6,325	NA	NA	NA	NA
SOFTWOOD TOTAL	34,450	33,953	NA	NA	NA	NA
HARDWOOD						
Japan	12,316	11,357	10,902	8,703	7,944	7,038
Korea, South	3,732	3,832	3,591	2,233	2,011	1,960
Italy	2,927	3,092	2,603	2,442	3,022	3,090
France	1,080	979	1,042	1,040	1,010	990
Thailand		1,846	1,741	2,006	1,607	1,529
1,500						
Other	9,633	11,840	NA	NA	NA	NA
HARDWOOD TOTAL	31,534	32,841	NA	NA	NA	NA
TOTAL WORLD IMPORTS	65,984	66,794	NA	NA	NA	NA

SOURCE: USDA/FAS Forest Products Annual Reports; FAO Yearbook/Forest Products/1993; ITTO Annual Review and Assessment of the World Tropical Timber Situation in 1995; FAS/FFPD Estimates
NA-Not Available

5. The Office of Strategic Industries and Economic Security

The Office of Strategic Industries and Economic Security (SIES) is charged with working with U.S. defense industries to ensure a sound base for domestic industrial output in case of national emergency. In recent years, the Department of Commerce, through SIES, has taken a leadership role in a range of high priority programs that involve international competitiveness and defense conversion. Even though the current military threats to the U.S. are diminishing, U.S. economic security has important implications for overall U.S. national security in the 21st century. Its major activities and accomplishments in FY 1996 are discussed below.

Industrial Base Assessments

SIES industrial base assessments are industry-specific surveys to collect information from academia, foreign companies with U.S. sales operations, 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.

BXA/SIES, on behalf of the Department of Commerce, has statutory authority to collect the appropriate information. The collected data serves as the core of SIES analyses, as in most cases data with this level of detail is unavailable from other sources.

Defense Industrial Capability Assessments

Historically, the majority of SIES research studies have examined defense industrial capability. Assessments have been published on such industries as gears, precision optics, robotics, and semiconductor wafer processing equipment, among others, as well as detailed foreign dependency assessments of three Department of Defense (DOD) weapon systems. Most of these studies are conducted at the request of DOD's secretariat or one of its service branches. The following are two assessments that are currently underway:

Semiconductor Infrastructure Assessment

A major research project in its final stages involves segments of many industries which produce and/or supply semiconductor processing materials. The majority of the domestic semiconductor industry participated in the identification process of key materials suppliers and assisted with the survey design. Data was then collected from over 100 companies, both U.S. manufacturers and sales operations, covering eight broadly defined industries and 136 unique product categories. The study is scheduled for completion in late 1996; the semiconductor industry plans to direct resources to those subcontractor sectors which are found to potentially hamper the industry's competitive goals as outlined in the industry workplan, "National Technology Roadmap for Semiconductors".

Ejection Seat Assessment

In mid-1996 Wright Patterson Air Force Base's Aeronautical Systems Center requested that SIES initiate an industrial capabilities assessment of the domestic ejection seat industry. The Air Force is concerned that three of the four remaining U.S. seat manufacturers may exit this business in the next two years, and that this may lead to a dependency on Russian or British seats.

The Air Force, on behalf of all of the Armed Services, selected SIES to conduct this study because of the recommendations developed through an assessment conducted by SIES last year at the request of the U.S. Navy on the cartridge and propellant actuated device (CAD/PAD) industry. The Air Force asked for the report to be completed by April 1997.

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 the Department of Commerce on 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 FY 1996, the Department reviewed 34 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.

Offsets in Defense Trade

In defense trade, "offsets" are compensation packages often required by foreign governments as part of contract negotiations for large military purchases. To ensure that the competitiveness of U.S. companies is not impacted by offset policies, the 1996 Trade Promotion Coordinating Committee (TPCC) report recommended several actions. These include consulting

with major U.S. arms producers and labor to seek their positions on minimizing the adverse effects of offsets in defense trade, implementing consultations with our trading partners on offsets in defense trade, and reviewing U.S. Government policy on offsets in defense trade to respond to the changing nature of offset demands, which reflects both the need for U.S. firms to remain competitive and the need for to maintain our defense industrial base. BXA will play a leading role in addressing these offset issues.

There has long been concern that offset practices may be detrimental to the U.S. defense-industrial base, particularly to defense subcontractors. Offsets may create or enhance foreign competitors, displace U.S. firms, and reduce U.S. employment.

The official policy on offsets was issued in 1990, and it notes that the U.S. Government views certain offsets to be economically inefficient and market distorting. The policy directs that the U.S. Government will not enter any such agreements itself nor provide financing for such arrangements. The decision whether to engage in offsets, and the responsibility for negotiating and implementing offset arrangements, resides with the companies involved. The U.S. policy also calls for consultations with our friends and allies regarding the use of offsets in defense procurement.

In late 1992, Congress passed an amendment to the Defense Production Act (DPA) that broadened SIES's role with regard to offsets. Under this amendment, companies are required to report offset agreements valued over \$5 million and offset fulfilling transactions valued over \$250,000 to the Department of Commerce. SIES prepares, in cooperation with other interested agencies, an annual report to Congress on the impact of offsets on the U.S. The report provides detailed information on the impact of offsets on the defense preparedness, industrial competitiveness, employment, and trade of the United States, and is used in policy recommendations to support international consultations and to limit the adverse impact of offsets on U.S. industry.

SIES completed its first annual report on the impact of offsets during FY 1996. The Secretary of Commerce submitted the report to Congress on May 20, 1996. The interagency community cooperated in the preparation of this report, as did an informal group of defense prime contractors representing the Aerospace Industry Association and the Defense Industry Offset Association.

The report is based on data collected for the years 1993 and 1994. New offset obligations in 1993 were found to be \$4.8 billion, based on sales contracts of \$13.9 billion. In 1994, the new obligations were \$2.0 billion, based on sales contracts of \$4.8 billion. Offset transactions, which are counted toward the fulfillment of existing offset agreements, totaled about \$1.9 billion in both 1993 and 1994. Roughly one-third of these offset transactions for both years were direct, or related to the defense system listed on the export sales contract. Also, about three-fourths of all

transactions (i.e., direct and indirect) involved the purchase or subcontracting of goods and services, or the transfer of technology.

European and NATO allies have the highest overall offset obligation demands. In 1993 and 1994, European countries represented less than one-fourth of the value of the export contracts, but more than 45 percent of the value of the new offset requirements. The percentage of offsets to export contract values reported for Europe as a whole was 69 percent. For the Middle East and Pacific Rim countries, these percentages were much lower, although individual countries had rates above 60 percent. The recent trend shows a relative increase in export and offset activity to regions outside of Europe and NATO. However, Europe has also been mired in recession, and national budget constraints. The worldwide decline in military spending has also shifted the emphasis of many offset obligations toward products and technology that benefit commercial sectors.

The data also supports a trend toward newer offset customers seeking to diversify their economies rather than build or maintain a defense industry. Pacific Rim countries such as Singapore, South Korea, and Taiwan are seeking offset deals that include increased technology transfer, particularly in aircraft design, to become self-sufficient in defense production and to overcome industrial weaknesses that are hindering their efforts to compete in the world aerospace market with U.S. and European manufacturers. Japan's policy of co-producing defense items has a similar objective.

Aerospace weapon systems (aircraft, engines, missiles, etc.) export sales overwhelmingly dominate offset agreements. In fact, about 90 percent of the total value of actual offset transactions reported were in aerospace-related sales agreements. However, of the total actual transactions, aerospace products and services represented slightly over 51 percent, with the remainder allocated across dozens of other industry sectors.

The data indicates that over the 2-year period examined, offset percentages of sales are slightly lower than in previous years. In addition, the data shows the use of indirect offsets has increased relative to direct offsets in defense trade. Additional data is needed to substantiate these trends. Future BXA Offsets in Defense Trade reports will add annual increments to this data. Overall, offsets continue to be an important and necessary factor in international transactions involving the sale of defense articles.

Data collection for the FY 1997 annual report has already been completed, with industry submitting another year of data by the annual due date of June 15. A new report based on an analysis of this data will be submitted to the Congress in 1997.

Defense Diversification Programs

In response to defense downsizing and increased international competition, SIES developed several programs to assist industry in their efforts to diversify into the commercial market. Consistent with its role on defense industrial base issues, SIES serves as the lead office in carrying out many of these defense conversion initiatives. During fiscal 1996, SIES continued and expanded programs begun two years ago to provide direct assistance to the defense industry, with particular emphasis placed on small- and medium-sized defense subcontractors.

To assist these firms in making the necessary changes to survive in today's market, SIES launched the Competitive Enhancement and Defense Diversification Needs Assessment in the Fall of 1994. Participating firms simply complete a short survey that gathers basic information about the company and asks what type of assistance would be of benefit to them, such as manufacturing technology deployment, product/service development, R&D programs, exporting, financing, marketing, worker retraining, and business development.

In FY 1996, SIES sent the Needs Assessment Survey to approximately 15,000 firms nationwide. These companies were identified through supplier and membership mailing lists provided by major defense prime contractors, trade organizations, and state agencies interested in strengthening the supplier base.

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. Commercial Service, the Economic Development Administration, Department of Energy Laboratories, the Department of Labor, the Export-Import Bank, NASA Regional Technology Transfer Centers, various Defense Department agencies, and the Small Business Administration. In this way, information regarding assistance programs is tailored to the specific needs of each participating firm.

A new SIES initiative, a series of conferences entitled "Commercialization of Defense Technologies," began this year. These conferences were designed to help small and medium-sized businesses take advantage of emerging and existing technologies. Speakers and presentations included private sector success stories, technology transfer and the latest news on partnering effectively with federal and state agencies. SIES cosponsored the conferences with Commerce's Economic Development Administration and the Small Business Administration. The events were held at six sites around the country during Fall 1996.

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.

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.

SIES defense advocacy efforts resulted in sales of \$4-\$5 billion in FY 1996. A large portion of SIES activities involve working with the inter-agency community. This is illustrated by SIES's successful efforts in regard to the \$325 million Kuwait National Guard armor personnel carrier competition and Thailand's \$500 million fighter aircraft competition.

Defense Market Assessment Program

SIES has developed a program to assist small and medium sized U.S. companies in their efforts to diversify into overseas commercial markets. International Diversification and Defense Market Assessment Program is structured to provide current market information for dual-use and defense products and is being implemented through, a series of international diversification and defense market assessment guides. The guides provide information to U.S. manufacturers regarding non-traditional dual-use and defense markets in the Pacific Rim, Europe, the Middle East, and the Western Hemisphere. Each chapter within these guides offers comprehensive information on how to do business in targeted countries, specific commercial and defense trade opportunities open to U.S. firms in these markets, as well as key points of contact.

In FY 1996, BXA published the Middle East guide and Western Hemisphere guide. SIES is also working on updating the Pacific Rim Guide. These guides are available in printed format as well as through the Internet.

Defense Memoranda of Understanding

The review of Defense Memoranda 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 the 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 research and development 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. Even though the

current military threats to the U.S. are diminishing, U S. economic security has important implications for overall U.S. national security in the 21st century.

The 1990 authorizing legislation 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 over 500 international defense agreements since these statutory authorities were delegated to the Department.

In FY 1996, a great amount of effort was devoted to the negotiation of the Production Phase MOU of the U.S.-Japan FS-X Fighter Program. U.S. industry was guaranteed 40% of the Production Phase of the program which required a new MOU. The Production Phase MOU was successfully negotiated and approved by the Congress in FY 1996. The production program (now known as the F-2 fighter) will be a 12 year 130 aircraft program. The net direct benefit of the program for the U.S. aerospace industry is worth approximately \$4 billion. SIES will maintain an active role in the Production Phase through our participation in the Production Coordinating Group (PCG).

SIES also continues to emphasize the importance of technology flowback from the FS-X program. In December 1995, SIES and the U.S. Air Force (USAF) led a successful U.S. industry delegation to Mitsubishi Electric Corporation (MELCO) to provide access to FS-X electronic warfare related technology developments and facilitate U.S.-Japan company-to-company relationships. In March 1996, SIES and the USAF held a symposium for U.S. industry at Lockheed Martin (Fort Worth) on the co-cured composite wing technology transferred by Japan to the United States.

Emergency Preparedness

Another important role of SIES is as the Department's focal point to ensure that the nation's industrial/technology base can respond effectively to the requirements of national emergencies. In the post-Cold War era, our concern is now the potential for regional conflict, humanitarian missions and peacekeeping operations, catastrophic natural, accidental, and man-caused disasters; and the potential threat of violence aimed at disrupting the continuity of our government.

SIES, along with other Commerce offices, is working closely with the interagency community in support of a comprehensive National Security Council review of National Security Emergency Preparedness (NSEP) planning, policies, and procedures. This project also includes a Congressionally- mandated review of the post-Cold War relevancy and effectiveness of the DPA,

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. SIES has been a major interagency contributor to ongoing reviews and assessments of the industrial/technology base. This work ensures that the Department's industrial emergency preparedness responsibilities under Executive Orders 12656, 12919, 12742, and NSD 47, are fully discharged.

SIES has also provided ongoing staff support to the Under Secretary in his role as a member of the National Science and Technology Council's (NSTC) Committee on National Security (CNS). The NSTC was formed by the President last year to provide advice on the direction of national science and technology investment.

Finally, SIES continued its work in representing the U.S. on the NATO Industrial Planning Committee (IPC). The IPC is responsible for coordinating industrial preparedness planning among the NATO allies. SIES chairs the IPC's industrial analysis subgroup whose current focus is defense industry consolidation within the NATO Alliance nations and improving international industrial emergency supply protocols.

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 priorities and allocation 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. This will enable SIES staff to use the DPA priorities authority for industrial resources to ensure timely industrial resource response to catastrophic natural disaster and other civil emergency situations.

SIES implements its priorities and allocations authority under the Defense Priorities and Allocations System (DPAS) regulation (15 CFR 700). The goals of the DPAS are (1) to assure the timely availability of industrial resources to meet current national defense requirements; and (2) to provide a regulatory framework for rapid industrial response to national security emergency requirements.

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 FY 1996, 40 SPA cases were received and worked by SIES. Of these cases, 31 were submitted by NATO in support of NATO's continuing involvement in the Bosnian crisis and the deployment to Bosnia during FY 1996 of U.S. and Alliance nation peacekeeping forces. NATO had very urgent delivery requirements primarily for communications equipment such as search and rescue and satellite communication radios, and for computer equipment and peripherals. By working closely with the communications and computer equipment producers, SIES staff was able to significantly reduce the equipment delivery lead time from several months to several weeks, and in certain cases, from several weeks to several days.

Also during FY 1996, SIES staff continued to provide DPAS training and assistance to the Defense Nuclear Agency and its contractor in order to ensure the timely delivery of communications equipment to Kazakhstan as part of the highest priority "DX" rated Nunn-Lugar Cooperative Threat Reduction Program. Other cases in FY 1996 involved support for the visit of the Secretary of Defense to Korea, resolving a conflict between the U.S. Department of Defense and the French Atomic Energy Commission over the priority delivery of a supercomputer, ensuring timely delivery of equipment to a U.S. Navy contractor in support of submarine research and development, and ensuring preferential testing by a NASA contractor of a weather satellite with national defense applications.

In view of the dramatic changes in our national security strategy in the post-Cold War era, SIES staff, along with other Commerce staff and representatives from a number of other Federal Departments and Agencies, began a comprehensive National Security Council led review of our nation's national security emergency preparedness planning, policies, and procedures. This project will include a Congressionally mandated review of the relevancy and effectiveness of the DPA. A report to Congress with recommendations is due by October 1997. As part of this effort, SIES has prepared a revision of several DPAS provisions and supporting DPAS documents (e.g., agency Delegations of Authority, interagency Memoranda of Understanding). A revised DPAS will be published in FY 1997.

Finally during FY 1996, SIES staff continued to provide DPAS training to government and industry personnel and responded to 118 requests for training materials and regulatory documents. A revised training program using updated training materials, including a new videotape presentation, a printed regulation booklet, plus electronic access to all DPAS materials and electronic filing of SPA requests, will be implemented upon publication of the revised DPAS.

National Defense Stockpile

The National Defense Stockpile, managed by the Department of Defense (DOD) under the authority of the Strategic and Critical Materials Stockpiling Act of 1979, as amended (Stockpiling Act), is a \$6.4 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 the Department of Commerce's input into policy development and ongoing operation of the National Defense Stockpile, including acquisition, disposal, and warehousing 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 National Defense Authorization Act (NDAA) of FY 1993 to provide expert interagency advice to DOD on Stockpile acquisitions and disposals. This advice helps DOD to meet its statutory obligation to limit 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 to the Government while minimizing the effects of Stockpile sales on both domestic and global markets.

The NDAA of FY 1993 also directed 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, to help guide the MIC in fulfilling its mission. Furthermore, as a result of last year's publication for the first time of material disposal quantities in the proposed FY 1997 AMP, SIES received a significant increase in the number of public comments on the materials. This action followed Congressional approval to publish AMP material quantities, thus making the MIC review process more transparent and enabling the public to more effectively and efficiently assess how proposed disposals will impact their business or industry. The AMP material quantities will be published with the proposed FY 1998 AMP as standard procedure.

Economic Analysis of U.S. Export Controls

SIES also has a relatively new and growing responsibility for analyzing the economic impact of U.S. export control policies and export licensing decisions. BXA added this responsibility in October 1994, in response to certain recommendations outlined by the Trade Promotion Coordinating Committee (TPCC) in its September 30, 1993, report to the Congress. During FY 1996, SIES conducted economic impact studies on a number of critical export control issues, some of which are addressed below.

Encryption

One of SIES's most significant projects is its ongoing participation in interagency fora on U.S. encryption policy. In 1995, SIES co-authored an interagency report on the impact of U.S. export controls on worldwide encryption software sales and on the international competitiveness of the U.S. software industry. This report was prepared in accordance with a Presidential directive, which directed an interagency working group to coordinate and oversee the conduct of a study of the international market for computer software with encryption. A declassified version of the report was made available to the public in January 1996.

The interagency working group tasked the Department of Commerce (specifically, SIES) with assessing the current and future markets for encryption products and determining the impact of export controls on U.S. industry. SIES obtained data to assess the economic impact of U.S. export controls by distributing a voluntary questionnaire to over 200 software vendors and other interested parties. Although survey respondents found it difficult to quantify the impact of U.S. export controls, the respondents did provide a substantial amount of information concerning how and why U.S. companies believed they were adversely affected by U.S. export controls on encryption software products.

SIES contacted over 30 U.S. overseas posts and obtained rough estimates on the size of the encryption software markets in the host countries, the growth potential of these markets, and the approximate U.S. market share in these countries. SIES also consulted a number of domestic computer security specialists and used information collected by U.S. market research firms to assess the current state and future prospects of the domestic encryption software market. SIES relied largely on the information it obtained from these sources to prepare its portion of the interagency report on encryption software.

SIES is part of the interagency working group analyzing potential export control liberalization for encryption products, as proposed by Vice President Gore in July 1996. Specifically, The role of SIES is to ensure that the competitiveness of U.S. encryption producers is given the same consideration as national security and law enforcement concerns in U.S. encryption policy concerns.

Unilateral 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." SIES has prepared analyses on the economic impact on U.S. industry of a number of unilateral foreign policy controls (e.g., crime control and detection commodities, regional stability controls, and antiterrorism controls).

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 U.S. export

controls, such as proposals to tighten the embargo against Iran by expanding U.S. foreign policy controls on reexports from third countries to Iran and on exports to the Government of Iran or entities owned or controlled by the Iranian Government. 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.

U.S. Obligations under International Agreements

SIES has examined the economic impact of additional export controls, licensing policies, or inspection requirements that might arise from future U.S. obligations under various international agreements such as the Biological Weapons Convention (BWC) and the Chemical Weapons Convention (CWC). SIES developed a survey to identify those U.S. companies that produce, acquire, transfer, use, or stock any of the chemicals or precursors listed in Schedule 1 of the CWC and to determine the quantities of chemicals involved in each of these activities.

In addition, SIES supports BXA's ongoing efforts to strengthen the BWC with protocols that ensure a level playing field for U.S. companies and protection for company proprietary information during inspections. In July 1996, SIES provided economic substantiation for the BXA position in an interagency working group (IWG) on certain proposed inspection provisions of the BWC. SIES's overview of the scope and international competitiveness of the U.S. biotechnology and pharmaceutical industries helped to persuade the IWG that the U.S. economy would be disproportionately disadvantaged (relative to the economies of other BWC countries) by certain BWC facility inspection provisions then under consideration. The BXA position was ultimately adopted by the IWG and later by a BWC working group.

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. 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., satellite kick motors and machine tools).

Foreign Availability Assessments

Foreign availability assessments identify and evaluate foreign sources of controlled commodities for the purpose of updating the Commerce export control lists and keeping U.S. industry on an equal standing with foreign competitors. SIES received two foreign availability submissions during FY 1996.

In response to the first foreign availability submission, SIES initiated a denied license foreign availability assessment on November 6, 1995, involving three export license applications for the People's Republic of China. The purpose of the denied license assessment procedure is to determine whether a specific export license application should be approved on the grounds of foreign availability. Unlike a decontrol assessment, the denied license assessment procedure is not intended to trigger the removal of U.S. export controls on an item. On March 15, 1996, following the completion of the assessment, the Assistant Secretary for Export Administration determined that foreign availability existed for semiconductor automated test equipment (ATE) described in the three export license applications that had been denied by BXA.

An interagency review of the denied export license applications resulted in a decision to maintain the license denials pursuant to the provisions of the Enhanced Proliferation Control Initiative (EPCI), which were held to apply because the proposed exports would have made a material contribution to the missile related activities of the People's Republic of China. The license denials were maintained, notwithstanding evidence of foreign availability, because the foreign availability provisions of the Export Administration Regulations (EAR), which were continued in effect when the President invoked the International Emergency Economic Powers Act (IEEPA), do not apply to commodities controlled for EPCI reasons.

The second foreign availability submission that SIES received during FY 1996 requested that BXA initiate a foreign availability assessment for certain transponders subject to U.S. national security export controls. SIES is reviewing this submission to determine whether it satisfies the criteria for initiating a foreign availability assessment as set forth in the EAR.

The relatively small number of foreign availability submissions received by SIES within the past year can be attributed, in large part, to recent relaxations in U.S. export controls. BXA's requirements concerning foreign availability submissions and assessments remain unchanged. SIES will receive and review any properly prepared foreign availability submission, but will accept a foreign availability submission and initiate an assessment only after it determines that there is sufficient evidence to support the belief that foreign availability exists.

Industry Outreach

In an effort to more effectively perform its mission, SIES has taken a number of steps during the past year to inform the exporting community about SIES's role within BXA. SIES staff members have made presentations before the Technical Advisory Committees (TACs) describing the role the office 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 U.S.

6. Export Enforcement

In fiscal year 1996, BXA's Office of Export Enforcement (OEE) and the Office of Enforcement Support (OES) continued their programs to prevent and investigate dual-use export control violations and thereby protect important national security and foreign policy interests safeguarded by the Export Administration Act (EAA) and Export Administration Regulations (EAR). Additionally, Export Enforcement implements the antiboycott policy and program articulated in Section 8 of the EAA through the Office of Antiboycott Compliance.

BXA's Export Enforcement arm has over 140 trained professionals assigned to enforcing the EAA and the EAR, about half of whom are special agents. Export Enforcement protects U.S. national security, foreign policy, and economic interests by educating exporters, interdicting illegal exports, and prosecuting violators, without impeding legitimate trade activities. Working closely with BXA's licensing officers and policy staff, Commerce export enforcement officers apply their special skills and understanding of the export control system to minimize exports of potential damaging items to unreliable users.

When there is reason to believe that the EAA and the EAR have been violated, Export Enforcement's special agents and compliance officers investigate and recommend the initiation of appropriate charges. Fiscal year 1996 ended with the imposition of \$1,394,000 in civil penalties and \$534,520 in criminal fines for export control violations of the EAA and EAR. A total of \$1,015,600 in civil penalties for antiboycott violations of the EAA and EAR were imposed.

Export Control Enforcement

OEE is headquartered in Washington, D.C. Its Investigations Division has eight field offices, located in Los Angeles and San Jose, California; Chicago; Dallas; Miami; Boston; New York; and Springfield, Virginia. Special Agents are empowered to make arrests, carry firearms, execute search warrants, and seize goods about to be illegally exported.

OEE's Intelligence Division, also located at headquarters, is staffed by special agents and intelligence analysts. This staff serves as a conduit between the intelligence community and OEE's field offices, and produces analytical reports on export control problem areas.

OES assists OEE's field offices and BXA's licensing offices by receiving and disseminating export control-related information. OES also makes recommendations to licensing officers based on intelligence and investigative information.

During FY 1996, OEE conducted numerous investigations, some of which led to both criminal and administrative sanctions. It also issued 239 warning letters in cases of minor

violations informing these entities that OEE had reason to believe they had violated the EAR, and that increased compliance efforts were warranted.

In FY 1996, Commerce special agents worked with the Department of Justice to secure convictions of 11 individuals and 5 companies. (See Table II.5-1 for a list of FY 1996 criminal convictions for EAA violations.) Criminal fines imposed in cases investigated by Commerce or joint Commerce Customs investigations totalled \$534,520.

In addition, administrative sanctions -- either a civil monetary penalty, a denial of export privileges, or both -- were levied on individuals and/or businesses. Civil monetary penalties imposed by Commerce in FY 1996 totalled \$1,394,000. By law, civil penalties for nuclear nonproliferation and foreign policy export violations are limited to a maximum of \$10,000 for each violation. If national security controls are involved, the penalty for each violation can be as high as \$100,000.

Administrative sanctions may also include a denial of export privileges. An order denying export privileges prohibits the denied party from participating in any export transaction involving any U.S.-origin goods or technology. It also prohibits other firms or individuals from engaging in transactions with, or on behalf of, the denied party when U.S.-origin goods or technology are involved. Parties who violate this prohibition may also be fined, denied export privileges themselves, or subjected to other sanctions authorized by the EAA. In FY 1996, 13 parties were denied export privileges for EAA and EAR violations. (Administrative cases completed in FY 1996 are summarized in Table II.5-2.)

OEE and OES routinely review all incoming license applications. During FY 1996, Commerce enforcement personnel closely examined export license applications to assess diversion risks, identify potential violations, and determine the reliability of proposed consignees as recipients of controlled U.S.-origin commodities or technical data. Based on their review, Commerce enforcement personnel recommended that 297 license applications either be rejected or returned without action because of diversion risks or other enforcement concerns. Together, these applications represented \$150 million in potential illegal trade.

In addition, as part of Commerce's ongoing responsibility for preventing illegal exports before they occur, its enforcement staff initiated 427 pre-license checks (PLCs) and assessed the results of 331 PLCs completed in FY 1996. Of the applications subject to PLCs, EE recommended that 46 be rejected or returned without action. Together, these applications represented \$11 million worth of trade in situations in which violations of the EAA and EAR may have occurred had the transactions been completed. During the fiscal year, EE also initiated 234 post-shipment verifications (PSVs). OEE special agents conducted 144 PSVs in 1996 as part of the Safeguards program, while the remainder were conducted overseas by Foreign Commercial

Service or other personnel assigned by the American Embassy. Of the PSVs, 17 contained information that required further enforcement action.

Export Enforcement Initiatives

The Fastener Quality Act

A new area of responsibility for Export Enforcement is the Fastener Quality Act. This Act, originally passed in 1990 and amended in 1996, requires that certain threaded fasteners meet specified technical standards and that they are tested by an accredited laboratory. OEE's experience in investigating complex cases and its industry programs outreach provide a valuable foundation on which to build the Fastener Quality Act enforcement program. As with export controls, prevention will be emphasized as well investigations of possible violations.

Throughout the summer, the Export Enforcement staff worked with the National Institute of Standards and Technology and the Patent and Trademark Office to prepare the implementing regulations in final form. The final rule was published in the *Federal Register* on September 26, 1996. The rule will apply to fasteners made on or after May 27, 1997. In September 1996, a one-week intensive training session was attended by enforcement personnel. The training featured speakers from industry, academia, NIST, the American Society for Testing Materials, the Patent and Trademark Office, and the Department of Justice.

In the coming months, Export Enforcement will concentrate its efforts in carrying out this new responsibility through training and outreach to the fastener industry.

Project Outreach

As part of its public education efforts, OEE special agents developed contacts with private sector firms through Project Outreach. The program provides firms with specific export guidance, while giving OEE a better understanding of the private sector's needs, and allows the exchange of valuable information with which to initiate investigations. OEE conducted 702 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, the traditional diversion points to the former Soviet Union. Since then, OEE's Safeguards Verification Program has expanded worldwide to conduct on-site pre-license and post-shipment checks using Export Enforcement personnel instead of officers from Commerce's Foreign and 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. The Middle East and Pacific Rim countries now account for the majority of Safeguards Verification Program activity.

In addition to conducting pre-license and post-shipment checks, Safeguards Verification Teams also conduct educational visits to foreign firms, often in cooperation with host government officials, or provide guidance and support on preventive enforcement matters to the American Embassy personnel and/or host government export control officials, stressing the importance of detecting and preventing the diversion of U.S.-origin products to proliferation projects.

Nonproliferation and Export Control Cooperation

In FY 1996, Export Enforcement (EE) again provided enforcement technical assistance to a number of countries, especially the Newly Independent States (NIS) that possess nuclear capabilities, to help them develop effective export control systems. This effort, initiated in 1989 in Central Europe, was expanded to Belarus, Ukraine, Russia and Kazakhstan under several National Defense Authorization Acts. Monies allocated under these Acts for assistance to those countries for the control of nuclear weapons under the rubric of Cooperative Threat Reduction are administered by the Defense Special Weapons Agency. BXA received funds to provide assistance to the four nuclear Newly Independent States, as well as the Baltic, Central European, Central Asian, and Transcaucasian states, in several areas, including export control automation, preventive enforcement, and legal assistance projects. The Assistant Secretary for Export Enforcement and other senior EE officials met with several 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 EE's efforts, the governments of these countries have either implemented or initiated export control programs that incorporate concepts from the former COCOM "common standard of effective enforcement" of export controls, which are now generally accepted by the United States and our allies in various multilateral export control regimes. BXA enforcement personnel, together with other areas of BXA, the Department of Commerce, and other U.S. government agencies, met with representatives from these countries to support them in developing effective export control enforcement regimes.

SED Review

As the volume of validated licenses has decreased, EE has increased the number of Shipper's Export Declarations (SED) that it reviews. Under the SED Review program, on-site reviews of selected SEDs are conducted by OEE Special Agents at U.S. ports prior to export.

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. OES receives from the Census Bureau microfilm copies of the actual SEDs and a computerized index of data fields that includes the license symbol, ECCN and Schedule B number for every SED. OES uses the index to produce a list of SEDs targeted for closer review.

OES looks at SEDs of transactions that may warrant further review, focusing particularly on validated license shipments, certain general license shipments, shipments bound for destinations of concern, and shipments of strategic commodities of proliferation concern. SED searches may also be customized.

Following this review, OES identifies SEDs that may indicate violations of the Export Administration Regulations and refers them to OEE. Over the past year, OEE initiated over 330 investigations of suspected export control violations on the basis of routine reviews of SEDs.

Visa Application Review Program

OEE 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. Under the Visa Application Review Program, during FY 1996, OEE reviewed information on approximately 40,000 visa applications to detect and prevent possible EAR violations. Of these, 240 applications were referred to OEE's field offices for further investigation. In some instances, based upon OEE's recommendations, the State Department declined to issue visas due to the risk of diversion.

Significant Commerce Export Enforcement Cases

Sigma Chemical Company Penalized \$480,000 for Biotxin Exports

On July 8, 1996, the Commerce Department imposed a civil penalty of \$480,000 on Sigma Chemical Company of St. Louis, Missouri, for allegedly violating export controls on biological

agents by exporting U.S.-origin biotoxins on 48 separate occasions to various non-proscribed countries worldwide without the required export licenses. Sigma Chemical agreed to pay the \$480,000 civil penalty to settle these allegations. This action marked the first settlement with a firm involved in the export of biological agents. Sigma is a manufacturer of research biochemical and diagnostic reagents, in addition to approximately 36,000 chemical products.

The investigation which led to this settlement began in 1992. It was prompted by a General Accounting Office (GAO) study of U.S. and international efforts to ban the development of biological weapons, requested by then- Senator Al Gore. After the follow-up investigation by OEE's Chicago Field Office, it became clear that Sigma's internal export compliance program had failed to properly interpret and implement the licensing requirements of the Export Administration Regulations. The Department alleged that on 48 separate occasions between July 1992 and January 1993, Sigma exported U.S.-origin biotoxins from the United States to various countries without the required validated export licenses. These toxins were controlled for chemical and biological warfare reasons and required Individual Validated Licenses from Commerce in order to be exported to all destinations except Canada.

U.S. Robotics Access Corp. Penalized \$400,000 for Illegal Exports

On January 31, 1996, the Commerce Department imposed a civil penalty of \$400,000 on U.S. Robotics Access Corp., of Skokie, Illinois, for 123 alleged violations of the Act and Regulations. Based on an investigation conducted by Export Enforcement's Chicago Field Office, the Department alleged that, on 41 separate occasions between June 1990 and June 1992, U.S. Robotics exported U.S.-origin, high-speed computer modems from the United States to South Africa, Liechtenstein, Czechoslovakia, New Zealand, and Singapore, without obtaining from the Department the required validated licenses. In connection with each of these exports, the Department also alleged that U.S. Robotics falsely represented on air waybills and Shipper's Export Declarations that the modems qualified for export under general license G-DEST or general license GLV, when, in fact, a validated license was required.

To settle the allegations, U.S. Robotics agreed to pay \$300,000 of the \$400,000 civil penalty the Department imposed. Payment of the remaining \$100,000 is suspended for one year and will be waived, if, during the one-year period of suspension of payment, U.S. Robotics does not violate the Act or Regulations, or any condition of the Department's Order.

California Man Penalized For Exporting Shotguns to Namibia and South Africa

On November 27, 1995, the Commerce Department imposed a 15-year denial of export privileges and a \$60,000 civil penalty on James L. Stephens, president and co-owner of Weisser's Sporting Goods, National City California, for the alleged illegal export of certain U.S.-origin shotguns to Namibia and South Africa.

Based on an investigation conducted by Export Enforcement's Los Angeles Field Office, the Department alleged that between 1990 and 1992, Stephens conspired with overseas parties to export and, on two separate occasions, actually exported U.S.-origin shotguns with barrel lengths 18 inches and over to Namibia and South Africa, without applying for and obtaining from the Department the validated export licenses he knew or had reason to know were required under the Act and Regulations. In addition, the Department alleged that, in furtherance of the conspiracy, and in connection with each of these exports, Stephens made false or misleading representations of material fact to a U.S. agency in connection with the preparation, submission, or use of export control documents.

The administrative settlement followed the November 20, 1995, guilty plea by Weisser's Sporting Goods in the U.S. District Court for the Southern District of California, to one criminal count of violating U.S. export control laws in connection with the illegal export of the shotguns to South Africa. Weisser's was sentenced to three years' probation and received a \$30,000 criminal fine.

CSP Incorporated Penalized \$160,000 for Illegal Computer Exports

On January 24, 1996, the Commerce Department imposed a \$160,000 civil penalty on CSPI for allegedly violating export controls on computer equipment. The Department alleged that CPSI failed to obtain the importer statements required by the Regulations for 44 separate shipments. The importer statements are intended to provide assurances against possible illegal diversion. CSPI agreed to pay \$132,000 immediately to settle the allegations. The remaining \$28,000 was suspended for one year, and thereafter waived if no further violations occurred during that period. The Department's allegations were based on an investigation conducted by Export Enforcement's Boston Field Office, which was initiated after an examination of Shipper's Export Declarations at Boston's Logan Airport.

Violation of Export Denial Order Results in Fine of \$5,000 and Five Year Denial:

On April 9, 1996, the Commerce Department imposed a five-year denial of export privileges and a \$5,000 civil penalty on James J. Gato, doing business as Mass Computer Group of Peabody, Massachusetts, for alleged violations of a denial order imposed on him in April 1990 for his participation in the export of computer equipment to Australia. The Department alleged that, notwithstanding the denial order issued against him in April, 1990, on or about August 9, 1990, Gato purchased four U.S.-origin memory boards from a U.S. supplier, which he then resold to a third party in the U.S. knowing or having reason to know that the goods were intended to, and in fact were, exported to Australia.

To settle the allegations, Gato agreed to the imposition of a \$5,000 civil penalty, \$3,000 of which would be paid to the Department. Payment of the remaining \$2,000 was suspended for five years. In addition, Gato's export privileges were denied for five years.

Significant Joint Commerce-Customs Cases

Arrests on Charges of Illegally Exporting Military and Police Products to Japanese Firm Linked to Terrorist Group

On June 3, 1996, Milton Somberg and his son Howard Somberg, the president and vice president, respectively, of the Smithtown, Long Island company Morris Rothberg and Sons, Inc., doing business as Rothco, were arrested by Special Agents of OEE's New York Field Office and the U.S. Customs Service on charges of illegally exporting military and police products regulated by the Departments of Commerce and State. The illegal exports included stun guns, tear and pepper gas, handcuffs, gas masks, night vision equipment, semi-automatic ammunition magazines, deactivated hand grenades and chemical protective suits. The exports were made to consignees in various countries and were made without the required Commerce or State export licenses.

The investigation itself was initiated when it was determined that Rothco had exported gas masks without the required export license to a company in Japan affiliated with the Aum Shinrikyo, a Tokyo-based religious sect whose leader is currently being prosecuted in Japan for the March 20, 1995, fatal sarin nerve gas attack on the Tokyo subway system.

Scottish National and Company Convicted for Attempting to Export Computer Equipment to Libya

On May 30, 1996, David McKeeve of Glasgow, Scotland, and the company of which he is a Director, McNeil International of Edinburgh, were convicted for having attempted to illegally export approximately \$335,000 worth of computers and related equipment from the United States to Libya in October 1995. McKeeve was also convicted of having conspired with his co-director and other unnamed persons to export that equipment, and with having made false statements to U.S. Customs officials in connection with that export. Through investigative methods, McKeeve was persuaded to return to the United States and was arrested on November 2, 1995.

McKeeve was sentenced to a 51 month term of imprisonment and three years probation. McNeil International was fined \$125,000, and forfeited goods valued at \$335,000.

Civil Forfeiture Settlements Based on Attempted Illegal Exports to Libya

On September 22 and October 6, 1995, U.S. District Court Judges in Miami and New York approved separate settlement agreements arising from the attempted illegal export of aircraft parts to Libya. The agreements resolved civil forfeiture actions resulting from a joint investigation by OEE's Miami Field Office and the U.S. Customs Service. The combined settlements provided cash payments to the U.S. government totaling \$1.9 million. The settlements were the results of forfeiture actions filed in the Southern District of Florida and the Southern District of New York against money held in bank accounts claimed by the estate of Ishan Barbouti. The settlement ordered payment to the government of half the amount held in the accounts. Both forfeiture actions charged that the money in the bank accounts represented payments made for the purchase and intended illegal export to Libya of U.S.-origin aircraft parts for Lockheed C-130 aircraft and Boeing CH-47 helicopters. The actions were brought pursuant to the civil forfeiture provisions of 18 U.S.C. Section 981, based upon predicate violations of 18 U.S.C. Sections 1956 and 1957 (money laundering), the Export Administration Act (EAA), and the International Emergency Economic Powers Act (IEEPA).

U.S. Customs began its investigation in 1989 into alleged violations of the Arms Export Control Act and the IEEPA by Barbouti and others. The Office of Export Enforcement joined the case in 1992 at the request of the U.S. Attorney's Office in Miami to pursue possible violations of the Export Administration Act and to support the civil forfeiture actions. Barbouti reportedly died in France in 1990 and his firms are no longer active. The forfeiture cases were the only remaining aspects of the investigation.

Storm Kheem Sentenced for Brokering Export of Chinese-origin Ammonium Perchlorate to Iraq

On March 22, 1996, Storm Kheem, a resident of Bayshore, NY, was sentenced to five years' probation and 350 hours of community service following his guilty plea on January 27, 1995, to violating provisions of the Commerce Department's Export Administration Regulations that implement the Enhanced Proliferation Control Initiative (EPCI). The EPCI provisions prohibit, *inter alia*, U.S. persons from performing any contract, service or employment that the U.S. person knows will assist in the design, development, production, stockpiling, and use of weapons of mass destruction. These provisions make U.S. persons subject to prosecution for making a material contribution to proliferation activities, even if the commodities or transactions are not of U.S. origin. Kheem was also sentenced to six months home confinement with electronic monitoring.

Kheem's conviction resulted from an investigation that disclosed that Kheem and others arranged to transport ammonium perchlorate, a highly-explosive chemical used to manufacture rocket fuel, from the People's Republic of China to Iraq via Jordan. The chemical had been deliberately mislabeled as a non-explosive water purification chemical to disguise its contents. Although the chemical was not of U.S. origin, Kheem, as the broker of the transaction, was

subject to the Commerce Department's implementing EPCI Regulations. Kheem also plead guilty to violating the Iraqi Sanctions Regulations.

On September 20, 1996, at the U.S. District Court in Hauppauge, N.Y., Christopher Goodlace plead guilty to a one count violation of 18 U.S.C. Section 371, conspiracy to violate the Regulations restricting export of U.S.-origin goods to Libya. Goodlace was Storm Kheem's employee in a company known as Bkesco Incorporated of Bayshore, New York. This investigation was conducted jointly by Commerce, U.S. Customs Service, and the FBI.

Patrick Lumber Co. Convicted for Role in Illegal Export of Lumber to Libya

On February 12, 1996, Patrick Lumber Company plead guilty to an Information charging it with one criminal count of violating the Trading With the Enemy Act and a criminal count of violating the Export Administration Act. Patrick Lumber was fined a total of \$225,000 in criminal penalties; the Department of Commerce imposed \$40,000 in administrative penalties in a related administrative proceeding. The Information charged that Patrick Lumber shipped two separate unlicensed loads of U.S.-origin southern pine from the United States to Trieste, Italy, with the knowledge that the lumber would be reexported to Libya.

Conviction for Illegal Export of Tactical Command Shelter to Iraq

On March 28, 1995, after a five-month joint undercover investigation conducted by Export Enforcement's Boston Field Office and the U.S. Customs Service, Walton McCarthy, President of Subtech, Inc., of Northwood, New Hampshire, was arrested for violating regulations issued under the authority of the International Emergency Economic Powers Act that prohibit trade with Iraq. McCarthy had sold an underground tactical command shelter to an undercover agent. McCarthy proceeded with the transaction, despite his belief that it was to be exported illegally to Iraq for use by the Iraqi military. The shelter, valued at \$60,000, cannot be detected by satellite or aircraft surveillance and is invisible to troops on the ground. The shelter was capable of housing 30 troops and providing protection against nuclear, chemical and biological attacks. McCarthy was arrested on the docks in Boston after delivering the shelter for export. McCarthy was indicted on April 26, 1995, for violating the International Emergency Economic Powers Act (IEEPA).

On November 28, 1995, an Information was filed against Subtech also charging it with one count of violating IEEPA. On November 30, 1995, McCarthy, President of Subtech, plead guilty personally and on behalf of Subtech to the charges. On February 12, 1996, McCarthy was sentenced to ten months imprisonment, three years supervised release, restitution of \$29,260 and a special assessment of \$50. Subtech received a sentence of five years probation and restitution of \$29,260 (to be offset by any restitution paid by McCarthy individually), and a special assessment of \$200.

Conviction for Illegal Reexport of U.S.-Origin Commodities to Libya

In July 1996, Thomas Doyle, President of International Spare Parts, Cheshire, Connecticut, was sentenced in the District of Connecticut to a fifteen month term of imprisonment, three years probation and a \$5,000 criminal fine. Doyle had been convicted in July 1996 of illegally diverting U.S.-origin commodities, including fuel pumps, to Libya through Germany and Malta. Robert Vance, Vice President of International Spare Parts, was also convicted in July 1996 and sentenced to a five month term of imprisonment, five months home confinement, and three years probation.

In conjunction with the investigation that resulted in these convictions, International Spare Parts (ISP) GmbH, the German company involved in the diversion scheme, also plead guilty to various export violations and was sentenced to pay a criminal fine of \$75,000. In a subsequent administrative proceeding, the Commerce Department imposed a \$40,000 fine on ISP GmbH and denied its export privileges for a ten-year period, with the last three years suspended. Wolfgang Nothacker, President of ISP GmbH, was also denied export privileges for a period of ten years, the last nine years of which were suspended.

Conviction for Export of Electronic Riot Shields to Romania

On March 14, 1996, William McNeil, former vice-president of Protech Armor Products and former vice-president and treasurer of Custom Armoring Corporation of Pittsfield, Massachusetts, and Brian O'Day, the former export manager of Elite Worldwide Services in Newark, New Jersey, plead guilty in U.S. District Court for the District of Columbia to charges that they illegally shipped electronic riot shields to Romania in 1991. In addition to McNeil and O'Day, three other individuals were subsequently convicted for their roles in this transaction. On July 11, 1996, Thomas Lanier, doing business as Lanier Shipping of North Bergen, New Jersey, was sentenced to six months supervised probation and 30 hours community service, and on July 12, 1996, Herbert Allen was sentenced to two years probation and a \$5,000 criminal fine. Both were convicted and sentenced for falsifying documents in connection with this transaction.

On August 2, 1996, O'Day and Charles Dye --who had previously plead guilty for his role in the illegal transaction-- were both sentenced in Washington, D.C. O'Day was sentenced to one year probation, a \$1,000 criminal fine, and Dye was sentenced to 18 months probation and a \$5,000 fine. On August 7, 1996, McNeil was sentenced in Washington, D.C. to 18 months probation, a \$5,000 criminal fine, and 250 hours community service. The five convicted individuals were successfully prosecuted based on an investigation conducted by Export Enforcement's Boston Field Office. The shields were controlled for shipment to Romania for foreign policy and human rights reasons.

TABLE II.6-1 - FY 1996 Criminal Convictions For Export Administration Act Violations

Conviction Date	Defendant	Violation	Enforcement Organization	Sanction
11/20/95	Weisser's Sporting Goods	Illegal export of shotguns with barrel lengths 18" and over to Namibia and South Africa.	Commerce	3 years probation and a \$30,000 fine
11/30/95	Subtech, Walton McCarthy	Attempted illegal export of underground tactical command shelter destined for Iraqi military.	Commerce/ Customs	Subtech received a 5 year term of probation and a \$29,260 restitution; McCarthy received a 10 month term of imprisonment, 3 years probation, and a \$29,260 restitution.
1/23/96 and 7/31/96	International Spare Parts GmbH, Tommy Doyle, and Robert Vance	Diversion of U.S. origin commodities, such as fuel pumps, to Libya through Germany and Malta.	Commerce/ Customs	International Spare Parts GmbH received a \$75,000 fine; Doyle received a 15 month term of imprisonment, 3 years probation, and a \$5,000 fine; Vance received a 5 month term of imprisonment, 3 years probation, and 5 months home confinement

Conviction Date	Defendant	Violation	Enforcement Organization	Sanction
2/12/96	Patrick Lumber Company	Illegal reexport of lumber from Italy to Libya.	Commerce/ Customs	Fined \$225,000
3/14/96 3/14/96 7/9/96 7/12/96 9/20/96	William McNeil, Brian O'Day, Charles Dye, Thomas Lanier, Herbert Allen	Illegal export of electronic riot shields to Romania.	Commerce/ Customs	McNeil received 18 months' probation, a \$5,000 fine, and 250 hours of community service; O'Day received 1 year's probation and a \$1,000 fine; Dye received 18 months' probation and a \$5,000 fine; Lanier received 6 months' probation and 30 hours of community service; and Allen received 2 years' probation, a \$5,000 fine, and 100 hours of community service

Conviction Date	Defendant	Violation	Enforcement Organization	Sanction
5/30/96	McNeil International, David McKeeve	Attempt to export \$335,000 worth of computers and related equipment from United States to Libya.	Commerce/ Customs	McNeil International received a \$125,000 fine and forfeited equipment valued at \$335,000; McKeeve received a 51 month term of imprisonment and 3 years probation
9/13/96	William Dias	Conspiracy to divert aircraft parts to Iran.	Commerce	Awaiting Sentencing
9/20/96	Christopher Goodlace	Conspiracy to export ammonium perchlorate, a chemical used in the production of rocket fuel, from the People's Republic of China to Iraq.	Commerce/ Customs/ FBI	Guilty Plea -- Awaiting Sentencing

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
10/24/95	In the Matter of Louis Akhtab Haneef, also known as Louis Sinclair Coleman	Knowingly and willfully exported and caused to be exported to Port of Spain, Republic of Trinidad and Tobago, firearms and ammunition, without the required license or written approval from the State Department and knowingly and willfully exported and caused to be exported to the Republic of Trinidad and Tobago, shotguns, without the required validated export license	Section 38 of the AECA and Section 2410(a) of the EAA	Louis Akhtab Haneef, also known as Louis Sinclair Coleman	Export privileges denied until December 12, 2001
11/27/95	In the Matter of Sheryl Pinsonnault	Caused, aided, and abetted the export of U.S.-origin aircraft parts to Belgium without the required validated export license	787.2 [6]	Sheryl Pinsonnault	Consent agreement - civil penalty of \$10,000, \$5,000 suspended for three years; export privileges denied for three years

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
11/27/95	In the Matter of James L. Stephens	Conspiracy; exported shotguns to Namibia and South Africa with knowledge or reason to know that a violation has occurred, is about to occur or is intended to occur; made false and misleading representations of material fact on export control documents; exported U.S.-origin commodities to a person or destination in violation of or contrary to the provisions of the Act or any regulation, order, or license issued under the Act	787.3(b) [1] 787.4(a) [2] 787.5(a) [2] 787.6 [2]	James L. Stephens	Consent agreement - civil penalty of \$60,000; export privileges denied for 15 years
01/11/96	In the Matter of Lasarray Corporation	Exported U.S.-origin base wafers to Switzerland without the required validated export licenses	787.6 [13]	Lasarray Corporation	Consent agreement - export privileges denied for two years
01/11/96	In the Matter of Lasarray S.A.	Reexported U.S.-origin base wafers from Switzerland to the then-Union of Soviet Socialist Republics without the required reexport authorization	787.6 [1]	Lasarray S.A.	Consent agreement - export privileges denied for two years

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
01/11/96	In the Matter of Ernst Uhlmann	Hand-carried U.S.-origin base wafers to Switzerland without the required validated export license; concealed from the U.S. Customs Service the fact that he was hand-carrying U.S.-origin base wafers in his personal effects	787.6 [1] 787.5(a)(1)[1]	Ernst Uhlmann	Consent agreement - civil penalty of \$50,000, \$25,000 suspended for one year
01/11/96	In the Matter of Eugene T. Fitzgibbons	Caused, aided, and abetted the export by Lasarray of U.S.-origin base wafers to Switzerland without the required validated export licenses	787.2 [13]	Eugene T. Fitzgibbons	Consent agreement - civil penalty of \$20,000, \$10,000 suspended for one year
01/11/96	In the Matter of Edwin Barrowcliff	Caused, aided, and abetted the export by Lasarray of U.S.-origin base wafers to Switzerland without the required validated export licenses	787.2 [13]	Edwin Barrowcliff	Consent agreement - civil penalty of \$20,000, all suspended for one year

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
01/17/96	In the Matter of Graco Deutschland GmbH	Reexported U.S.-origin spraying equipment from Germany to Libya without obtaining the required reexport authorization; caused, aided, or abetted the reexport by selling the U.S.-origin spraying equipment to a third party with the knowledge that the third party was acting as an agent for a Libyan company and would export the equipment to Libya	787.6 [1] 787.2 [1]	Graco Deutschland GmbH	Consent agreement - civil penalty of \$10,000
01/24/96	In the Matter of CSP Inc.	Exported U.S.-origin computer equipment to the United Kingdom, Norway, Federal Republic of Germany, Italy, Switzerland and the Netherlands under general license GCT, without first obtaining the required importer statement; transported and sold U.S.-origin computer equipment with knowledge or reason to know that a violation of the Act, or any regulation, order, or license issued under the Act has occurred, is about to occur, or is intended to occur	787.4(a) [44] 787.6 [44]	CSP Inc.	Consent agreement - civil penalty of \$160,000, \$28,000 suspended for one year

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
01/26/96	In the Matter of Ronald J. Hoffman	Exported items controlled on the U.S. Munitions List, including technical data directly related to the Strategic Defense Initiative and other missile technology, to Japan, Germany, and South Africa without obtaining the required export license or written approval from the U.S. Department of State; failed to register as a defense exporter with the U.S. Department of State, Office of Defense Trade Controls	Section 38 of the AECA	Ronald J. Hoffman	Export privileges denied until April 20, 2002
01/31/96	In the Matter of U.S. Robotics Access Corp., formerly U.S. Robotics, Inc.	Exported Courier modems to South Africa, New Zealand, Czechoslovakia, Liechtenstein, and Singapore without obtaining the required validated export licenses U.S. Robotics knew or had reason to know were required; made false and misleading statements of material fact on export control documents	787.4(a) [41] 787.5(a) [41] 787.6 [41]	U.S. Robotics Access Corp., formerly U.S. Robotics, Inc.	Consent agreement - civil penalty of \$400,000, \$100,000 suspended for one year

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
02/05/96	In the Matter of Scientific International, Inc.	Exported and caused to be exported 660 graphite seal assemblies to the Department of Atomic Energy in Bombay, India, through West Germany, without first having obtained the required validated export license	Section 38 of the AECA	Scientific International, Inc.	Export privileges denied until June 29, 2002
02/08/96	In the Matter of Leif Kare Johansen	Reexported U.S.-origin computer equipment from Norway, via Denmark, to Poland without obtaining the reexport authorization he knew or had reason to know was required	787.4(a) [1] 787.6 [1]	Leif Kare Johansen	Export privileges denied for ten years
02/12/96	In the Matter of Patrick Lumber Company	Exported U.S.-origin Southern Yellow Pine lumber from the United States through Italy to Libya without the validated licenses that Patrick Lumber knew or had reason to know were required; exported commodities to a person or destination in violation of or contrary to the terms of the Act, or any regulation, order or license issued under the Act	787.4(a) [2] 787.6 [2]	Patrick Lumber Company	Consent agreement - civil penalty of \$40,000, \$20,000 suspended for one year

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
04/09/96	In the Matter of James J. Gato	Gato, a person denied all U.S. export privileges, resold, transferred and disposed of U.S.-origin commodities to a third party, knowing or having reason to know that the third party intended to, and in fact did, export the commodities to Australia	787.4(a) [1] 787.6 [1]	James J. Gato	Consent agreement - civil penalty of \$5,000, \$2,000 suspended for five years; export privileges denied for five years
04/19/96	In the Matter of Mega Computer Corporation	Exported U.S.-origin computer equipment to Singapore without obtaining the required validated export license	Section 2410(a) of the EAA	Mega Computer Corporation; related persons Peng K. Lim and Payling Wang	Modified Order of August 10, 1994, by adding Peng K. Lim and Payling Wang as persons related to Mega Computer Corporation and denying their export privileges until March 23, 2002
05/29/96	In the Matter of Case Corporation	Made false and misleading statements of material fact on export control documents	787.5(a) [6]	Case Corporation	Consent agreement - civil penalty of \$45,000

Department of Commerce Export Enforcement Cases
 Closed October 1, 1995 to September 30, 1996

<u>Order Date</u>	<u>Cases</u>	<u>Charges</u>	<u>Sections Violated</u>	<u>Respondents</u>	<u>Results</u>
06/11/96	In the Matter of ISP International Spare Parts GmbH	Conspired to ship U.S.-origin fuel pumps to Libya through Germany and Malta, knowing that such shipments were prohibited by the Regulations; caused, aided or abetted the reexport of U.S.-origin fuel pumps, either directly from Germany or through Malta, to Libya without the required authorization	787.2 [3] 787.3(b) [1]	ISP International Spare Parts GmbH	Settlement agreement - civil penalty of \$40,000; export privileges denied for 10 years, three years suspended
06/11/96	In the Matter of Wolfgang Nothacker	Conspired to ship U.S.-origin fuel pumps to Libya through Germany and Malta, knowing that such shipments were prohibited by the Regulations; caused, aided or abetted the reexport of U.S.-origin fuel pumps, either directly from Germany or through Malta, to Libya without the required authorization	787.2 [3] 787.3(b) [1]	Wolfgang Nothacker	Settlement agreement - export privileges denied for 10 years, nine years suspended
07/08/96	In the Matter of Sigma Chemical Company	Exported U.S.-origin biotoxins to various countries without obtaining the required validated licenses	787.6 [48]	Sigma Chemical Company	Settlement agreement - civil penalty of \$480,000

08/23/96	In the Matter of Beckman Instruments International S.A.	Reexported a U.S.-origin LS 6000 Liquid Scintillation Counter from Switzerland to North Korea without obtaining the required reexport authorization	787.6 [2]	Beckman Instruments International S.A.	Settlement agreement - civil penalty of \$12,000
08/23/96	In the Matter of Yeow Kong Electric Company, now doing business as Aggreko (Singapore) Pte Ltd.	Reexported U.S.-origin spare parts for small 4HP to 12HP engines from Singapore to Vietnam without obtaining the required reexport authorization	787.6 [1]	Yeow Kong Electric Company	Settlement agreement - civil penalty of \$2,000
09/05/96	In the Matter of Geoservices Eastern, Inc.	Reexported a U.S.-origin AT+ graphic production logging computer system to Vietnam without obtaining the required reexport authorization, knowing or having reason to know that a violation of the Act or any regulation, order, or license was about to occur, or was intended to occur	787.6 [1] 787.4(a) [1]	Geoservices Eastern, Inc.	Settlement agreement - civil penalty of \$10,000
09/26/96	In the Matter of Sierra Rutile America, Inc.	Exported U.S.-origin sodium fluoride to Sierra Leone without obtaining the required validated licenses	787.6 [8]	Sierra Rutile America, Inc.	Settlement agreement - civil penalty of \$30,000, \$15,000 suspended for one year

OAC Operating Units

The Office of Antiboycott Compliance (OAC) is responsible for implementing the antiboycott provisions of the Export Administration Act and Regulations. The Office performs three main functions: enforcing the Regulations, assisting the public in complying with the Regulations, and compiling and analyzing information regarding international boycotts. Compliance officers enforce the Regulations through investigations and audits. The Compliance Policy Division provides advice and guidance to the public concerning application of the Regulations 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 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 of the Act; 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 boycott; developing public education programs to assist U.S. companies in complying with the Regulations; counselling parties on requirements of the law and compliance practices; reviewing enforcement actions to ensure consistency with policy guidelines; processing all boycott reports filed with the Department; and supervising the informal telephone advice provided by OAC professionals to members of the public.

Enforcement Activities

During the fiscal year, OAC continued to pursue more serious violations of the Regulations, such as discrimination based on religion, refusals to do business with other companies for boycott reasons and furnishing prohibited information. More than one third of the settlements reached in FY 1996 involved alleged violations of the prohibition against knowingly agreeing to refuse to do business with other companies for boycott reasons. Others involved furnishing information about business relationships. Several cases involved violations of the reporting requirements of the Regulations. More than one-half of the settlements involved alleged violations of two or more sections of the Regulations.

Cases Completed

A total of 25 enforcement actions were completed in FY 1996. Of that total, 20 were consent agreements. The Office closed two cases involving reporting violations with warning letters for minor violations. Three cases resulted in the Under Secretary for Export Administration issuing final orders imposing civil penalties and denials of export privileges. Additionally, 10 investigative cases were closed because violations were not found.

Consent Agreements and Penalties Imposed

Most of the OAC investigations which involved allegations of serious violations were resolved through settlement. Consent agreements are used as a vehicle for these settlements. Historically, an overwhelming majority of cases brought by OAC have been settled in this manner. These agreements may provide for payment of civil penalties, denial of export privileges and, occasionally, for the establishment of compliance programs.

Civil penalties imposed in the 20 consent agreements totaled \$887,600 in FY 1996. Major cases included:

Sundstrand Corporation, of Rockford, Illinois, paid a \$350,000 civil penalty to settle allegations that it failed to report, as required by the regulations, 175 receipts of requests to take actions which have the effect of furthering or supporting restrictive trade practices or boycotts.

Sundstrand International, S.A., located in France, is a wholly-owned subsidiary of Sundstrand Corporation. Sundstrand International, S.A., paid a \$200,000 civil penalty to settle allegations that it did not report, as required by the Regulations, its receipt of 100 requests to take actions that furthered or supported a restrictive trade practice or boycott.

Summit International American, Ltd., doing business as American Pulp and Paper Company, is located in Redmond, Washington. Summit agreed to the imposition of a \$55,000

civil penalty to settle allegations that, on two occasions, it agreed to refuse to do business with other companies pursuant to boycott requirements, furnished one item of information concerning another company's blacklist status, and furnished one item of information concerning Summit's business relationship with another company. The Department also alleged that Summit, on six occasions, failed to report its receipt of a boycott-related request as required by the Regulations.

Northern Trust Company, located in Chicago, Illinois, paid a \$19,000 civil penalty to settle allegations that, on three occasions, it failed to maintain records related to reportable boycott requests and failed to report to the Department its receipt of two boycott-related requests as required by the Regulations.

Arab Banking Corporation, a New York City branch of Arab Banking Corporation of Bahrain, Inc., paid a civil penalty of \$30,500 to settle allegations that, on three occasions, it failed to maintain records related to reportable boycott requests and failed to report to the Department its receipt of seven boycott-related requests as required by the Regulations.

Abbott Laboratories, located in Abbott Park, Illinois, paid a \$75,000 civil penalty on behalf of three of its subsidiaries, listed below, to settle allegations that each violated the Regulations.

Sequoia-Turner Corporation, located in Mountain View, California, agreed to pay a \$6,000 civil penalty to settle allegations that it furnished information about its business relationships with Israel and failed, on four occasions, to report its receipt of boycott-related requests as required by the Regulations.

Abbott GmbH, located in Delkenheim, Germany, agreed to pay a \$36,000 civil penalty to settle allegations that, on one occasion, it agreed to refuse to do business with boycotted companies. The Department also alleged that, on 33 occasions, Abbott GmbH failed to report its receipt of boycott-related requests as required by the Regulations.

Abbott Laboratories, S.A. located in Geneva, Switzerland, agreed to pay a \$33,000 civil penalty to settle allegations that, on 33 occasions, it failed to report its receipt of boycott-related requests as required by the Regulations.

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. OAC did not issue any charging letters in FY 1996.

Previously Issued Charging Letters

Stair Cargo Services, Inc.

On December 17, 1993, OAC issued a Charging Letter to Stair Cargo Services, Inc., currently doing business as Intertrans Corp. of Miami, Florida. The Department charged that Stair Cargo, in one instance, furnished prohibited business information to a purchaser in Kuwait and failed to report to the Department its receipt of a boycott-related request as required by the Regulations. An administrative law judge found that Stair had committed two violations of the regulations and imposed a \$10,000 civil penalty. Stair appealed the case to the Under Secretary for Export Administration. On October 30, 1995, the Under Secretary upheld the decision of the ALJ. Stair paid the \$10,000 civil penalty.

Serfilco, Ltd and Jack H. Berg.

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 receipt of seven boycott-related requests. A hearing was held on August 23, 1995. In his December 5, 1995, initial decision and order, the ALJ found that Serfilco had violated the Regulations and imposed a \$118,000 civil penalty on Serfilco. The ALJ also denied Serfilco's export privileges for one year 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 initial decision and order to the Department's Under Secretary for Export Administration.

On August 25, 1994, OAC issued a Charging Letter to Jack H. Berg, president of Serfilco. The Department charged that Berg furnished prohibited business information to a distributor in Iraq. A hearing was held on August 23, 1995. In his December 5, 1995, initial

decision and order, the ALJ found that Berg had violated the Regulations and imposed a \$90,000 civil penalty on Berg. The ALJ also denied Berg's export privileges for one year to Bahrain, Iraq, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, and the Republic of Yemen. Berg appealed the ALJ's initial decision and order to the Under Secretary for Export Administration.

In his "Final Decision and Order", the Under Secretary upheld the ALJ's finding that violations were committed. The Under Secretary also affirmed the ALJ's decision to deny export privileges to Berg and Serfilco for one year 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. The Department has taken appropriate steps to have the Department of Justice initiate an action to collect the civil penalty in federal Court.

All of the final orders issued during FY 1996 imposing administrative sanctions, including civil penalties, resulting from OAC investigations are summarized in the following table.

Summary of Final Orders Signed for FISCAL YEAR 1996			
COMPANY NAME & LOCATION	DATE ORDER SIGNED	ALLEGED VIOLATIONS	PENALTY IMPOSED
Stair Cargo Services, Inc. Miami, FL	10/30/95*	2 violations: 1-769.2(d) [Furnished prohibited business information]; 1-769.6 [Failed to report].	\$10,000
Bowen Tools, Inc. Houston, TX	10/30/95	9 violations of 769.6 [Failed to report].	\$17,100
Sundstrand Corporation Rockford, IL	11/29/95	175 violations of 769.6 [Failed to report].	\$350,000
Sundstrand International, S.A. Zone Industrielle de Dijon-Sud Longvic Cedix, France	11/29/95	100 violations of 769.6 [Failed to report].	\$200,000
Howmedica International, Inc. County Clare, Ireland	1/22/96	10 violations: 1-769.2(a) [Agreed to refuse to do business] 7-769.2(d) [Furnished prohibited business information]; 2-769.6 [Failed to report].	\$30,000
Colt Manufacturing Co. Hartford, CT	2/6/96	3 violations: 1-769.2(a) [Agreed to refuse to do business] 1-769.2(d) [Furnished prohibited business information]; 1-769.6 [Failed to report].	\$6,000

Ethicon, Limited Scotland	2/6/96	11 violations: 7-769.2(d) [Furnished prohibited business information]; 4-769.6 [Failed to report].	\$18,000
Rogers & Brown Custom Brokers, Inc. West Columbia, SC	2/22/96	2 violations of 769.2(d) [Furnished prohibited business information].	\$15,000
BOSS International, Inc. Ladson, SC	2/22/96	2 violations: 1-769.2(d) [Furnished prohibited business information]; 1-769.6 [Failed to report].	\$9,000
Cooper Cameron Corporation Houston, TX	3/22/96	10 violations of 769.6 [Failed to report].	\$10,000
Abbott GmbH Delkenheim, Germany	5/10/96	34 violations: 1- 769.2(a)[Agreed to refuse to do business]; 33- 769.6 [Failed to report].	\$36,000
Abbott Laboratories S.A. Geneva, Switzerland	5/10/96	33 violations of 769.6 [Failed to report].	\$33,000
Sequoia Turner Corporation Mountain View, CA	5/10/96	5 Violations: 1-769.2(d) [Furnished prohibited business information]; 4-769.6 [Failed to report].	\$6,000

<p>Serfilco, Ltd. Northbrook, IL</p>	<p>6/10/96+ [order amended on 7/17/96]</p>	<p>16 violations: 9-769.2(d) [Furnished prohibited business information; 7-769.6 [Failed to report].</p>	<p>\$38,000; export privileges denied to Bahrain, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, and the Republic of Yemen for one year.</p>
<p>Jack H. Berg Northbrook, IL</p>	<p>6/10/96+ [order amended on 7/17/96]</p>	<p>9 violations of 769.2(d) [Furnished prohibited business information].</p>	<p>\$80,000; export privileges denied to Bahrain, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, and the Republic of Yemen for one year.</p>
<p>Arab Banking Corporation New York, NY</p>	<p>7/8/96</p>	<p>10 violations: 3-769.6(b)& 787.13 [Failed to Maintain Records]; 7-769.6 [Failed to report].</p>	<p>\$30,500</p>

Brunger Export Co. Fort Lauderdale, FL	8/7/96	4 violations: 2-769.2(a)[Agreed to refuse to do business]; 2-769.6 [Failed to report].	\$14,000
Rezayat America Inc. Houston, TX	8/7/96	4 violations: 1-769.2(a)[Required another to refuse to do business]; 1-769.2(d) [Agreed to furnish prohibited business information]; 2-769.6 [Failed to report].	\$14,000
Northern Trust Co. Chicago, IL	8/7/96	5 violations: 3-769.6(b)& 787.13 [Failed to Maintain Records]; 2-769.6 [Failed to report].	\$19,000
Samuel Shapiro & Co., Inc. Baltimore, MD	8/29/96	3 violations of 769.2(d) [Furnished prohibited business information].	\$6,000
Cargill, Incorporated Minneapolis, MN	9/13/96	4 violations: 2-769.2(a)[Agreed to refuse to do business]; 1-769.2(d) [Furnished prohibited business information]; 1-769.6 [Failed to report].	\$9,000
Summit International American, Ltd. D/B/A American Pulp and Paper Corporation Redmond, WA	9/18/96	10 violations: 2-769.2(a)[Agreed to refuse to do business]; 2-769.2(d) [Furnished prohibited business information]; 6-769.6 [Failed to report].	\$55,000 (\$25,000 suspended)
Home Insurance Company New York, NY	9/27/96	2 violations: 1-769.2(d) [Furnished prohibited business information]; 1-769.6 [Failed to report].	\$10,000

* Final Decision and Order by the Under Secretary for Export Administration
+ Final Decision and Order by the Under Secretary for Export Administration signed on June 10, 1996; an amended Order to "...fully set forth the scope and breadth of the denial of export privileges...." was signed by the Under Secretary on July 17, 1996.

Policy Implementation

The U.S. government continued to press for complete dismantlement of the Arab League's boycott of Israel. The Office of Antiboycott Compliance (OAC) continued its practice of sending reports of boycott-related requests received by U.S. firms to U.S. embassies in Gulf Cooperation Council (GCC) countries (Saudi Arabia, Kuwait, Oman, United Arab Emirates, Bahrain, Qatar). These reports demonstrated the continuing flow of boycott-related requests from those countries. During FY 1996, OAC sent U.S. embassies in the GCC countries 23 packages of documents containing boycott-related requests received by U.S. firms from GCC countries. These documents enable the embassies to confront governmental officials with undisputed evidence of the continuing flow of boycott requests.

Evidence of a gradual dismantlement of the Arab League boycott of Israel continued during FY 1996. Following the signing of the Jordanian-Israeli peace treaty in 1994, legislation was introduced in the Jordanian Parliament to repeal laws inconsistent with the peace treaty. Jordanian legislation repealing the boycott became effective on August 16, 1995, following King Hussein's earlier signing of a Royal Decree repealing boycott-related Jordanian laws and related amendments. Subsequently, OAC published Supplement 16 to the antiboycott regulations on February 1, 1996. Supplement 16 removed the presumption that certain requests from Jordan are boycott-related. This supplement paralleled Supplement 3 of the antiboycott regulations, published in 1980, after the Israeli-Egyptian Peace Treaty became effective.

The September 1994 decision of the GCC countries to cease implementation of the secondary and tertiary aspects of their boycott of Israel appears to have been substantially implemented. There are no remaining boycott-related obstacles to any U.S. business person's doing business in those countries, although the number of prohibited boycott-related requests continues at a low level. Further progress is needed, particularly with the United Arab Emirates and Oman. With the exception of Egypt and Jordan, there has been no change in the laws related to the boycott and there has been no change in the regulations of the Arab League. The diplomatic efforts of the Clinton Administration and the assistance of the Department of Commerce in providing detailed and current information to our embassies to support their diplomatic efforts contributed to this progress.

Despite the progress described, U.S. law has not changed and U.S. companies continue to receive a significant number of boycott-related requests which must be reported and, if prohibited, amended or deleted as appropriate. Moreover, the Arab League has not changed its boycott policy, and no countries other than Egypt and Jordan, have changed their boycott laws or regulations. Of all the boycotting countries, only Qatar is known to have closed the office responsible for administering the boycott.

OAC continues to focus its efforts in three major areas: (1) enforcing the law against antiboycott violators; (2) continuing to provide current and specific information to U.S. embassies and the Department of State about boycott requests reported by U.S. businesses; and (3) continuing the active educational and counselling program including servicing the full time telephone advice line, which handled more than 1,400 calls during FY 1996.

Summary of Boycott Reports

The antiboycott provisions of the Export Administration 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 reports filed by U.S. persons contain information concerning both the request and the transaction(s) to which the request relates. The transactions referred to in this context are specific business activities generally involving documents such as invitations to bid, contracts, export shipment documents and letters of credit. In connection with these transactions, the reporting person would have received 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, religious discrimination against U.S. persons, or refusing to do business with a blacklisted firm or boycotted country.

In interpreting the data presented here (Tables 6.2 to 6.7), it is important to keep two factors in mind. First, the number of reported transactions will be fewer than the number of reported requests because a single transaction frequently will involve more than one boycott-related request. Second, the number of both transactions and requests (as well as the value of the transactions) may be somewhat inflated because boycott reports involving the same reportable transaction are required to be filed by each of several parties to that transaction.

During FY 1996, 536 individuals and firms filed reports with the Report Processing Unit of the Compliance Policy Division. The reports confirmed the receipt of 3,290 boycott-related requests, involving 2,857 transactions. The corresponding figures for FY 1995 were 784 persons and firms filing reports, 6,391 boycott-related requests, and 5,538 transactions. Eighty-one percent of the reporters were exporters.

Document examiners review each report for completeness and accuracy, code the type of requests received and refer any potential violations to the investigative teams. The public information version of the reports is made available for public inspection, while all data extracted from the reports are analyzed and collated by the Report Processing Unit. These data are entered into the unit's computer system to be organized and compiled for use in OAC investigations and for senior management briefings on international boycott activity. Tables 7.1 through 7.6 show the nature and extent of boycott requests reports.

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

I T E M			EXPORTER	BANK	FORWARDER	CARRI ER
INSURER	OTHER	TOTAL				
INDIVIDUAL FIRMS REPORTING.			438	71	10	1
0	17	537				
TRANSACTIONS. REPORT.			2275	525	14	1
0	44	2859				
REQUESTING DOCUMENTS INVOLVED.			2275	525	14	1
0	44	2859				
RESTRICTIVE TRADE PRACTICES						
REQUEST/3.			2675	555	14	1
0	48	3293				

DC.	RQ.	EXPORTER		BANK		FORWARDER		CARRIER		INSURER
		OTHER		TOTAL		NO.	\$(000)	NO.	\$(000)	NO.
\$(000)		NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.

A. ALL TRANSACTIONS

TA	358	7802001	260	28539	1	41	0	0	0
0	10	186751	629	8017333					
RF	1917	29602608	265	353280	13	865	1	0	0
0	33	207338	2229	30164091					
UD	0	0	0	0	0	0	0	0	0
0	1	0	1	0					
TT	2275	37404609	525	381819	14	906	1	0	0
0	44	394089	2859	38181424					

B. PROHIBITED

TA	5	131	4	433	0	0	0	0	0
0	0	0	9	23735					
RF	1145	23689436	21	248815	6	219	1	0	0
0	10	12911	1183	23951381					

UD	0	0	0	0	0	0	0	0	0
0	1	0	1	0					
TT	1150	23689567	25	249248	6	219	1	0	0
0	11	12911	1193	23951945					

C. PROHIBITED AS FIRST RECEIVED, BUT AMENDED/6

TA	3	14798	43	8937	0	0	0	0	0
0	0	0	46	564					
RF	164	2751262	140	95959	3	411	0	0	0
0	16	174768	323	3022400					
UD	0	0	0	0	0	0	0	0	0
0	0	0	0	0					
TT	167	2766060	183	104896	3	411	0	0	0
0	16	174768	369	3046135					

TABLE 7-1. - NUMBER OF INDIVIDUAL FIRMS, TRANSACTIONS, REQUESTING DOCUMENTS, AND

RESTRICTIVE TRADE PRACTICES BY FIRM TYPE
ALL TRANSACTIONS (SUMMARY TOTALS)

		EXPORTER		BANK		FORWARDER		CARRIER		INSURER
		OTHER		TOTAL						
DC.	RQ.	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.
\$(000)		NO.	\$(000)	NO.	\$(000)					

D. EXCEPTIONS TO PROHIBITED

TA	335	7779244	107	6229	0	0	0	0	0
0	10	186751	452	7972224					
RF	469	2171920	10	971	1	6	0	0	0
0	7	19659	514	2192555					
UD	0	0	0	0	0	0	0	0	0
0	0	0	0	0					
TT	831	9951164	117	7200	1	6	0	0	0
0	17	206410	966	10164779					

E. NOT PROHIBITED

TA	15	7827	106	12941	1	41	0	0	0
0	0	0	122	20809					
RF	112	989990	94	7535	3	229	0	0	0
0	0	0	209	997754					
UD	0	0	0	0	0	0	0	0	0
0	0	0	0	0					
TT	127	997817	200	20476	4	270	0	0	0
0	0	0	331	1018564					

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 SERVICE RELATED

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/ DOLLAR VALUES MAY NOT ADD DUE TO ROUNDING.

5/ THIS FIGURE DOES NOT REPRESENT BUSINESS LOST DUE TO REFUSALS WITH BOYCOTT REQUESTS. INSTEAD IT INDICATES THAT U.S. COMPANIES

REFUSED TO COMPLY WITH THE BOYCOTT REQUEST IN BIDDING ON CONTRACTS TOTALLING THIS AMOUNT THE BOYCOTT LANGUAGE IS OFTEN REVISED

OR ELIMINATED TO ALLOW U.S. COMPANIES TO BID CONSISTENT WITH U.S. LAW. SUCH REVISIONS ARE NOT REFLECTED IN THESE STATISTICS.

6/ TRANSACTIONS IN THIS TABLE 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	EXPORTER	B A N K	FORWARDER	CARRIER	INSURER	OTHER ¹	TOTAL ²
A. CARRIER..... 604	294	301	6	1	0		2
B. MANUFACTURER/ VENDOR/BUYER 311	247	60	1	0	0		3
C. INSURANCE..... 9	7	2	0	0	0		0
D. FINANCE..... 11	9	1	1	0	0		0
E. ORIGIN OF GOODS..... 1096	908	178	3	0	0		7
F. MARKED GOODS/PACKAGING..... 0	0	0	0	0	0		0
G. WAR REPARATIONS..... 6	6	0	0	0	0		0
H. BOYCOTT LAWS..... 599	581	9	3	0	0		6
I. RACE/RELIGION/ SEX/NATIONAL ORIGIN..... 1	1	0	0	0	0		0
J. RELATIONS WITH BOYCOTTED COUNTRY..... 86	80	3	0	0	0		3
K. RISK OF LOSS..... 0	0	0	0	0	0		0
L. DESTINATION OF GOODS..... 531	504	0	0	0	0		27
M. OTHER RESTRICTIVE..... 39	38	1	0	0	0		0
T O T A L	2675	555	14	1	0		48

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 SERVICE RELATED ORGANIZATIONS REPORT ON THE SAME TRANSACTION.

TABLE 7-3. - NUMBER¹ OF RESTRICTIVE TRADE PRACTICES BY ORIGINATING COUNTRY AND TYPE OF PRACTICE

RESTRICTIVE TRADE PRACTICE	BAHRAIN	EGYPT	IRAQ	JORDAN	KUWAIT	LEBANON	LIBYA	QATAR	SAUDI ARABIA	SYRIA	U A E ²	OTHER ³	NO.	% ⁴
A. CARRIER	23	10	0	61	15	35	0	56	35	71	250	48	604	18
B. MANUFACTURER/ VENDOR/BUYER	4	1	0	1	14	1	1	2	61	36	164	26	311	9
C. INSURANCE	1	0	0	1	0	5	0	0	1	0	1	0	9	0
D. FINANCE	0	0	0	3	0	1	0	0	1	0	6	0	11	0
E. ORIGIN	28	1	0	5	149	10	10	28	197	33	251	384	1096	33
F. MARKED GOODS/PACKAGING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G. WAR REPARATIONS	0	0	0	0	2	0	0	1	0	0	3	0	6	0
H. BOYCOTT LAWS	5	0	0	20	14	3	1	10	109	97	285	55	599	18
I. RACE/RELIGION/ SEX/NATIONAL ORIGIN	0	1	0	0	0	0	0	0	0	0	0	0	1	0
J. RELATIONS WITH BOYCOTTED COUNTRY	1	2	1	2	0	0	1	0	1	56	19	3	86	3
K. RISK OF LOSS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
L. DESTINATION OF GOODS	0	0	0	0	2	0	0	51	11	8	27	433	532	16
M. OTHER RESTRICTIVE	2	1	0	6	2	0	0	17	2	6	3	0	39	1
TOTAL...	64	16	1	99	198	55	13	165	418	307	1009	949	3294	98

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

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 YEMEN

4/ PERCENTAGES MAY NOT ADD DUE TO ROUNDING.

TABLE 7-4. - NUMBER¹ OF REQUESTING DOCUMENTS BY ORIGINATING COUNTRY AND TYPE OF DOCUMENT

DOCUMENT TYPE	BAHRAIN	EGYPT	IRAQ	JORDAN	KUWAIT	LEBANON	LIBYA	QATAR	SAUDI ARABIA	SYRIA	U A E ²	OTHER ³	NO.	% ⁴
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A. BID/TENDER/PROPOSAL	6	5	0	24	14	6	6	34	119	106	289	329	938	33
B. CARRIER B/LIST REQUEST	0	0	0	0	0	0	0	0	0	0	0	1	1	0
C. LETTER OF CREDIT	35	1	0	53	139	29	1	47	55	53	203	79	695	24
D. QUESTIONNAIRE	0	0	1	1	0	0	0	0	0	17	2	0	19	1
E. REQ'N/PURCHASE ORDER	14	9	0	1	19	7	4	75	130	26	278	325	888	31
F. UNWRITTEN NOP	0	0	0	0	0	0	0	0	18	2	0	0	20	1
G. OTHER WRITTEN	4	0	0	6	3	7	0	0	41	24	14	200	299	10
TOTAL	59	15	1	85	175	49	11	156	363	228	784	934	2860	100

- 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, YEMEN ARAB REPUBLIC, AND THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN
- 4/ PERCENTAGES MAY NOT ADD DUE TO ROUNDING.

TABLE 7-5. - NUMBER AND VALUE OF EXPORTER TRANSACTIONS BY ORIGINATING COUNTRY AND DECISION ON REQUEST¹

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.	\$(000)
TA	4	72	0	0	0	0	2	0	4	347	3	5590	0	0
RF	31	6322	13	1946	1	0	41	18615	57	20059534	26	1858	11	16613
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	35	6394	13	1946	1	0	43	18615	61	20059881	29	7748	11	16613

	Q A T A R		SAUDI ARABIA		S Y R I A		U A E/3		OTHER/4		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	17	23472	59	7419908	10	12370	60	26913	199	313329	358	7802001
RF	97	138843	260	3648455	190	4170167	551	1053937	639	486318	1917	29602608
UD	0	0	1	0	0	0	0	0	0	0	0	0
TT	114	162315	319	11068363	200	4182537	611	1080850	838	799647	2275	37404609

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.	\$(000)
TA	1	0	0	0	0	0	0	0	0	0	0	0	0	0
RF	16	4756	13	1946	1	0	26	16894	24	20022489	8	1045	10	12273
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	17	4756	13	1946	1	0	26	16894	24	20022489	8	1045	10	12273

	Q A T A R		SAUDI ARABIA		S Y R I A		U A E/3		OTHER/4		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)

TA	0	0	0	0	2	0	1	11	1	120	5	131
RF	31	52843	133	120335	158	3193500	408	252359	317	10996	1145	23689436
UD	0	0	0	0	0	0	0	0	0	0	0	0
TT	31	52843	133	120335	160	3193500	409	252370	318	11116	1150	23689567

C. PROHIBITED AS FIRST RECEIVED, BUT AMENDED/6

	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.	\$(000)
TA	0	0	0	0	0	0	1	0	0	0	1	16	0	0
RF	6	65	0	0	0	0	9	963	6	35327	9	350	0	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	6	65	0	0	0	0	10	963	6	35327	10	366	0	0

	Q A T A R		SAUDI ARABIA		S Y R I A		U A E/3		OTHER/4		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	1	14782	0	0	0	0	0	0	0	0	3	14798
RF	6	17448	23	2483472	8	2724	54	3515	43	207398	164	2751262
UD	0	0	0	0	0	0	0	0	0	0	0	0
TT	7	32230	23	2483472	8	2724	54	3515	43	207398	167	2766060

D. EXCEPTIONS TO 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.	\$(000)
TA	2	30	0	0	0	0	0	0	4	347	0	0	0	0
RF	1	15	0	0	0	0	1	17	24	1043	0	0	1	4340
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	3	45	0	0	0	0	1	17	28	1390	0	0	1	4340

	Q A T A R		SAUDI ARABIA		S Y R I A		U A E/3		OTHER/4		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	16	8690	58	7419908	6	10331	51	26729	198	313208	335	7779244
RF	34	67803	99	1036844	2	148	63	795583	271	266127	496	2171920
UD	0	0	0	0	0	0	0	0	0	0	0	0
TT	50	76493	157	8456752	8	10479	114	822312	469	579335	831	9951164

E. NOT 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.	\$(000)
TA	1	41	0	0	0	0	1	0	0	0	2	5574	0	0
RF	8	1487	0	0	0	0	5	741	3	675	9	463	0	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	9	1528	0	0	0	0	6	741	3	675	11	6037	0	0

	Q A T A R		SAUDI ARABIA		S Y R I A		U A E/3		OTHER/4		T O T A L	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	0	0	1	0	2	2039	8	173	0	0	15	7827
RF	26	750	5	7804	22	973794	26	2480	8	1797	112	989990
UD	0	0	0	0	0	0	0	0	0	0	0	0
TT	26	750	6	7804	24	975833	34	2653	8	1797	127	997817

- 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/ DOLLAR VALUES MAY NOT ADD DUE TO ROUNDING.
- 3/ INCLUDES ABU DHABI, SHARJAH, AJMAN, UMM AL-QAIWAN, RA'S AL-KHAIMAH AND FUJAIRAH
- 4/ INCLUDES ALGERIA, INDIA, IRAN, MALAYSIA, NIGERIA, OMAN, PAKISTAN, SUDAN, TUNISIA, YEMEN ARAB REPUBLIC, AND THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN.
- 5/ THIS FIGURE DOES NOT REPRESENT BUSINESS LOST DUE TO REFUSALS WITH BOYCOTT REQUESTS. INSTEAD IT INDICATES THAT U.S. COMPANIES. REFUSED TO COMPLY WITH THE BOYCOTT REQUEST IN BIDDING ON CONTRACTS TOTALLING THIS AMOUNT. THE BOYCOTT LANGUAGE IS OFTEN REVISED OR ELIMINATED TO ALLOW U.S. COMPANIES TO BID CONSISTENT WITH U.S. LAW SUCH REVISIONS ARE NOT REFLECTED IN THESE STATISTICS.
- 7/ TRANSACTIONS IN THIS TABLE ARE CHARACTERIZED AS "TAKE ACTION" OR "REFUSE" IN TERMS OF ACTION REPORTED ON THE ORIGINAL REQUEST TRANSACTIONS.

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

	UNITED KINGDOM	WEST FRANCE	GERMANY	NETHERLANDS	BELGIUM	SWITZERLAND	CANADA
INDIVIDUAL FIRMS REPORTING.....	31	6	6	15	8	9	2
TRANSACTIONS.REPORT.....	1177	26	19	93	20	13	2
REQUESTING DOCUMENTS INVOLVED.....	239	26	19	93	20	13	2
RESTRICTIVE TRADE PRACTICES REQUEST/3.....	265	32	27	99	21	13	4

	ITALY	OTHER (EUROPE)/1	OTHER (ARAB)/2	ALL OTHER	TOTAL
INDIVIDUAL FIRMS REPORTING.....	3	3	17	68	168
TRANSACTIONS.REPORT.....	3	29	81	413	1876

REQUESTING DOCUMENTS INVOLVED...	3	29	81	413	938
RESTRICTIVE TRADE PRACTICES REQUEST/3	3	32	92	463	1051

- 1/ INCLUDES AUSTRIA, DENMARK, FINLAND, GREECE, LIECHTENSTEIN, SPAIN, AND SWEDEN.
2/ INCLUDES BAHRAIN, EGYPT, IRAQ, JORDAN, KUWAIT, LEBANON, LIBYA, SAUDI ARABIA, AND SYRIA.

A. ALL TRANSACTIONS

DE RQ	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		CANADA	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	3	10800	0	0	0	0	8	333	1	39	1	1482	0	0
RF	236	63005	26	2845	19	2267	85	29879	19	3418	12	17544	2	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	239	73805	26	2845	19	2267	93	30212	20	3457	13	19026	2	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)
TT	0	0	1	30	47	37839	91	13072	152	63595
RF	3	492	28	12952	34	417055	322	623193	786	1172650
UD	0	0	0	0	0	0	0	0	0	0
TT	3	492	29	12982	81	454894	413	636265	938	1236245

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

DE RQ	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		CANADA	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RF	200	55864	11	1569	12	2014	61	25130	9	615	5	17340	1	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	200	55864	11	1569	12	2014	61	25130	9	615	5	17340	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)
TT	0	0	0	0	0	0	1	11	1	11
RF	2	222	20	12806	14	107187	229	287434	564	510181
UD	0	0	0	0	0	0	0	0	0	0
TT	2	222	20	12806	14	107187	230	287445	565	510192

C. PROHIBITED AS FIRST RECEIVED, BUT AMENDED/6

DE RQ	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		CANADA	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RF	11	573	3	46	2	208	4	68	7	2559	2	54	1	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	11	573	3	46	2	208	4	68	7	2559	2	54	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)
TT	0	0	0	0	0	0	0	0	0	0
RF	0	0	0	0	4	9730	16	25206	50	38443
UD	0	0	0	0	0	0	0	0	0	0
TT	0	0	0	0	4	9730	16	25206	50	38443

TABLE 7-7. - 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

DE RQ	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		CANADA	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	3	10800	0	0	0	0	7	302	0	0	1	1482	0	0
RF	24	6568	3	0	0	0	3	4347	2	218	4	150	0	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	27	17368	3	0	0	0	10	4649	2	218	5	1632	0	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)
TT	0	0	0	0	47	37839	80	7139	138	57562
RF	1	270	1	7	15	300089	62	300065	115	611714
UD	0	0	0	0	0	0	0	0	0	0
TT	1	270	1	7	62	337928	142	307204	253	669276

E. NOT PROHIBITED

DE RQ	UNITED KINGDOM		FRANCE		WEST GERMANY		NETHERLANDS		BELGIUM		SWITZERLAND		CANADA	
	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)	NO.	\$(000)
TA	3	10800	0	0	0	0	8	333	1	39	1	1482	0	0

RF	36	7141	15	1276	7	253	24	4750	10	2803	7	204	1	0
UD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TT	39	17941	15	1276	7	253	32	5082	11	2842	8	1686	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)
TT	0	0	1	30	47	37839	90	13061	151	63585
RF	1	270	8	146	20	309868	93	335758	222	662469
UD	0	0	0	0	0	0	0	0	0	0
TT	1	270	9	177	67	347708	183	348819	373	726054

1/ INCLUDES AUSTRIA, DEMARK, FINLAND, GREECE, LIECHTENSTEIN, SPAIN, AND SWEDEN.

2/ INCLUDES BAHRAIN, EGYPT, IRAQ, JORDAN, KUWAIT, LEBANON, LIBYA, SAUDI ARABIA, AND SYRIA.

8. Nonproliferation and Export Control Cooperation

The Nonproliferation Export Control Cooperation (NEC) program, located in the Office of the Under Secretary, marshals the resources and expertise within the Bureau of Export Administration to contribute to U.S. export control cooperation programs with the new independent states of the former Soviet Union (NIS), the Baltic states, and some countries in Central Europe.

These programs are designed to strengthen national export control systems and to support cooperation between nations in order to keep nuclear, biological, and chemical weapons, delivery systems, and other sensitive materials out of the hands of terrorists and rogue states. The aim is to reduce the threat from the proliferation of weapons of mass destruction and conventional arms. The effectiveness of U.S. export controls would be severely undermined if the export control systems of other potential supplier and transit nations were ineffective.

The NEC team works with representatives from the Departments of State, Defense, and Energy, the Arms Control Disarmament Agency (ACDA) and U.S. Customs Service, to develop comprehensive program plans for each country, in consultation with their foreign counterparts. Export controls are an important part of the U.S. Government's nonproliferation strategy. The primary outcome is increased national security and global safety.

Program Review

The NEC team coordinates the input of export control experts from all areas of BXA and the Office of Chief Counsel for Export Administration (OCC) for the U.S. export control cooperation programs with the countries described above. The programs consist of U.S. experts explaining how the U.S. export control system works to assist their foreign counterparts in developing their own export control systems. Under these programs: 1) legal experts identify and explain the legislative basis and regulatory framework needed for an effective export control system; 2) licensing experts share information on the licensing process and procedures; 3) enforcement agents conduct technical fora on preventive enforcement operations with their foreign counterparts; 4) government and industry representatives explain how government and business need to work together; and 5) program administration and system automation experts provide understanding and guidance on the essential components of administering and automating a national export control system.

BXA's effort in the NIS countries is supported by funding under the Cooperative Threat Reduction effort under the Nunn-Lugar Program, administered through the Department of Defense's Defense Special Weapons Agency, and by funding through the Nonproliferation and Disarmament Fund (NDF), which is administered by the State Department.

In the Baltic states, BXA's work is supported in part by funding through the NDF program and by funding from each agency involved in the particular activity.

BXA's effort in Central Europe is supported, in part, by funding through the NDF program, and, in part, by funding through the Department of Commerce's Commercial Law Development Program, which is funded by the Agency for International Development..

The program for export control cooperation progresses through four phases -- political interest and commitment, technical exchanges focusing on infrastructure development, interactive training, and phase-out with periodic reviews and updates.

The NIS Countries

Belarus

In FY 1996, BXA continued to build on successful technical exchanges in export control cooperation, particularly in the enforcement, legal and automation areas.

In October 1995, BXA's EE special agents led an interagency team to Minsk to conduct a seminar and hands-on training on preventive enforcement techniques. The program emphasized the crucial role early detection plays in halting illegal exports. Representatives from all Belarussian export control agencies took part in the program.

In November 1995, BXA automation specialists performed acceptance testing of the new Belarus export control automation system equipment, resolved system anomalies, and designed export control information systems software to support the local area network which was installed in June 1995.

In March 1996, BXA hosted Belarussian export control enforcement officials. The program focussed on U. S. enforcement technologies and included a trip to BXA's Dallas enforcement office for a study of a successful export control prosecution.

Kazakstan

In FY 1996, BXA conducted successful technical exchanges in the legal, enforcement and automation areas. In addition, in June, 1996, Kazakstan became the first NIS country to enact an export control law. Kazakstan's law was developed, in large part, during the interagency legal exchange hosted by BXA in February, 1995.

In October 1995, special agents from BXA's Office of Export Enforcement led the first-ever interagency enforcement program in Almaty and conducted a seminar and training. Representatives from a number of Kazakstani agencies involved in export controls took part in the program.

In April 1996, BXA organized a legal and regulatory forum in Washington to brief Kazakstani officials on the legal elements of the U.S. export control system, including executive orders, interagency agreements and export control regulations covering dual-use items, munitions, nuclear, chemical and biological weapons.

Also in April 1996, BXA held meetings with Kazakstani engineers to design systems to automate Kazakstan's interagency export licensing and administration procedures.

In July 1996, BXA automation experts participated in interagency assessment and program planning in Almaty to discuss the next steps in automation, and in September 1996, BXA hosted an interagency forum in Washington for Kazakstani officials to focus on drafting implementing regulations for the new export control law.

Russia

In FY 1996, BXA led successful technical exchanges in the legal, enforcement and industry-government relations areas.

In October 1995, BXA hosted a large delegation of senior Russian industry executives and government export control officials in Boston and Washington to discuss industry-government cooperation on export controls. This significant activity was the first ever to bring together U.S. and Russian business executives and government officials and to provide an unprecedented forum to discuss such issues as the administration of export controls, legal reform, licensing, industry compliance, and enforcement.

In December 1995, the Russian government hosted a visiting high-level U.S. interagency delegation in Moscow to deliver presentations on the operation of Russia's export control system, the legal framework and basis for their dual-use and munitions licensing system, the operation of their ministries and organizations.

In March 1996, BXA hosted a high-level Russian delegation at the headquarters of several U.S. export enforcement agencies in Washington to discuss U.S. preventive enforcement programs and methods. Following these meetings in Washington, the delegation traveled to Florida where Commerce and Customs agents discussed investigative techniques used in the

Cardoen case, a case developed jointly by Commerce and Customs. The Russian delegation met with the assistant United States attorney who prosecuted the case and the federal judge who presided over the case.

In April 1996, BXA led an interagency legal and regulatory workshop in Washington for an interministerial Russian delegation. Besides providing a general overview of the U.S. export control system, particular attention was given to interagency processes, including a review of U.S. licensing procedures.

In June 1996, the Russian government hosted a second briefing on the operation of Russia's export control system for a visiting high-level U.S. interagency delegation.

In September 1996, as a follow-up to an earlier enforcement workshop, BXA led an interagency delegation to Moscow and St. Petersburg to participate in an enforcement workshop that focused on techniques and authorities for effective preventive enforcement, including screening and use of end-user checks.

Ukraine

In 1996, BXA participated in a number of interagency consultations in Kiev. Issues discussed included equipment delivery, site locations for a computer center, a schedule for future technical exchanges, review of the software support development process and training support for license processing, planning of the next phase of Ukraine's automation system, and review of Ukrainian control lists for conformance with European and U.S. models. Ukrainians also provided a draft of their export control regulation for review and comment by U.S. legal experts. Ukraine became a member of the Wassenaar Arrangement in 1996.

The Baltics and Central Europe

Latvia

In November 1995, BXA hosted a Latvian export control assistance and exchange cooperation program in Washington, D.C. for representatives of the Latvian export control ministries. Issues discussed included licensing, preventive enforcement, and automation. Latvian representatives briefed the U.S. representatives on the current status of Latvia's export control system and provided copies of their regulations and decree.

In September 1996, a BXA representative participated in a State-led delegation to review Latvia's progress implementing its export control system. Latvian officials demonstrated how their export licensing process operates. U.S. officials also observed a mobil van provided by the U.S. that was performing inspections on incoming and outgoing shipments at the Riga airport.

During this visit, Latvian officials requested future technical assistance on preventive enforcement techniques.

Lithuania

In September 1996, BXA participated in an interagency delegation meeting with Lithuanian export control authorities who explained that Lithuania delayed the effective date of its new export control law to July 1997 to develop implementing regulations, procedures, and organizations.

Romania

In October 1995, BXA hosted an interagency program for Romanian export control officials to discuss a variety of export control issues, including recent developments in U.S. export control laws and regulations, the structure of control lists, licensing procedures, enforcement of controls, and requirements for a strong industry-government relations program. Also, a BXA-led interagency delegation visited Romania in December 1995 to discuss legal and functional export control issues. The issues discussed included revisions to Romanian export control law and decrees, licensing procedures for dual-use items, enforcement mechanisms, and catchall controls.

Romania became a member of the Wassenaar Arrangement in 1996.

Bulgaria

In November 1995, a BXA-led interagency export control delegation visited Bulgaria to meet with their counterparts on the technical aspects of the Bulgarian export control system, including legal authority, license review and procurement, and enforcement procedures.

Senior Bulgarian officials later came to the U.S. in April 1996 to discuss Bulgaria's progress in implementing its new export control law and decree governing dual-use and munitions items. These new authorities figured significantly in a decision leading to Bulgaria's membership in the Wassenaar Arrangement this year. This was also the final export control-related activity in the multi-year series of activities funded under the Commercial Law Development Program.

Other Commerce-led Events and Activities

Third Annual Symposium for Foreign Export Control Officials

In July 1996, BXA hosted its third annual symposium in Washington for 37 senior export control government officials from 16 nations -- Albania, Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Kazakstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine.

The symposium consisted of two parts: 1) the BXA Update '96 Conference, which focused on licensing policy, U.S. export control laws; and recently revised and streamlined U.S. Export Administration Regulations; and 2) the Foreign Export Control Officials Forum, which provided an exchange of views on foreign export control systems.

This year's program focused on harmonizing national export control systems with international regimes. The consensus view was that next year's program should address enforcement issues.

Export Control Forum for Parliamentarians and Officials

In July 1996, BXA hosted a delegation of high-level executive and parliamentary officials from Azerbaijan, Belarus, Georgia, Kazakstan, Kyrgyzstan, Russia, Ukraine, and Uzbekistan to participate in a program for Formulating and Implementing U.S. Arms Control and Nonproliferation Policy, sponsored by the Monterey Institute. Senior BXA officials briefed participants focusing on export control issues, including the legislative progress on the Export Administration Act.

Department of State's Nonproliferation and Disarmament Fund

BXA also provides technical support for State-led initiatives funded through the Nonproliferation and Disarmament Fund (NDF). The principal BXA activity in these initiatives is to design implement a prototype automated system known as the Multilateral Export Control Information System (MECIS).

In early July 1996, a senior computer specialist participated in the test and acceptance of the Polish Export License System (PELTS) in Warsaw Poland. The system was accepted and placed in a limited operational status in which parallel operations (paper-electronic) were in place for a period of two months. BXA automation experts continue to support modification of the Pelts system order to provide a platform with broader applications.

U.S.-Turkey Export Control and Nonproliferation Forum in Istanbul

In November 1995, BXA participated in a U.S. interagency delegation that co-hosted an export control forum with Turkey for the Central Asian and Transcaucasian states. The U.S. interagency delegation made presentations and briefed representatives from Armenia, Azerbaijan,

Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan on the full range of export control and nonproliferation issues, including licensing, enforcement, and industry-government relations.

Export Controls for Central Asian and Transcaucasus Countries

In September 1996, BXA participated in organizing the Washington Export Control Nonproliferation forum for representatives from the Central Asian and Transcaucasian states. U.S. export control officials and Turkish representatives made presentations and briefed export control officials from Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan on the full range of export control and nonproliferation issues, including legal and regulatory authority for dual-use and munitions controls, control list review, license review, preventive enforcement, U.S. Customs enforcement and industry outreach.

The forum alerted officials to the importance of strategic trade controls on arms and sensitive dual-use items and provided in-depth practical assistance on implementing and enforcing export control laws.

Program Methodology

Assessment

The first step is to conduct an assessment of the current status of a host country's export control system. This is accomplished through an Export Control System Assessment (ECSA) performed by an interagency team of experts utilizing a standardized appraisal format.

Evaluation

Information gathered during this assessment provides an understanding of the strengths and weaknesses of the export control system and helps to determine where cooperative efforts should be focused.

Recommendation

Understanding gained from the evaluation provides the basis for a plan of cooperative exchange program activities to meet host country requirements.

Cooperative Implementation Program Development

U.S. and host country experts meet to design, shape, and adjust the activities. The U.S. interagency group, with its foreign counterparts, plans a full range of technical exchange activities, and identifies long-term material requirements.

Implementation of Program

In cooperation with their foreign counterparts, interagency experts implement the program, offer concrete advice, and provide support for the technical exchanges.

Cooperative Program Evaluation

We are constantly reevaluating the effectiveness of our nonproliferation cooperation program with our foreign counterparts.

Appendix 1

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

CCL	DESCRIPTION	NUMBER OF APPLICATI ONS ²	DOLLAR VALUE
-----	-----	-----	-----
ALBANI A			
OA84	SHOTGUNS/SHOTGUN SHELLS	1	\$537
	TOTAL APPLI CATI ONS: 1		
	TOTAL CCL' S: 1		
	TOTAL DOLLAR VALUE: \$537		
ARMENI A			
OA84	SHOTGUNS/SHOTGUN SHELLS	5	\$305, 878
OA984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	1	\$15, 000
	TOTAL APPLI CATI ONS: 6		
	TOTAL CCL' S: 2		
	TOTAL DOLLAR VALUE: \$320, 878		
AZERBAI JAN			
	TOTAL APPLI CATI ONS: 0		
	TOTAL CCL' S: 0		
	TOTAL DOLLAR VALUE: \$0		
BELARUS			
	TOTAL APPLI CATI ONS: 0		
	TOTAL CCL' S: 0		
	TOTAL DOLLAR VALUE: \$0		
BULGARI A			
OA84	SHOTGUNS/SHOTGUN SHELLS	15	\$1, 162, 303
OA985	OPTI CAL SIGHTI NG DEVI CES FOR SHOTGUNS, DI SCHARGE T	1	\$508, 400
1B70	EQUI PMENT FOR PRODUCTION OF CHEMI CAL WEAPON PRECUR	1	\$9, 011
1C115	PROPELLANTS AND CONSTI TUENT CHEMI CALS FOR PROPELLA	1	\$14, 206
1C60	PRECURSOR/I NTERMEDI ATE CHEMI CALS FOR CHEMI CAL WARF	1	\$105
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAI N EQUI P/SOFTW	1	\$1
5E002	TECHNOLOGY FOR DEV/PROD/USE OF I NFORMATI ON SECURI T	1	\$200
6A003	CAMERAS	1	\$45, 000
	TOTAL APPLI CATI ONS: 22		
	TOTAL CCL' S: 8		
	TOTAL DOLLAR VALUE: \$1, 739, 226		
CAMBODI A			
3A231	NEUTRON GENERATOR SYSTEMS I NCLUDI NG TUBES	1	\$51, 000
6A006	MAGNETOMETERS/MAGNETI C GRADI OMETERS/COMPENSATI ON S	1	\$18, 990
	TOTAL APPLI CATI ONS: 2		

TOTAL CCL'S: 2
TOTAL DOLLAR VALUE: \$69,990

CHINA (PRC)

EAR99	ITEMS SUBJECT TO THE EAR N. E. S.	8	\$418,100
1A003	MANUFACTURES OF NON-FLUORINATED POLYMERIC SUBSTANC	2	\$1,923,825
1A03	NON-FLUORINATED POLYMERIC SUBSTANCES	2	\$959,000
1A22	COMPOSITE STRUCTURES OR LAMINATES FOR MISSILE SYST	1	\$409,100
1A46	CYLINDRICAL TUBING/SOLID CYLINDRICAL FORMS/FORGING	1	\$950,292
1B201	FILAMENT WINDING MACHINES	2	\$380,000
1B41	FILAMENT WINDING MACHINES	2	\$715,850
1B50	VACUUM/CONTROLLED ENVIRONMENT FURNACES	3	\$13,142,000
1B51	SPECIALLY DESIGNED PRESSURE MEASURING INSTRUMENTS	8	\$89,922
1B70	EQUIPMENT FOR PRODUCTION OF CHEMICAL WEAPON PRECUR	15	\$6,779,131
1B71	EQUIPMENT FOR PRODUCTION OF BIOLOGICAL WEAPONS	1	\$680,395
1C002	METAL ALLOYS, POWDER OR ALLOYED MATERIALS	1	\$4,467
1C010	FIBROUS/FILAMENTARY MATERIALS USED IN MATRIX STRUC	2	\$1,093,000
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	3	\$31,444
1C02	METAL ALLOYS, POWDER OR ALLOYED MATERIALS	2	\$40,391
1C03	MAGNETIC METALS	1	\$600,120
1C06	FLUIDS AND LUBRICATING MATERIALS	1	\$4,821
1C08	NON-FLUORINATED POLYMERIC SUBSTANCES	2	\$100,500
1C10	FIBROUS/FILAMENTARY MATERIALS USED IN MATRIX STRUC	3	\$123,260
1C18	ITEMS ON THE INTERNATIONAL MUNITIONS LIST	1	\$10,000
1C19	ITEMS ON THE INTERNATIONAL ATOMIC ENERGY LIST	5	\$424,642
1C202	ALUMINUM AND TITANIUM ALLOYS IN THE FORM OF TUBES/	1	\$415,116
1C210	FIBROUS/FILAMENTARY MATERIALS NOT CONTROLLED BY 1C	1	\$335,000
1C232	HELIUM-3 OR HELIUM ISOTOPICALLY ENRICHED IN THE HE	1	\$55,000
1C27	OTHER CERAMIC/GRAPHITE MATERIALS USED IN MISSILE S	1	\$17,695
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	6	\$2,975,949
1C50	FIBROUS/FILAMENTARY MATERIALS NOT CONTROLLED BY 1C	2	\$2,310,000
1C60	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	38	\$24,087,176
1D02	SOFTWARE UTILIZED FOR DEVELOPMENT OF ORGANIC MATRI	1	\$1
1E01	TECHNOLOGY FOR DEVELOPMENT OF EQUIPMENT UNDER 1A01	3	\$1,000,000
1E24	TECHNOLOGY TO REGULATE TEMPERATURE OF COMPOSITES	1	\$0
1E41	TECHNOLOGY	1	\$2,250,000
2A006	SELF-ALIGNING/JOURNAL SLIDING BEARINGS	1	\$119,999
2A292	PIPING/FITTINGS/VALVES MADE/LINED WITH NAMED ALLOY	1	\$2,162
2A51	PIPING/FITTINGS/VALVES MADE/LINED WITH NAMED ALLOY	2	\$1,185,957
2A52	PIPES/VALVES/FITTINGS/HEAT EXCHANGERS MADE OF GRAP	2	\$34,435
2B001	NUMERICAL CONTROL UNITS/MOTION CONTROL BOARDS	4	\$6,343,975
2B005	PROCESSING EQUIPMENT OF INORGANIC OVERLAYS/COATINGS	1	\$575,981
2B006	DIMENSIONAL INSPECTION/MEASURING SYSTEMS OR EQUIPM	3	\$61,182
2B01	NUMERICAL CONTROL UNITS/MOTION CONTROL BOARDS	2	\$555,950
2B06	DIMENSIONAL INSPECTION/MEASURING SYSTEMS OR EQUIPM	6	\$494,188
2B115	SPIN/FLOW FORMING MACHINES USED WITH COMPUTER CONT	1	\$601,240
2B230	PRESSURE TRANSDUCERS	6	\$29,716
2B350	CHEMICAL MANUFACTURING FACILITIES AND EQUIPMENT	2	\$39,350
2B351	TOXIC GAS MONITORING SYSTEM; AND DEDICATED DETECTO	3	\$40,503
2B352	BIOLOGICAL EQUIPMENT	1	\$625,000
2B991	NUMERICAL CONTROL UNITS FOR MACHINE TOOLS	1	\$186,500
2D001	SOFTWARE FOR EQUIPMENT IN CATEGORY 2A/2B	1	\$0
2D01	SOFTWARE FOR EQUIPMENT IN CATEGORY 2A/2B	1	\$11,814
2D50	SOFTWARE FOR USE OF EQUIPMENT CONTROLLED BY 2A05B	1	\$0
2E003	OTHER TECHNOLOGY	1	\$0

2E01	TECHNOLOGY SUPPORTING EQUIPMENT/SOFTWARE IN 2A/2B/	1	\$0
2E02	TECHNOLOGY SUPPORTING EQUIPMENT/PRODUCTION IN 2A/2	1	\$0
2E03	OTHER TECHNOLOGY	1	\$0
3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$86,598
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	5	\$563,365
3A01	ELECTRONIC DEVICES/COMPONENTS	7	\$215,247
3A02	GENERAL PURPOSE ELECTRONIC EQUIPMENT	4	\$192,016
3A202	OSCILLOSCOPES AND TRANSIENT RECORDERS	45	\$2,565,386
3A225	INVERTERS/CONVERTERS/FREQUENCY CHANGERS/GENERATORS	1	\$13,357
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$102,000
3A233	MASS SPECTROMETERS	1	\$200,000
3A43	SWITCHING DEVICES	1	\$14,465
3A51	MASS SPECTROMETERS	2	\$498,227
3A52	CATHODE RAY OSCILLOSCOPES AND COMPONENTS	69	\$3,206,812
3A93	ELECTRONIC TEST EQUIPMENT, N. E. S.	1	\$1,479
3A96	OTHER EQUIPMENT/ASSEMBLIES/COMPONENTS IN CATEGORY	4	\$253,390
3A993	ELECTRONIC TEST EQUIPMENT, N. E. S.	2	\$1,053,660
3B001	EPITAXIAL EQUIPMENT FOR SEMICONDUCTORS	2	\$5,890,000
3B002	ION IMPLANTATION EQUIPMENT FOR SEMICONDUCTORS	1	\$22,300,000
3B003	ETCHING EQUIPMENT FOR SEMICONDUCTORS	2	\$19,300,000
3B005	MULTI-CHAMBER SEMICONDUCTOR WAFER HANDLING SYSTEMS	1	\$4,200,000
3B006	LITHOGRAPHY EQUIPMENT FOR SEMICONDUCTORS	1	\$31,300,000
3B008	TEST EQUIPMENT FOR SEMICONDUCTORS	1	\$285,000
3B01	MANUFACTURING/TESTING EQUIPMENT FOR SEMICONDUCTOR	8	\$11,890,785
3B96	OTHER TEST/INSPECTION/PRODUCTION EQUIPMENT IN CATE	1	\$8,336
3C003	ORGANO-INORGANIC COMPOUNDS DESCRIBED IN THIS ENTRY	1	\$15,635
3C004	HYDRIDES OF PHOSPHORUS, ARSENIC, OR ANTIMONY	1	\$4,300
3C01	HETERO-EPITAXIAL MATERIALS	1	\$8,125
3C04	HYDRIDES OF PHOSPHORUS, ARSENIC, OR ANTIMONY	1	\$3,600
3D001	SOFTWARE FOR DEV OR PROD OF EQUIP CERTAIN ITEMS IN	5	\$0
3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	5	\$2,050,002
3D03	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	4	\$80,000
3D96	SOFTWARE FOR DEV/PROD OR USE OF CATEGORY 3 ITEMS	2	\$17,080
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	17	\$23
3E01	TECHNOLOGY FOR DEV OR PROD OF ITEMS CONTROLLED BY	10	\$8
4A003	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	2	\$338,930
4A03	DIGITAL COMPUTERS/ASSEMBLIES AND RELATED EQUIPMENT	14	\$7,944,929
4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	8	\$418,160
4D03	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	17	\$1,110,547
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	15	\$20,014
4E002	OTHER TECHNOLOGY	7	\$6
4E01	TECHNOLOGY FOR D, P OR U OF 4A01-4A04 OR 4D01-4D03	13	\$13
4E02	TECHNOLOGY FOR MDSP, IMAGE ENHANCEMENT, AND HARD D	17	\$14
5A02	TELECOMMUNICATION TRANSMISSION ITEMS OR SYSTEMS	5	\$5,558,672
5A11	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	5	\$128,654,150
5A20	TELEMETERING AND TELECONTROL EQUIPMENT FOR AIR VEH	4	\$14,256,873
5A91	TRANSMISSION ITEMS NOT W/I PARAMETERS IN 5A02	1	\$23,382
5D001	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 5A001/5B001/	7	\$0
5D13	SPECIFIC SOFTWARE FOR INFO SECURITY ENTRIES IN 5A	1	\$0
5D20	SOFTWARE FOR DEV/PROD OR USE FOR 5A20	1	\$11,943
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	33	\$813,300
5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	7	\$1,400
5E01	TECHNOLOGY FOR D, P OR U IN 5A-5D ENTRIES	5	\$3
5E02	SPECIFIC TELECOMMUNICATION TECHNOLOGY	7	\$1,600
5E11	TECHNOLOGY FOR DEV/PROD OR USE OF INFO SCTY ENTRIE	1	\$0
6A001	ACOUSTICS	1	\$2,695,000

6A005	OPTICAL EQUIPMENT (LASERS)	2	\$10,820
6A006	MAGNETOMETERS/MAGNETIC GRADIOMETERS/COMPENSATION S	1	\$19,010
6A01	ACOUSTICS	1	\$473,388
6A02	OPTICAL SENSORS	1	\$21,500
6A03	CAMERAS	7	\$521,246
6A05	OPTICAL EQUIPMENT (LASERS)	1	\$44,584
6A06	MAGNETOMETERS/MAGNETIC GRADIOMETERS/COMPENSATION S	3	\$60,200
6A43	CAMERAS/COMPONENTS/PHOTOGRAPHIC MEDIA NOT CONTROLL	4	\$102,375
6A96	OTHER EQUIPMENT IN CATEGORY 6A	2	\$10,023
6D003	OTHER SOFTWARE	2	\$2,945,000
7A21	ACCELEROMETERS FOR GUIDANCE SYSTEMS WITH SPECS OF	2	\$19,904
7A23	INERTIAL OR OTHER EQUIPMENT USING ACCELEROMETERS I	5	\$2,098,728
7E21	TECHNOLOGY FOR EQUIPMENT CONTROLLED BY 7A/7B/7D NS	1	\$0
9A04	SPACECRAFT	3	\$197,505,000
9B26	VIBRATION TEST EQUIPMENT USING DIGITAL CONTROL TEC	2	\$530,593
9E01	TECHNOLOGY OF EQUIPMENT CONTROLLED BY 9A/9B OR 9D	1	\$0
9E02	TECHNOLOGY FOR EQUIPMENT CONTROLLED BY 9A01 OR 9B	1	\$0
9E03	TECHNOLOGY FOR GAS TURBINE ENGINE COMPONENTS OR SY	2	\$0
9E21	TECHNICAL DATA FOR ITEMS CONTROLLED BY CATEGORY 9	1	\$0
9E991	TECHNOLOGY FOR THE DEV/PROD/USE WITH ITEMS IN 9A99	1	\$0
TOTAL APPLICATIONS: 502			
TOTAL CCL'S: 127			
TOTAL DOLLAR VALUE: \$545,764,352			

CUBA

EAR99	ITEMS SUBJECT TO THE EAR N. E. S.	7	\$40,878,577
0A95	FOOD/MEDICINES/MEDICAL SUPPLIES AND AGRICULTURAL C	54	\$465,822,494
0A96	OTHER COMMODITIES/PARTS AND ACCESSORIES	28	\$31,861,918
0A98	PRERECORDED PHONOGRAPH RECORDS/PRINTED BOOKS/PAMPH	2	\$2,158
1A96	OTHER MATERIALS	1	\$2
2A96	OTHER EQUIPMENT/ASSEMBLIES/COMPONENTS IN CATEGORY	2	\$4,599
3A93	ELECTRONIC TEST EQUIPMENT, N. E. S.	1	\$3,750
3A96	OTHER EQUIPMENT/ASSEMBLIES/COMPONENTS IN CATEGORY	3	\$79,605
4A94	ITEMS NOT CONTROLLED BY 4A01, 4A02, OR 4A03	1	\$17,700
4A96	OTHER COMPUTER EQUIPMENT/ASSEMBLIES/COMPONENTS	2	\$52,190
5A91	TRANSMISSION ITEMS NOT W/I PARAMETERS IN 5A02	1	\$121,600
5A96	OTHER TELECOMMUNICATIONS EQUIPMENT	1	\$120
9A91	AIRCRAFT	6	\$53,893,600
TOTAL APPLICATIONS: 83			
TOTAL CCL'S: 13			
TOTAL DOLLAR VALUE: \$592,738,313			

ESTONIA

0A84	SHOTGUNS/SHOTGUN SHELLS	9	\$26,499
0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	1	\$116,000
TOTAL APPLICATIONS: 10			
TOTAL CCL'S: 2			
TOTAL DOLLAR VALUE: \$142,499			

GEORGIA

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

KAZAKHSTAN

1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$100,000
1C60	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	2	\$800,456
2A19	COMMODITIES ON THE INTERNATIONAL ATOMIC ENERGY LIS	1	\$102,000
TOTAL APPLI CATIONS: 4			
TOTAL CCL' S: 3			
TOTAL DOLLAR VALUE: \$1,002,456			

KOREA, P. DEM. REP.

EAR99	ITEMS SUBJECT TO THE EAR N. E. S.	2	\$330,000
0A95	FOOD/MEDICINES/MEDICAL SUPPLIES AND AGRICULTURAL C	24	\$207,692,586
0A96	OTHER COMMODITIES/PARTS AND ACCESSORIES	7	\$784,943
1B96	OTHER TEST/INSPECTION/PRODUCTION EQUIPMENT FOR MAT	1	\$620
1C96	OTHER MATERIALS	1	\$6,000
2A94	PORTABLE ELECTRIC GENERATORS AND SPECIALLY DESIGNE	1	\$49,400
2A96	OTHER EQUIPMENT/ASSEMBLIES/COMPONENTS IN CATEGORY	1	\$217,777
4A94	ITEMS NOT CONTROLLED BY 4A01, 4A02, OR 4A03	3	\$34,126
4A96	OTHER COMPUTER EQUIPMENT/ASSEMBLIES/COMPONENTS	2	\$2,623
5A92	MOBILE COMMUNICATIONS EQUIP/TELECOMM TEST EQUIP/AC	1	\$7,182
6A43	CAMERAS/COMPONENTS/PHOTOGRAPHIC MEDIA NOT CONTROL	1	\$9,112
TOTAL APPLI CATIONS: 39			
TOTAL CCL' S: 11			
TOTAL DOLLAR VALUE: \$209,134,369			

KYRGYZSTAN

TOTAL APPLI CATIONS: 0
TOTAL CCL' S: 0
TOTAL DOLLAR VALUE: \$0

LAOS

TOTAL APPLI CATIONS: 0
TOTAL CCL' S: 0
TOTAL DOLLAR VALUE: \$0

LATVIA

0A84	SHOTGUNS/SHOTGUN SHELLS	3	\$168,360
0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	1	\$2,600
4A980	COMPUTERS FOR FINGERPRINT EQUIPMENT, N. E. S.	1	\$750,000
6C02	OPTICAL SENSORS	1	\$6,920
TOTAL APPLI CATIONS: 6			
TOTAL CCL' S: 4			
TOTAL DOLLAR VALUE: \$927,880			

LI THUANIA

0A84	SHOTGUNS/SHOTGUN SHELLS	6	\$313,635
0A86	SHOTGUN SHELLS (EXCEPT BUCKSHOT SHELLS) AND PARTS	1	\$20
2A291	NUCLEAR REACTOR AND NUCLEAR POWER PLANT RELATED EQ	1	\$11,500,000
2B001	NUMERICAL CONTROL UNITS/MOTION CONTROL BOARDS	1	\$668,240
2D290	SOFTWARE SPECIALLY DESIGNED OR MODIFIED FOR 2A290/	1	\$0
2E002	TECHNOLOGY SUPPORTING EQUIPMENT/PRODUCTION IN 2A/2	1	\$0

TOTAL APPLICATIONS: 8
 TOTAL CCL'S: 6
 TOTAL DOLLAR VALUE: \$12,481,895

MOLDOVA

0A84	SHOTGUNS/SHOTGUN SHELLS	2	\$350,000
TOTAL APPLICATIONS: 2			
TOTAL CCL'S: 1			
TOTAL DOLLAR VALUE: \$350,000			

MONGOLIA

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

ROMANIA

0A84	SHOTGUNS/SHOTGUN SHELLS	15	\$902,334
0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	1	\$120,000
1A84	CHEMICAL AGENTS, INCLUDING TEAR GAS	2	\$117,639
1A984	CHEMICAL AGENTS, INCLUDING TEAR GAS	1	\$4,425
3A81	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	1	\$13,619
4A980	COMPUTERS FOR FINGERPRINT EQUIPMENT, N. E. S.	1	\$2,873,000
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	1	\$1
6A003	CAMERAS	1	\$49,896
TOTAL APPLICATIONS: 23			
TOTAL CCL'S: 8			
TOTAL DOLLAR VALUE: \$4,080,914			

RUSSIA

EAR99	ITEMS SUBJECT TO THE EAR N. E. S.	2	\$15,644
0A84	SHOTGUNS/SHOTGUN SHELLS	20	\$7,334,953
0A984	SHOTGUNS, BUCKSHOT, SHOTGUN SHELLS	1	\$97,500
1A84	CHEMICAL AGENTS, INCLUDING TEAR GAS	9	\$2,041
1A984	CHEMICAL AGENTS, INCLUDING TEAR GAS	1	\$296
1B70	EQUIPMENT FOR PRODUCTION OF CHEMICAL WEAPON PRECUR	1	\$14,830
1C002	METAL ALLOYS, POWDER OR ALLOYED MATERIALS	1	\$38,850
1C010	FIBROUS/FILAMENTARY MATERIALS USED IN MATRIX STRUC	1	\$90,000
1C018	MATERIALS ON THE INTERNATIONAL MUNITIONS LIST	1	\$100,000
1C02	METAL ALLOYS, POWDER OR ALLOYED MATERIALS	2	\$8,700
1C107	GRAPHITE AND CERAMIC MATERIALS	1	\$2,394
1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	2	\$66,080
1C60	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	9	\$10,963,430
1D02	SOFTWARE UTILIZED FOR DEVELOPMENT OF ORGANIC MATRI	1	\$1
2B001	NUMERICAL CONTROL UNITS/MOTION CONTROL BOARDS	2	\$3,050,000
2B351	TOXIC GAS MONITORING SYSTEM; AND DEDICATED DETECTO	2	\$46,631
2B352	BIOLOGICAL EQUIPMENT	1	\$400,000
3A001	ELECTRONIC DEVICES/COMPONENTS	10	\$29,799
3A002	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$57,530
3A01	ELECTRONIC DEVICES/COMPONENTS	2	\$42,115
3A02	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$28,440
3A51	MASS SPECTROMETERS	1	\$350,000

3A81	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	5	\$1,375,162
3A93	ELECTRONIC TEST EQUIPMENT, N. E. S.	1	\$88,500
3A96	OTHER EQUIPMENT/ASSEMBLIES/COMPONENTS IN CATEGORY	2	\$67,933
3A981	POLYGRAPHS/FINGERPRINT ANALYZERS/CAMERAS/EQUIPMENT	5	\$1,287,960
3A993	ELECTRONIC TEST EQUIPMENT, N. E. S.	1	\$33,694
3B008	TEST EQUIPMENT FOR SEMICONDUCTORS	1	\$600,000
3D001	SOFTWARE FOR DEV OR PROD OF EQUIP CERTAIN ITEMS IN	2	\$0
3D003	CAD SOFTWARE FOR SEMICONDUCTOR DEVICES/INTEGRATED	2	\$0
3D80	SOFTWARE FOR DEV/PROD OR USE FOR 3A80C AND 3A81C I	1	\$110,000
3D980	SOFTWARE FOR DEV/PROD/USE OF ITEMS IN 3A980 AND 3A	1	\$110,000
3E001	TECHNOLOGY FOR DEV OR PROD OF CERTAIN ITEMS IN 3A/	1	\$1
3E96	OTHER TECHNOLOGY FOR ITEMS CONTROLLED UNDER CATEGO	1	\$300
4D003	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	8	\$594,300
4D03	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	6	\$493,960
4E01	TECHNOLOGY FOR D, P OR U OF 4A01-4A04 OR 4D01-4D03	4	\$4
4E02	TECHNOLOGY FOR MDSP, IMAGE ENHANCEMENT, AND HARD D	2	\$2
5A11	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	4	\$45,040,000
5D13	SPECIFIC SOFTWARE FOR INFO SECURITY ENTRIES IN 5A	1	\$0
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	1	\$100
5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	1	\$200
5E01	TECHNOLOGY FOR D, P OR U IN 5A-5D ENTRIES	1	\$1
5E02	SPECIFIC TELECOMMUNICATION TECHNOLOGY	2	\$300
6A003	CAMERAS	4	\$134,800
6A005	OPTICAL EQUIPMENT (LASERS)	1	\$2,380
6A03	CAMERAS	3	\$120,801
7A02	GYROSCOPES	1	\$882,184
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	1	\$85,000
7A21	ACCELEROMETERS FOR GUIDANCE SYSTEMS WITH SPECS OF	1	\$24,365
7A23	INERTIAL OR OTHER EQUIPMENT USING ACCELEROMETERS I	9	\$2,061,120
7D03	OTHER SOFTWARE	1	\$60
7E002	TECHNOLOGY FOR PRODUCTION OF EQ. CONTROLLED BY 7A/7	1	\$0
7E003	TECHNOLOGY FOR REPAIR OF OF EQUIPMENT IN 7A001 TO	2	\$0
7E02	TECHNOLOGY FOR EQUIPMENT CONTROLLED BY 7A/7B NS RE	1	\$0
7E04	OTHER TECHNOLOGY	1	\$0
9A980	NON-MILITARY MOBILE CRIME SCIENCE LABORATORIES	1	\$90,000

TOTAL APPLICATIONS: 140
TOTAL CCL'S: 57
TOTAL DOLLAR VALUE: \$75,942,361

TAJIKISTAN

1C60	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	2	\$4,600,000
TOTAL APPLICATIONS: 2			
TOTAL CCL'S: 1			
TOTAL DOLLAR VALUE: \$4,600,000			

TURKMENISTAN

2A19	COMMODITIES ON THE INTERNATIONAL ATOMIC ENERGY LIS	1	\$102,000
TOTAL APPLICATIONS: 1			
TOTAL CCL'S: 1			
TOTAL DOLLAR VALUE: \$102,000			

UKRAINE

0A84	SHOTGUNS/SHOTGUN SHELLS	21	\$4,675,415
OD001	SOFTWARE FOR DEVELOPMENT, PRODUCTION, USE OBO01, 3, 8	1	\$0
1A003	MANUFACTURES OF NON-FLUORINATED POLYMERIC SUBSTANC	1	\$127,000
1C010	FIBROUS/FILAMENTARY MATERIALS USED IN MATRIX STRUC	1	\$28,000
1C202	ALUMINUM AND TITANIUM ALLOYS IN THE FORM OF TUBES/	1	\$1,016
1C60	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$108
1D02	SOFTWARE UTILIZED FOR DEVELOPMENT OF ORGANIC MATRI	1	\$1
2A50	NUCLEAR REACTOR AND NUCLEAR POWER PLANT RELATED EQ	3	\$9,763,506
2D290	SOFTWARE SPECIALLY DESIGNED OR MODIFIED FOR 2A290/	1	\$0
2E001	TECHNOLOGY SUPPORTING EQUIPMENT/SOFTWARE IN 2A/2B/	1	\$999,000
3A02	GENERAL PURPOSE ELECTRONIC EQUIPMENT	1	\$57,385
4D03	SPECIFIC SOFTWARE, AS DESCRIBED IN THIS ENTRY	1	\$100,000
4E01	TECHNOLOGY FOR D, P OR U OF 4A01-4A04 OR 4D01-4D03	2	\$2
4E02	TECHNOLOGY FOR MDSP, IMAGE ENHANCEMENT, AND HARD D	1	\$1
6A002	OPTICAL SENSORS	1	\$3,235
TOTAL APPLICATIONS: 36			
TOTAL CCL'S: 15			
TOTAL DOLLAR VALUE: \$15,754,669			

UZBEKISTAN

1C350	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$4,650,000
1C60	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$12,000,000
3A51	MASS SPECTROMETERS	1	\$756,000
TOTAL APPLICATIONS: 3			
TOTAL CCL'S: 3			
TOTAL DOLLAR VALUE: \$17,406,000			

VIETNAM

0A82	POLICE HELMETS/HANDCUFFS/SHIELDS	1	\$9,000
0A84	SHOTGUNS/SHOTGUN SHELLS	2	\$80,000
1C18	ITEMS ON THE INTERNATIONAL MUNITIONS LIST	1	\$25,000
1C351	HUMAN PATHOGENS, ZOOSES, AND TOXINS	1	\$900
1C60	PRECURSOR/INTERMEDIATE CHEMICALS FOR CHEMICAL WARF	1	\$50
2E201	TECHNOLOGY FOR USE OF COMMODITIES CONTROLLED BY 2A	1	\$200,000
3A001	ELECTRONIC DEVICES/COMPONENTS	1	\$18,330
3A202	OSCILLOSCOPES AND TRANSIENT RECORDERS	1	\$38,271
3A231	NEUTRON GENERATOR SYSTEMS INCLUDING TUBES	1	\$102,000
3E201	TECHNOLOGY FOR THE USE OF CERTAIN ITEMS IN 3A	1	\$200,000
4E001	TECHNOLOGY FOR DEV/PROD/USE OF CERTAIN EQUIP/SOFTW	2	\$200,001
5A11	SYSTEMS/EQUIPMENT/INTEGRATED CIRCUITS FOR INFO SEC	2	\$6,295,000
5E001	TECHNOLOGY FOR DEV/PROD/USE, ETC, OF EQUIP. IN 5A0	1	\$200,000
5E002	TECHNOLOGY FOR DEV/PROD/USE OF INFORMATION SECURIT	1	\$30,000
6A01	ACOUSTICS	2	\$10,000,000
7A103	INSTRUMENTATION, NAVIGATION EQUIPMENT/SYSTEMS NOT	2	\$314,715
9A18	COMMODITIES ON THE INTERNATIONAL MUNITIONS LIST	2	\$2,417,400
9A90	CERTAIN DIESEL ENGINES, OTHER ITEMS, AND PARTS	1	\$200,000
TOTAL APPLICATIONS: 19			

TOTAL CCL'S: 18
TOTAL DOLLAR VALUE: \$20,330,667

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 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. export of turnkey plants and manufacturing facilities.

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

“...detailed description of the extent of injury to U.S. industry and the extent of job displacement caused by U.S. export 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 allow the export of certain turnkey plants and facilities under General License GTDU and GTDR when required conditions are met. These licenses do not require submission of data to BXA. There were no individual validated licenses for turnkey facilities to controlled countries by BXA in FY 1996.

Goods and Technology Exports

Historically, the dollar value of trade with controlled destinations has been low. In 1995, U.S. exports to these countries totaled \$16.2 billion dollars, an increase of \$2.7 billion over the 1994 figure but still only representing 2.79% of the total U.S. exports. An examination of the commodity categories shows that the capital goods items, including those used for manufacturing, represent 48.52% of the total controlled country exports. Still, given the minor share of U.S. exports to these countries, the overall adverse impact through injury to U.S. industry and job placement is probably low.

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

At the same time, concern has been raised about the short and long-term competitiveness consequences of technology transfer to certain controlled countries, including the People's Republic of China. Although the basis for our export controls are national security, foreign policy, or short supply, BXA, as part of its defense industrial base monitoring responsibilities, on an ongoing basis reviews possible impacts of technology transfer. This is performed in the context of work on reviewing the impact of offsets on defense trade, its participation in the Treasury Department-chaired Committee on Foreign Investment in the United States (CFIUS), and in assessing a number of specific industrial sectors, such as precision bearings, advanced composites, and robotics. Additional information is available from BXA's Office of Strategic Industries and Economic Security in the form of specific studies completed on the competitiveness of these sectors.

III. Foreign Policy Export Controls

1. Introduction

Export controls maintained for foreign policy purposes require annual extension according to Section 6 of the Export Administration Act of 1979, as amended (the Act). Section 6(f) of the Act requires that a report be submitted to the Congress for the controls to be extended. Section 6(b) of the Act requires the Department of Commerce to include in the report certain considerations¹ and determinations² on the criteria established in that section. This report complies with all the requirements set out in the Act for extending or imposing foreign policy controls.

The Department of Commerce is acting under the authority conferred by Executive Order No. 12924 of August 19, 1994 and continued by notice of August 14, 1995 and August 14, 1996. Therein the President, by reason of the lapse of the Act, invoked his authority, including authority under the International Emergency Economic Powers Act, to continue in effect the system of controls that had been maintained under the Act. Under a policy of conforming actions under the Executive Order to those under the Act, the Department of Commerce, insofar as appropriate, is following the provisions of Section 6 of the Act in extending controls.

All foreign policy controls in effect on December 31, 1996 are being extended. The action to extend the current controls is taken at the recommendation of the Secretary of State. As further required by the Act, foreign policy controls remain in effect for replacement parts and for parts contained in goods subject to such controls. The controls administered in accordance with procedures established pursuant to Section 309(c) of the Nuclear Non-Proliferation Act of 1978 likewise remain in effect.

Each chapter that follows describes a particular category of foreign policy controls and details modifications that have taken place over the past year.

Most of the statistical data presented in the report are based on fiscal year export licensing statistics. That data was generated from the Commerce computer automated system that is used to process and track export license activity. There are certain limitations in gathering data from the system that are due to the tabulating procedures used by the computer in accounting for occasional license applications that list more than one country of destination, or are amendments to approved applications. In addition, the data in the report are based on values contained in export licenses issued by the Department. They do not necessarily represent the values of actual shipments made against those licenses. In many cases, an exporter may ship only a portion of the value of an approved license.

Whenever worldwide statistical data was used, the figures are from calendar year 1995. Figures from 1996 were unavailable at the time the report was compiled.

In addition, please note the numbering system of the Commerce Control List (CCL). On March 25, 1996 Commerce published in the Federal Register a comprehensive revision of the Export Administration Regulations (EAR). As part of this revision, the CCL was also changed to accord with the numbering system of the European Union. Among other things, the unified numbering system aids enforcement officers. Since both the old and new regulations were in effect until December 31, 1996 when the old regulations became invalid, this report notes both numbering systems when referring to the CCL. The new numbers are listed first. The old numbers are in parenthesis with the letter "A" following the number.

Highlights of 1996

There were four major changes in the Commerce export control programs during 1996. The first was in January 1996 when Commerce published a regulation implementing the President's October 6, 1995 announcement of a major reform of computer export controls. The President announced a liberalization of export controls on all computers to countries in North America, most of Western Europe, and parts of Asia. For certain other countries, including many in Latin America and Central and Eastern Europe, this rule also liberalized export controls on computers. For the former Soviet Union, China and certain other countries, the United States focused export controls on computers intended for military and proliferation end-uses or users, and eased controls on exports of computers to civilian customers. Finally, there were no changes in current policy for computer shipments to terrorist countries, with the exception of the addition of Sudan to ECCNs 4A994 (4A94A), 4D994 (4D94A), 4E994 (4E94A), and Computer Tier 4 (a grouping of terrorist countries, for the purpose of computer controls). This decision streamlined license requirements for U.S. computers that are, or will be in the next two years, widely available in the international market place.

As mentioned above, on March 25, 1996 Commerce published in the Federal Register a comprehensive revision of the EAR. This publication only made minor changes to export control policy; however, it clarified the language of the regulations, simplified their application and generally makes the regulations more user-friendly. This fulfills a goal of the Trade Promotion Coordinating Committee, as stated in its report to Congress entitled "Toward a National Export Strategy."

On October 21, 1996 Commerce published a rule in the Federal Register accepting jurisdiction for certain commercial communications satellites and certain hot section technology for the development and production of commercial aircraft engines transferred from the U.S. Munitions List. The Secretary of Commerce imposed new foreign policy controls on these items with the concurrence of the Secretary of State, in the belief that these controls are necessary to further significantly the foreign policy of the United States. These commodities are also controlled multilaterally by the Wassenaar Arrangement whose members include most of the other producers of these commodities.

In December 1996, Commerce published a rule in the Federal Register implementing the Vice President's October 1 announcement on encryption export controls. Export licensing jurisdiction for commercial encryption items was transferred from the State Department to the Commerce Department. The U.S. Government allows the export under a licensing exception of recoverable encryption hardware and software. For encryption software, a two-year relief period allows the export of products with up to a 56-bit key length encryption capability after a one-time review, and is contingent upon industry commitments to build and market future products that support key recovery and key management infrastructure. The Administration's initiative supports the growth of electronic commerce, increases the security of information, and sustains the economic competitiveness of U.S. encryption product manufacturers during the transition to a key management infrastructure with key recovery.

In addition to the major events listed above, there were other events affecting Commerce export controls, especially regarding embargoed countries. Following the shutdown of U.S. civilian aircraft by Cuban military aircraft in February 1996, the President ordered the grounding of U.S. flights to Cuba. The ban also applies to temporary sojourn flights that previously were allowed under validated licenses for humanitarian, journalistic, or other approved purposes. The President allowed one flight carrying humanitarian relief aid from the United States to fly directly to Cuba in October 1996 when Cuba was struck by hurricane "Lili."

The Cuban Liberty and Democratic Solidarity (LIBERTAD) Act (Public Law 104-114) was signed into law on March 12, 1996. Title I of the legislation, among other things, codifies the embargo, amends the telecommunications provision of the Cuban Democracy Act (CDA), and authorizes the President to assist independent non-governmental groups in Cuba and to establish an exchange of news bureaus between the United States and Cuba. The Act did not impact current Commerce licensing of exports of humanitarian aid to Cuba under the CDA. The President decided on July 16 to allow Title III of the Act to take effect, thereby establishing potential civil liability for persons trafficking in expropriated property in Cuba, claims to which are owned by U.S. nationals. The President, however, suspended the right of individuals to file suit for civil damages in U.S. courts. Title III requires the President to decide whether to renew the suspension every six months. The suspension was designed to encourage our allies to work with the United States on promoting democracy in Cuba. Title IV of the Act provides for the exclusion from the United States of persons engaged in trafficking in confiscated property in Cuba to which U.S. nationals own claims, as well as immediate family members and agents of such firms.

On March 5, 1996 Commerce amended the EAR to reflect the imposition of additional economic sanctions on Iran as a result of the issuance of Executive Order 12959 on May 6, 1995. The Executive Order delegates responsibility for implementing sanctions imposed, inter alia, under the authority of the International Emergency Economic Powers Act, to the Department of the Treasury's Office of Foreign Assets Control (OFAC), including restrictions on exports and certain reexports. The controls on exports and reexports to Iran under the Export Administration Regulations continue to apply. To avoid duplication, however, application for an export or

reexport subject to both the EAR and OFAC's Iran Transactions Regulations are made to OFAC. If OFAC authorizes an export or reexport, no separate authorization from BXA is necessary. This rule makes clear that enforcement action may be taken under the EAR with respect to an export or reexport prohibited both by the EAR and by the Executive Order and not authorized by OFAC.

On August 5, 1996 the President signed into law the Iran and Libya Sanctions Act of 1996. The threats posed by Iran and Libya are serious and urgent. By limiting the ability of these countries to develop their petroleum resources, this act aims to induce Iran and Libya to change their behavior, and to restrict the funds they have available to develop weapons of mass destruction and support terrorism. If there is a determination that sanctionable activity has occurred, the President must choose two among six sanctions, one of which is export sanctions.

As consequence of the 1995 General Framework Agreement for Peace in Bosnia and Herzegovina, sanctions on the former Yugoslavia have ended. In January 1996, OFAC suspended sanctions prospectively on all financial and trade transactions with the Federal Republic of Yugoslavia (Serbia and Montenegro) and areas of Croatia. Concurrently with OFAC's action, Commerce reassumed licensing responsibilities for exports. Trade and financial transactions with Serb-controlled areas of Bosnia were similarly authorized prospectively in May 1996. The United Nations Sanctions Committee had suspended these sanctions on November 22, 1995 and terminated them on October 1, 1996. Former Republic of Yugoslavia assets remain blocked, however, until provision is made to address claims or encumbrances with respect to such property interests, including claims of the successor states of the former Yugoslavia.

The United Nations terminated the restrictions on the sale of arms and related material to the Government of Rwanda September 1, 1996. Originally, the United Nations imposed these restrictions through Resolution 918 in 1994. In August 1995, the United Nations suspended the restrictions for a year with the expectation of terminating the controls if Rwanda remained peaceful for the year. Since the Rwandan government remained stable, the U.N. restrictions on the Government of Rwanda were terminated. However, the U.S. restrictions on the sale or supply of arms and related material to non-governmental forces for use in Rwanda are still in effect.

On December 9, 1996, the United Nations approved a long-delayed oil-for-food deal that permits Iraq to export specified amounts of petroleum for the first time since the United Nations imposed sanctions on Iraq in 1990 to punish it for invading Kuwait. The agreement, which represents a partial lifting of the sanctions, permits Iraq to sell \$2 billion worth of oil over six months and use the money to buy food, medicine and other humanitarian supplies to help ease widespread hunger and illness. This program is administered by the Department of Treasury's Office of Foreign Assets Control.

On December 10, 1996, the National Security Council (NSC) reformed the "informed by" process under EPCI by placing it within the interagency review structure for export licenses. This

initiative which was proposed by Commerce, will improve the transparency and timeliness of the “informed by” process.

Contents and Format of the Report

A two-part structure is used in this report to identify and report on foreign policy export controls administered by the Department of Commerce.

Part One: Export Control Program Description and Licensing Policy

This part defines the export controls maintained for a particular foreign policy purpose that are imposed or extended for the year 1997. The licensing requirements and policy applicable to a particular control are described in this section.

Part Two: Analysis of Control as Required by Section 6(f) of the Act

This part outlines the considerations or determinations, as required by Section 6(f)(2) of the Act, on the purpose of the control, criteria, alternative means, consultation efforts, and foreign availability. For each control program, the Department's conclusions are based on the following required criteria:

A. The Purpose of the Control

This section provides the foreign policy purpose and rationale for each particular control.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving the Intended Foreign Policy Purpose. This section considers or determines whether such controls are likely to achieve the intended foreign policy purpose, in light of other factors, including the availability from other countries of the goods or technology subject to control, and whether the foreign policy purpose cannot be achieved through negotiations or other alternative means.
2. Compatibility with Foreign Policy Objectives. This section considers or determines whether the controls are compatible with foreign policy objectives of the United States and with overall United States policy toward the country or the proscribed end-use subject to the controls.
3. Reaction of Other Countries. This section considers or determines whether the reaction of other countries to the extension of such export controls by the United States is likely to render the controls ineffective in achieving the intended foreign policy purpose or to be counterproductive to other United States foreign policy interests.

4. Economic Impact on United States Industry. This section considers or determines if the effect of the controls on the export performance of the United States, its competitive position in the international economy, the international reputation of the United States as a reliable supplier of goods and technology, or the economic well-being of individual United States companies and their employees and communities exceeds the benefit to United States foreign policy objectives.³

5. Enforcement of Control. This section considers or determines the ability of the United States to enforce the controls. Some enforcement problems are common to all foreign policy controls.⁴ Others are associated with only one or a few controls. Each individual control has been assessed to determine if it has presented, or is expected to present, an uncharacteristic enforcement problem. If no enforcement problems associated with a particular control are known or expected, other than those discussed in footnote 4, the statement "no enforcement problems apart from those discussed in endnote 4 have been identified" is used.

C. Consultation with Industry

This section is a discussion of the results of consultations with industry leading up to the extension or imposition of controls. It also includes comments provided to BXA by the Technical Advisory Committees (TACs); such comments are attributed to the TAC unless otherwise indicated.

D. Consultation with Other Countries

This section reflects consultations on the control with countries that cooperate with the United States on multilateral controls, as well as with other countries as appropriate.

E. Alternative Means

This section specifies the nature and results of any alternative means attempted to accomplish the foreign policy purpose, or the reasons for extending the controls without attempting any such alternative means.

F. Foreign Availability

This section considers the availability from other countries of goods or technology comparable to those subject to the proposed export control. It also describes the nature and results of the efforts made pursuant to section 6(h) of the Act to secure the cooperation of foreign governments in controlling the foreign availability of such comparable goods or technology. In accordance with the Act, foreign availability considerations do not apply to export controls in effect prior to June 12, 1985, to controls maintained for human rights and anti-terrorism reasons, or to controls in support of the international obligations of the United States.

General Comments from Industry

Detailed comments submitted by industry are provided in the Appendix to this report.

Nearly all comments from industry emphasized the need for multilateral controls, rather than unilateral controls. Last year, nearly all comments made this same statement. Their perception is that unilateral controls do not impair the target country's ability to acquire comparable items. Industry encourages the use of means other than trade sanctions in dealing with problematic countries. However, one company said that they recognize the President's right to impose unilateral foreign policy-based controls on certain countries.

2. Crime Control/Human Rights [Sections 742.7(776A.14)]^{5 6}

Export Control Program Description and Licensing Policy

The control on crime control items, required by Section 6(n) of the Act, is prompted primarily by human rights concerns in various parts of the world.

A. Crime Control Items. A license is required to export crime control and detection instruments and equipment and related technical data to any destination, except NATO members, Australia, Japan and New Zealand.

Implements of Torture. A license is required to export specially designed implements of torture and thumbscrews to any destination.

B. Crime Control Items. Applications for licenses will generally be considered favorably on a case-by-case basis, unless there is evidence that the government of the importing country may have violated internationally recognized human rights and that the judicious use of export controls would be helpful in deterring the development of a consistent pattern of violations or in distancing the United States from such violations.

Implements of Torture. Applications for licenses will generally be denied.

C. Following the military crackdown by the People's Republic of China (PRC) in June 1989, the United States imposed constraints on the export of certain items on the Commerce Control List (CCL). Section 902(a)(4) of the Foreign Relations Authorization Act for FY 1990-1991, Public Law 101-246, suspends the issuance of licenses under Section 6(n) of the Act for the export of any crime control or detection instruments or equipment to the PRC. The suspension may be terminated only if the President reports that China has made progress on a program of political reform or that it is in the national interest of the United States to terminate the suspension.

D. Applications for licenses for light arms and crowd control items to Indonesia will be denied, consistent with Section 582 of the Foreign Operations, Export Financing and Related Programs 1995 Appropriations and 1994 Supplemental Appropriations Act (Public Law 103-306) and Administration policy.

E. The Department of State annually compiles a volume of Country Reports on Human Rights Practices. This report is prepared in accordance with Sections 116(d) and 502B(b) of the Foreign Assistance Act of 1961, as amended, and is submitted to the Congress. The factual situation presented in this report is a significant element in licensing recommendations made by that Department.

Analysis of Control as Required by Section 6(f) of the Act

A. The Purpose of the Control

Crime Control Items. The purpose is to ensure that United States-origin police equipment is not exported to countries whose governments do not respect internationally-recognized human rights. Denial of export license applications to such countries distances the United States from human rights violations and sends a concrete signal about United States human rights concerns to the government of the importing country.

Implements of Torture. The purpose is to ensure that U.S.-origin implements of torture are not exported to any destination, in order to distance the United States from human rights violations and to send a concrete signal about U.S. human rights concerns to the international community.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving the Intended Foreign Policy Purpose. Because of the lack of complementary controls on the part of other producer nations, these controls are of limited effectiveness in altering foreign government conduct where the item is available outside the United States. Nevertheless, the control does serve to restrict access to U.S.-origin goods in situations where human rights are being violated and has symbolic importance in distancing the United States from those violations.
2. Compatibility with Foreign Policy Objectives. This control program is fully consistent with U.S. policy in support of internationally recognized human rights, as expressed by successive Administrations and by Congress.
3. Reaction of Other Countries. These controls are unique, serve a distinct foreign policy purpose and arise out of deeply held human rights convictions. Reactions of other countries do not render them ineffective.

4. Economic Impact on United States Industry. In FY 1996 1,706 applications were approved to all destinations for all crime control commodities, at a total dollar value of \$215,906,267. There are two items not included in this analysis, fingerprint computers under ECCN 4A003(4A03) and police-model infrared viewers under 6A002(6A02). These items are also controlled for crime control reasons, but are not included due to the difficulty of extracting a small number of items controlled in a CCL sub-paragraph from the database.

CRIME CONTROL LICENSING FY 1996

Item	ECCN	Applications Approved	\$ Value
Shotguns	0A984(0A84)	1247	\$ 67,404,867
Helmets/ Handcuffs	0A982(0A82)	195	\$ 6,836,690
Tear Gas	1A984(1A84)	184	\$ 2,224,929
Voice Print I.D.	3A980(3A80)	0	\$ 0
Polygraphs	3A981(3A81)	79	\$139,349,781
Crime Science Labs	9A980(9A80)	1	\$ 90,000
Torture Implements/ Thumbscrews	0A983(0A83)* (0A82)*	0	\$ 0

* The old ECCN 0A82, which previously encompassed police helmets and shields, leg irons, shackles, handcuffs, and straight jackets, specially designed implements of torture, and thumbscrews, was divided into two separate ECCNs in 1995.

Of the applications for shotguns (0A984/0A84), 47 were denied in FY 1996, with a total value of \$2,946,568. The denied applications were destined for a variety of countries including Vietnam, Nigeria, Indonesia, and several other Central American, Asian, African, and Eastern European countries.

The existence of these controls could negatively impact U.S. suppliers because they must comply with licensing regulations requiring time and incurring administrative costs, while some foreign competitors do not control this equipment. Moreover, some crime control exports are denied, such as shotguns valued at \$2,946,568 in FY 1996, representing a loss of potential sales for U.S. firms. However, the U.S. Government affirms that human rights violations cannot be overlooked for economic gain.

5. Enforcement of Control. No specific enforcement problems have been identified in connection with crime control items or implements of torture. For the most part, the affected commodities are readily recognizable. In the case of items controlled unilaterally, enforcement cooperation from other countries and control over reexports is difficult.

C. Consultation with Industry

Crime Control Items. Commerce has not received any comments from industry on crime control items; however, Commerce has received several letters from the public regarding an Amnesty International Report charging that the U.S. Government is licensing crime control items that are being used by foreign governments for human rights abuses. Commerce takes this matter very seriously and is currently looking at ways to improve the licensing of crime control items for legitimate police/military activity and to prevent the misuse of these items by human rights violators.

Implements of Torture. Commerce received many letters from the public questioning implements of torture and why this category appeared on the Commerce Control List (CCL). Implements of torture appear on the list to notify exporters that these are controlled commodities and may not be exported without the explicit permission of the U.S. Government. In 1995 Commerce created a new ECCN for implements of torture and thumbscrews and removed them from the category of crime control equipment. Commerce also added a new section, 742.11(776A.19), to the Regulations, to emphasize that implements of torture are subject to a policy of denial. Commerce also extended controls on implements of torture to all destinations. No applications were approved for these items in 1996.

D. Consultation with Other Countries

Many other supplier countries have not placed similar controls on their exports of crime control and detection equipment. The United Kingdom and Canada are examples of countries who do maintain controls on crime control commodities that are similar to U.S. controls.

E. Alternative Means

Export controls on crime control and detection equipment are required pursuant to section 6(n) of the Act. Alternative means are not likely to satisfy this requirement. The United States Government frequently uses diplomatic demarches, sanctions, and other means to convey its concerns about the human rights situation in various countries.

F. Foreign Availability

The foreign availability provision does not apply to section 6(n) of the Act.⁷ Congress has recognized the usefulness of these controls in supporting United States policy on human rights issues, foreign availability notwithstanding.

3. Regional Stability [Section 742.6(776A.16)]

Export Control Program Description and Licensing Policy

This control has traditionally covered vehicles specially designed or modified for military purposes and certain dual-use commodities that can be used to manufacture military equipment. Certain goods and technologies were transferred to the CCL from the State Department's United States Munitions List in 1993 and are controlled for regional stability reasons. This process of transferring items from State Department jurisdiction to Commerce Department jurisdiction is continuing.

A. A license is required for foreign policy purposes to export military vehicles and certain commodities used to manufacture military equipment to all destinations except member nations of NATO, Australia, Japan and New Zealand. Applications for export licenses for such items will generally be considered favorably, on a case-by-case basis, unless the export would contribute significantly to the destabilization of any region.

B. Items formerly on the United States Munitions List transferred to the Commerce Control List (CCL) include certain image intensifier tubes, infrared focal plane arrays, plus certain navigation systems technology for inertial navigation systems, gyroscopes and accelerometers. A license is required for export to all destinations except Canada. All license applications for these items will be reviewed on a case-by-case basis to determine whether the export could contribute, directly or indirectly, to a country's military capabilities in a manner that would destabilize or alter a region's military balance contrary to the foreign policy interests of the United States.

Analysis of Control as Required by Section 6(f) of the Act

A. The Purpose of the Control

This control provides an effective mechanism for the United States to monitor the export of the noted items in order to restrict their usage in instances where regional stability or military balance would be adversely affected.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving the Intended Foreign Policy Purpose. This control enables the United States to restrict the use or availability of certain sensitive goods and technologies in areas where regional stability or military balance could be adversely affected, thus achieving intended foreign policy purposes.

2. Compatibility with Foreign Policy Objectives. This control is consistent with United States foreign policy goals, including promoting peace and stability and preventing U.S. exports that might contribute to weapons production or military capabilities in areas of concern.
3. Reaction of Other Countries. A number of other countries limit exports of items and technologies with military applicability to areas of concern, recognizing that such equipment could adversely affect regional stability and military balance.
4. Economic Impact on United States Industry. Regional Stability controls encompass two major groups of items. The first group consists of commodities that do not require a validated license when destined for NATO countries, Australia, Japan, or New Zealand. The CCL entries that fall under this category are 9A018.b (9A18A.b), vehicles specifically designed or modified for military purposes, and 0A018.c (0A18A.c), specially designed component parts for ammunition. Commerce approved 100 IVLs in FY 1996 for 9A018.b(9A18A.b) items, with a total value of \$53,298,952. There were no denials for these items.

The second group consists of image intensifier tubes, infrared focal plane arrays, and certain navigation systems technology. A validated license is required for export to all destinations except Canada. These items are controlled under ECCNs 1B018.a (1B18A.a), 2B018 (2B18A), 6A002 (6A02), 6A003(6A03), 6D001 (6D21), 6E001 (6E01), 6E002 (6E02), 7D001 (7D01), 7E001 (7E01)(7E21), 7E002 (7E02), 7E101 (7E21). In FY 1996, Commerce approved 453 license applications for these commodities, with a total value of \$51,020,448.

The majority of these applications were for ECCNs 6A002 (6A02)and 6A003 (6A03) (448 out of the 453 approvals mentioned above). Five applications were denied for ECCNs 6A002(6A02) and 6A003(6A03), for a total dollar value of \$1,760,143. Of the six denied applications, two listed the country of ultimate destination as China. The remainder had been destined for India, Algeria, and Croatia. Eighteen applications for these commodities were returned without action.

On the average, license applications for items controlled for regional stability took 38-48 days for processing in FY 1996.

5. Enforcement of Control. Nearly all commodities and related software and technology that are subject to controls for regional stability purposes are also subject to multilateral controls for either national security or missile technology reasons. This coincidence of control facilitates the ability to detect direct exports because enforcement personnel do not require additional training to distinguish national security or missile technology controlled items from those controlled for foreign policy purposes.

C. Consultation with Industry

None of the industry comments received on the extension of foreign policy controls specifically addressed the regional stability controls. Various elements in industry have been consulted during the ongoing transfer to Commerce control of the former State Department-licensed Munitions List items. Industry input received during this process in large measure supported the placing of these items under Commerce control, and encouraged further such transfers.

D. Consultation with Other Countries

Certain items controlled by the United States for regional stability purposes are being controlled by the members of the Wassenaar Arrangement.

E. Alternative Means

The United States has undertaken a wide range of actions to support and encourage regional stability. Bilateral and multilateral diplomatic means have been used to discourage actions that destabilize the region in which they are located. The United States has specifically encouraged efforts to limit the flow of arms and militarily useful goods to regions of conflict and tension.

F. Foreign Availability

There are numerous foreign sources for the military vehicles and other military type equipment long controlled for regional stability purposes. There is also considerable foreign availability for items now under Commerce Department control jurisdiction but previously controlled by the State Department. However, nearly all commodities and related software and technology that are subject to controls for regional stability purposes are also subject to multilateral controls for either national security or missile technology reasons.

4. Terrorist-Supporting Countries [Section 742.8, 742.9, 742.10(785A.4)]

Export Control Program Description And Licensing Policy

These controls reflect U.S. opposition to acts of international terrorism, as well as address other United States foreign policy concerns. Pursuant to Section 6(j) of the Act, the Secretary of State has designated Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria as nations that have repeatedly provided support for acts of international terrorism.

The United States maintains comprehensive economic and trade embargoes on Cuba, Iran, Iraq, Libya and North Korea. Export control elements of the embargoes against Cuba and North

Korea are administered by the Department of Commerce and are covered in Chapter 5. Elements of the controls imposed on Libya that are administered by Commerce are discussed in Chapter 6. Other elements of these embargoes are administered by the Department of Treasury and are not discussed in this report. The comprehensive embargo on Iran, imposed under Executive Order No. 12959 of May 6, 1995, and the United Nations Security Council mandated embargo on Iraq are administered by the Department of the Treasury and are also not addressed in this report. This chapter details the anti-terrorism and foreign policy controls on Iran, Sudan and Syria.

On April 24, 1996 the President enacted the "Antiterrorism and Effective Death Penalty Act of 1996", Public Law 104-132. Section 321 of the Act makes it a criminal offense, except as provided in regulations issued by the Department of Treasury, for U.S. persons to engage in financial transactions with the governments of countries which support international terrorism. In August 1996, the Treasury Department issued the "Terrorism-Supporting Countries Sanctions Regulations." Fundamentally, as the United States already had comprehensive trade restrictions on Cuba, North Korea, Iran, Iraq and Libya, this change did not have a substantial impact on U.S. exports or U.S. export license requirements to these countries. Under the Treasury regulations, certain financial transactions with the Governments of Syria and Sudan are prohibited unless specifically authorized by Treasury. The new regulations for Syria and Sudan prohibit U.S. persons from receiving unlicensed donations and from engaging in financial transaction with respect to which the U.S. person knows or has reasonable cause to believe that the transaction poses a risk of furthering terrorist acts in the United States. All other financial transactions are authorized. Commerce export license requirements on Sudan and Syria are maintained.

Effective December 28, 1993, the Acting Secretary of State determined that five categories of items that are the subject of multilateral controls were to be controlled to certain sensitive government end-users under Section 6(j), since these items meet the criteria set forth in Section 6(j)(1)(B). Specifically, the Acting Secretary determined that these items, when exported to military or other sensitive end-users in a terrorist-designated country, could make a significant contribution to that country's military potential or could enhance its ability to support acts of international terrorism. These anti-terrorism controls apply to all terrorism list countries.

The Acting Secretary also advised that other items not specifically controlled under Section 6(j) should continue to be controlled for general foreign policy purposes under Section 6(a) to terrorism list countries, and that the export of such items will continue to be reviewed prior to approval to evaluate whether, under the circumstances of the application, the requirements of Section 6(j) apply. These measures are described in detail below. This review practice also applies in the review of all exports to terrorist-designated countries regardless of the basis for their control.

The Secretaries of State and Commerce decided to impose controls on Sudan under Section 6(a) to correspond to Section 6(a) controls on Iran and Syria. State and Commerce also imposed new controls on explosive device detectors to Iran, Syria, and Sudan.

Paragraph A below reflects the Section 6(j) controls; paragraph B reflects the Section 6(a) controls on Iran, Sudan, and Syria.

A. The Acting Secretary of State determined, effective December 28, 1993, that the export of certain categories of goods and technologies when destined to military, police, intelligence entities and other sensitive end-users, as determined by the Department of State, in any country designated under Section 6(j) of the Act as a country that has repeatedly provided support for acts of international terrorism "could make a significant contribution to the military potential of such country, including its military logistics capability, or could enhance the ability of such country to support acts of international terrorism." As a result of this determination, the Secretaries of State and Commerce will notify Congress 30 days prior to the issuance of any license for the export of any item from the five categories listed below to sensitive end-users in the terrorist countries.

Pursuant to Section 6(j) of the Act, a validated license for terrorist-designated countries is required for the following items to military or other sensitive end-users:

All items subject to national security controls, except computers with an MTOP level under 500 (WA);⁸

All items subject to chemical and biological weapons proliferation controls (AG);

All dual-use items subject to missile-proliferation controls (MTCR);

All items subject to nuclear weapons-proliferation controls (NRL); and

All military-related items (items controlled by CCL entries ending with the number 18).

B. Pursuant to Section 6(a) of the Act, the following categories of items require a validated license for Iran, Sudan, and Syria in furtherance of United States foreign policy. Exports and certain reexports to Iran are also subject to licensing requirements under the trade and investment comprehensive embargo administered by the Department of the Treasury under the authority of the International Emergency Economic Powers Act. License applications for items controlled under Section 6(a) of the Act are reviewed before approval to determine whether the requirements of Section 6(j) apply. Whenever the Secretary of State determines that the export "could make a significant contribution to the military potential of such country, including its military logistics capability, or could enhance the ability of such country to support acts of international terrorism," the appropriate congressional committees will be notified 30 days before the license is issued. The categories of items are:

Categories of items listed in paragraph A to non-military or non-sensitive end-users.

Computers with a CTP level under 500

Aircraft, Including Helicopters, Engines and Parts

Heavy Duty On-Highway Tractors
Off-Highway Wheel Tractors (>10 tons)
Cryptographic, Cryptoanalytic and Cryptologic Equipment
Navigation, Direction Finding and Radar Equipment
Electronic Test Equipment
Mobile Communications Equipment
Acoustic Underwater Detection Equipment
Vessels and Boats (Including Inflatable Boats)
Marine and Submarine Engines
Underwater Photographic Equipment
Submersible Systems
CNC Machine Tools
Vibration Test Equipment
Certain Digital Computers (CTP>6)
Certain Telecommunications Transmission Equipment
Certain Microprocessors (Clock Speed >25 Mhz)
Certain Semiconductor Manufacturing Equipment
Software Specially Designed for CAD/CAM IC Production
Packet Switches
Software Specially Designed for Air Traffic Control Applications
Gravity Meters (Static Accuracy <100 Microgal or with Quartz Element)
Certain Magnetometers with Sensitivity <1.0 nt rms per root Hertz
Certain Fluorocarbon Compounds for Cooling Fluids for Radar and Supercomputers
High-Strength Organic and Inorganic Fibers
Certain Machines for Gear-Cutting (Up to 1.25 Meters)
Certain Aircraft Skin and Spar Milling Machines
Certain Manual Dimensional Inspection Machines (Linear Positioning Accuracy $3+L/300$)
Robots Employing Feedback Information in Real Time
Explosive device detectors, used in airports

- C. A validated license for foreign policy reasons is required for Iran and Sudan for the following additional items:

Large Diesel Engines (>400 hp)
Scuba Gear
Pressurized Aircraft Breathing Equipment

- D. A validated license for foreign policy reasons is required only for Iran for the following additional items:

Portable Electric Power Generators

E. Licensing Policy:

1. All items requiring a license for Iran for national security or foreign policy reasons are subject to a policy of denial. All exports and certain specified reexports are also subject to the comprehensive trade and investment embargo administered by the Department of Treasury.
2. Applications for export to Sudan and Syria of national security controlled items will generally be denied if the export is destined to a military or other sensitive end-user or end-use. Applications for other end-users or end-uses in Sudan and Syria will be considered on a case-by-case basis.
3. All items subject to chemical and biological weapons (CBW) proliferation controls proposed for export to Sudan and Syria will generally be denied.
4. All items subject to missile technology controls proposed for export to Sudan and Syria will generally be denied.
5. Applications for export to Sudan and Syria of military-related items (CCL entries ending in the number 18) will generally be denied.
6. Applications to export to Sudan and Syria nuclear referral list items will generally be denied for military end use. For civilian end use, applications will be considered on a case-by-case basis.
7. Applications for other items controlled to Sudan and Syria for foreign policy purposes will carry a presumption of denial to military end-users and end-uses. For other end-users and end-uses, license applications will, in most instances, be reviewed on a case-by-case basis.
8. Applications for export and reexport to Sudan and Syria will be considered on a case-by-case basis if:
 - a. the transaction involves the reexport to Sudan or Syria of items where Sudan or Syria was not the intended ultimate destination at the time of original export from the United States, provided that the export from the United States occurred prior to the applicable contract sanctity date;
 - b. the United States content value of foreign-produced commodities is 20 percent or less;or
 - c. the commodities are medical equipment.

9. Applicants wishing to have contract sanctity considered in reviewing their applications must submit adequate documentation demonstrating the existence of a contract that pre-dates the imposition or expansion of controls on the item(s) intended for export.

Analysis of Control as Required by Section 6(f) of The Act

A. The Purpose of the Control

The controls concretely distance the United States from nations that have repeatedly supported acts of international terrorism, and demonstrate the firm resolve of the United States not to conduct unrestricted export trade with nations that do not adhere to acceptable norms of international behavior. The licensing mechanism provides the Department with the means to control any significant United States contribution to the military potential of designated countries and to limit their ability to support international terrorism.

Iran. These controls respond to continued Iranian sponsorship of terrorism. The purpose of the controls is to restrict equipment that would be useful in enhancing Iran's military or terrorist-supporting capabilities, as well as address other U.S. foreign policy concerns, including human rights, non-proliferation and regional stability.

The controls also allow the United States to prevent shipments of U.S.-origin equipment for uses that could pose a direct threat to U.S. interests. Iran continues to support groups that practice terrorism, including terrorism to disrupt the Middle East Peace Process, and it continues to kill Iranian dissidents abroad. By restricting militarily useful items, the controls demonstrate the resolve of the United States not to provide any direct or indirect military support for Iran and respond to other U.S. foreign policy concerns.

Syria. Although there is no evidence of direct Syrian Government involvement in the planning or implementing of terrorist acts since 1986, Syria continues to provide support and safe haven to groups which engage in terrorism. The groups include the Popular Front for the Liberation of Palestine General Command; Hamas; Hizballah; the Abu Nidal Organization; the Popular Front for the Liberation of Palestine; the Democratic Front for the Liberation of Palestine; the Japanese Red Army; the Kurdistan Workers Party (PKK); DHKP/C (formerly known as Dev Sol); and the Palestinian Islamic Jihad. The trade controls reflect U.S. opposition to Syria's support and safe-haven to terrorist groups and prevent a significant U.S. contribution to Syria's military capabilities.

Sudan. Evidence indicates that Sudan allows the use of its territory as sanctuary for terrorists including the Abu Nidal Organization, Hizballah, Hamas and Palestinian Islamic Jihad. Safe houses and other facilities used to support radical groups are allowed to exist in Sudan with the apparent approval of the Sudanese Government's leadership. Further, some military extremists who commit acts of sabotage in neighboring countries receive training in Sudan. The export controls demonstrate United States opposition to Sudan's support for international

terrorism while restricting access to items that could make a significant contribution to Sudan's military capability or ability to support international terrorism.

B. Considerations and/or Determinations of the Secretary of Commerce:⁹

1. Probability of Achieving the Intended Foreign Policy Purpose. Although availability of comparable goods from foreign sources limits the economic effects of these controls, they are effective in achieving their purpose of restricting access of these countries to United States-origin commodities and technical data and in demonstrating the determination of the United States to oppose and distance itself from acts of international terrorism. Judicious application of export controls in conjunction with other efforts serves to enhance the overall United States effort to combat international terrorism. In extending controls toward Iran, Syria and Sudan, the Secretary has determined that they are likely to achieve the intended foreign policy purpose, in spite of such other factors as the availability from other countries of comparable items.

Iran. The controls on Iran restrict its access to specified items of U.S.-origin that could be used to threaten U.S. interests. The United States has sought, and will continue to seek, the cooperation of other countries in cutting off the flow of military and military-related equipment to Iran.

Sudan. The controls on Sudan affirm the commitment of the United States to oppose international terrorism by limiting Sudan's ability to obtain and use United States-origin items in support of terrorist or military activity. These controls send a clear message to Sudan of strong United States opposition to its support for terrorist groups.

Syria. These controls are an important means of demonstrating the United States' resolve by limiting Syria's ability to obtain United States-origin items that could be used to support terrorist activities or contribute significantly to Syria's military potential. Although other nations produce many of the items subject to United States anti-terrorism controls, this does not obviate the need to send a strong signal to the Syrian Government of our disapproval of support for groups involved in terrorism.

2. Compatibility with Foreign Policy Objectives. In extending these controls, the Secretary determined that they are compatible with the foreign policy objectives of the United States toward nations designated as supporters of terrorism. They are also compatible with overall United States policy toward Iran, Sudan and Syria. In addition, the controls are consistent with United States efforts to restrict the flow of items that could be used for military or terrorist purposes.

3. Reaction of Other Countries. The United States limits the extra-territorial effects of these controls to minimize frictions with friendly countries. The list of countries designated as supporters of international terrorism is revised whenever a country's record warrants its removal from, or addition to, the terrorist country list. In 1982, Iraq was removed while Cuba was added. Iran was added in 1984 and North Korea in 1988. Iraq in 1990 was returned to the list and the

former People's Democratic Republic (PDR) of Yemen was removed following its unification with the Yemen Arab Republic. Sudan was added in 1993. The controls are applied on the basis of each country's record regarding support for repeated acts of international terrorism.

The Secretary has determined that the reaction of other countries to the extension of the controls on Iran, Syria and Sudan is not likely to render the controls ineffective in achieving their intended foreign policy purpose, or to be counterproductive to United States foreign policy interests.

Iran. Regarding the controls on specific product categories, other countries have shared the United States' concern over Iran's support of terrorism, human rights abuses, attempts to acquire weapons of mass destruction, and the need to deny access to equipment that could be used to threaten neutral shipping. Thirty-two other countries via Wassenaar have recognized Iran as a country whose behavior is a cause of concern. Some nations have, on the other hand, raised objections to the perceived extra-territorial reach of the U.S. foreign policy controls.

Sudan. The controls were imposed in response to credible evidence that Sudan is assisting international terrorist groups. The decision to designate Sudan a state sponsor of terrorism reflects an assessment of the facts and United States law. The United States has consulted with key allies and urged them to do whatever is possible to convince Sudan to halt its support for terrorism. Some have made their disapproval of Sudan's support for terrorism known in other ways. For example, the Organization of African Unity (OAU), in an unprecedented action criticizing a member, passed a resolution in September 1995 calling on Sudan to extradite to Ethiopia three suspects charged with the June 1995 assassination attempt against President Mubarak of Egypt. In 1996, the United Nations Security Council adopted three resolutions reaffirming the OAU resolution and calling on Sudan to desist from supporting terrorism. Diplomatic and travel sanctions were imposed in May.

Syria. The controls are maintained in response to Syria's lack of concrete steps against international terrorist groups that maintain a presence in Syria and Syrian-controlled areas of Lebanon. Some countries have objected to the extra-territorial impact inherent in reexport controls.

Controls were instituted against Syria after it was designated under Section 6(j) as a terrorist-supporting country in December 1979. Additional export controls were added to the list along with other sanctions in November 1986, following findings of British courts that Syrian officials in London and Damascus were directly involved in aiding and abetting a terrorist, Nizar Hindawi, in his attempt to place a bomb on an El Al civilian aircraft at London's Heathrow Airport. In November 1986, in reaction to the same court findings, the European Union, with the exception of Greece, imposed a number of diplomatic and security sanctions against Syria. The United Kingdom also broke diplomatic relations with Syria at that time, but reestablished relations in November 1990. The United States has provided EU countries with specific information on the purpose and scope of our economic sanctions.

4. Economic Impact on U.S. Industry.

Iran. Iran's economy consists of a mixture of large state-owned enterprises, small-scale service and trading firms, and agricultural enterprises organized at the village level. Although the Iranian Government has recently taken steps to decentralize the economy, the pace of change has been slow because of significant political opposition to a more open economy. Iran experienced a surge in imports during the early 1990s (e.g., imports in 1992 totaled \$23.7 billion). The recent increase in imports, coupled with the government's financial mismanagement, has produced economic difficulties for Iran. At the end of 1993, Iran's foreign debt had reached nearly \$30 billion, with payments almost \$8 billion in arrears. To make matters worse, Iran's earnings from oil exports, which account for approximately 90 percent of Iran's export revenues, have been hurt by declining oil prices. Other economic indicators also show signs of a troubled economy. In 1994, for example, Iran had an unemployment rate exceeding 30 percent and a consumer price inflation rate that hovered around 35 percent.

From 1991 through 1994, U.S. exports to Iran totaled almost \$2.2 billion (total derived from U.S. Census data), making the U.S. the sixth largest exporter (by dollar value) to Iran during this period. U.S. exports to Iran rose sharply in the early 1990s after Iran lifted certain import restrictions. From a total of only \$166 million in 1990, U.S. exports to Iran increased to \$522 million in 1991 and rose to \$744 million in 1992. U.S. exports to Iran during 1993 dropped slightly to \$613 million. In 1994, however, U.S. exports to Iran declined sharply to \$326 million as the license denial policy mandated by the National Defense Authorization Act (NDAA) of FY 1993 began to make a significant impact on U.S. trade with Iran. U.S. exports to Iran fell even further (to \$277 million) in 1995 when the U.S. imposed a total trade embargo against Iran.

The passage of the NDAA of FY 1993 appears to have resulted in a decline in U.S. exports to Iran of between \$200 million and \$300 million per year. Total U.S. exports to Iran averaged \$626 million per year from 1991 through 1993, but only \$302 million per year for 1994 and 1995. Much of this decline is obviously due to the fact that Commerce, in accordance with the provisions of the NDAA of FY 1993, did not approve any applications for Iran in Fiscal Years 1995 or 1996. In the four previous fiscal years (i.e., FY 1991-94) Commerce approved an average of \$177 million in applications to Iran each year. Table 1 clearly shows the significant impact of the NDAA of FY 1993.

Table 1: Approved Applications to Iran (FY 1991-96)

Fiscal Year	Number of Applications	Total Value in U.S. Dollars
1991	89	\$ 60,149,182
1992	131	\$567,559,528
1993	44	\$ 63,834,952

Fiscal Year	Number of Applications	Total Value in U.S. Dollars
1994	10	\$ 16,774,377
1995	0	\$0
1996	0	\$0

Data are also available on the effects of the total trade embargo that was imposed against Iran in 1995. Of the \$277 million in U.S. exports (not on the Commerce Control List) to Iran during 1995, almost \$223 million occurred during the first six months of the year, prior to the imposition of the embargo. In addition, U.S. exports (not on the Commerce Control List) to Iran during the first half of 1996 totaled only \$0.3 million. The result of the 1995 embargo, therefore, appears to have been an additional decline in trade with Iran of more than \$200 million per year. Together, the NDAA of FY 1993 and the 1995 U.S. embargo have caused U.S. trade with Iran to decline by more than \$500 million per year. However, even in 1992 when exports to Iran were high, these exports comprised only 0.17% of total U.S. exports worldwide. In 1995 that percentage dropped to .05% of total U.S. exports worldwide.

Table 2 lists the leading categories of items that were exported from the U.S. to Iran during the years 1991 through 1995 (1995 data available from 1/95 through 11/95 only). These categories provide at least a general indication of which U.S. economic sectors were most heavily affected by the NDAA of FY 1993 and the 1995 U.S. embargo against Iran.

Table 2: Top U.S. Exports to Iran (1991-1995)

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
3511	Turbines & turbine generator sets	\$322.5 million
3531	Construction machinery & parts	\$307.8 million
3533	Oil & gas field equipment	\$250.1 million
2044	Milled rice & byproducts	\$166.3 million
0115	Corn	\$137.4 million
2873	Nitrogenous fertilizers	\$124.2 million
3714	Motor vehicle parts & accessories	\$ 50.8 million

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
2821	Plastics materials & resins	\$ 45.4 million
3743	Railroad equipment & parts	\$ 42.7 million
3569	General industrial machinery & equipment	\$ 41.8 million
3571	Electronic computers	\$ 33.1 million

The data in Table 2 indicate that the impact of the embargo on agricultural and oil industry sectors are expected to be among the hardest hit. However, U.S. exports of the categories of items listed in Table 2 totaled roughly \$1.52 billion for the period from 1991 through 1995. This amount represents approximately 0.06% of U.S. exports worldwide.

At the time the U.S. embargo on Iran took effect, U.S. companies had received nearly \$200 million worth of orders for oil equipment from Iranian oil companies -- these orders can no longer be filled because of the embargo.¹⁰ The embargo is also expected to hurt U.S. corn and rice growers. U.S. rice exports to Iran in 1995 were expected to reach 200,000 metric tons, worth nearly \$75 million, and corn exports were expected to reach almost 750,000 tons during the same year.¹¹ In 1993, U.S. exports of rice to Iran (which totaled nearly \$60 million) represented over 8 percent of total U.S. rice exports that year. In 1992, U.S. exports of oil and gas equipment to Iran (which totaled \$123 million) represented over 3 percent of total U.S. oil and gas equipment exports for the year.

According to foreign trade statistics available from the United Nations, the leading exporters to Iran among the world's major industrial nations from 1990 through 1994 (the most recent period for which such data are available) include the following countries (listed in descending order according to their total exports to Iran from 1990-94): Germany, Japan, Italy, France, the United Kingdom, the United States, Turkey, South Korea, the Netherlands, Belgium/Luxembourg, and Sweden. The United States was the sixth largest exporter to Iran during this period, with exports of nearly \$2.4 billion, but this was only 5% of the total amount of Iran's imports. The other ten countries exported more than \$48 billion in goods to Iran from 1990 through 1994. Table 3, below, lists the leading categories of goods exported to Iran by the other major industrial nations (excluding the U.S.). These categories contain roughly 70 percent of the goods exported from the major industrial nations (excluding the U.S.) to Iran during this period.

Table 3: Top Exports to Iran by Major Industrial Nations(1990-94)

S.I.T.C.	Description of Goods	Total Value (U.S. dollars)
74	General industrial machinery & equipment	\$5.83 billion
78	Road vehicles	\$5.34 billion
72	Machinery specialized for particular applications	\$4.93 billion
67	Iron & steel	\$4.37 billion
77	Electrical machinery	\$3.64 billion
71	Power generating machinery	\$3.08 billion
76	Telecommunications, sound recording & reproduction equipment	\$1.93 billion
69	Manufactures of metals	\$1.54 billion
73	Metalworking machinery	\$1.52 billion
87	Professional scientific & control instruments	\$1.39 billion
75	Office & automated data processing machines	\$0.49 billion

A comparison of the top foreign exports to Iran (as shown in Table 3) with the list of the top U.S. exports to Iran (as shown in Table 2) indicates that the U.S. has been in direct competition with Iran's other major trading partners in such areas as general industrial machinery, motor vehicles and motor vehicle parts, power generating machinery, measuring and controlling devices, and electronic computers. This is also true of other categories of items not listed in Table 3, such as plastics and resins, transportation equipment, and industrial organic chemicals.

Syria. Syria's economy is dominated by state-owned and operated enterprises. In the 1960s, the government pursued policies designed to expand the public sector and imposed tight controls on private sector activities. All large industries, including the banking and insurance sectors, were nationalized. During the 1980s, the country suffered from a severe foreign exchange shortage that was aggravated by a sharp decline in aid from other Gulf states. A severe drought in 1989-90 placed even greater strain on the economy by forcing the government to allow significantly higher levels of food imports. In 1989, the government began to loosen controls on domestic and foreign investment in order to encourage economic development. A new investment law was passed in 1991 and the government has gradually increased the number of

goods that the private sector can either produce or import. Although the government retains a monopoly on wheat and flour imports, such items as rice, sugar, and tea may now be imported by the private sector.

Syria's economy began to improve in the early 1990s, largely as a result of the government's economic reforms coupled with a substantial increase in oil production, the agricultural sector's recovery from 1989 drought, and renewed access to aid from other Arab states following Syria's participation in the Gulf War coalition against Iraq. From 1990 through 1993, Syria's economy experienced average annual growth rates in the range of 7 to 8 percent. Oil production nearly quadrupled from 150,000 barrels per day (bpd) in the mid-1980s to almost 580,000 bpd toward the end of 1993. Syria has directed billions of dollars in foreign aid that it has received since the Gulf War toward rehabilitating its deteriorating infrastructure.

In spite of recent gains, Syria's economy is still burdened with numerous inefficient public sector enterprises. The government continues to exercise control over certain strategic sectors of the economy such as oil production, electrical power generation, banking, and wheat and cotton production. Oil production is believed to have peaked and is expected to remain at current levels over the next few years. Lower international oil prices and the increasing domestic demand for petroleum have reduced the country's oil revenues. The breakup of the former Soviet Union in 1989 eliminated Syria's largest market for non-oil exports such as textiles and light manufactured goods. Although exports of fruits and vegetables have increased fivefold since 1988, these products account for only 8 percent of the country's total export earnings. With roughly 60 percent of Syria's population under the age of 20, unemployment is a growing concern. Syria could face a serious water shortage by the end of the century, unless steps are taken to revise the country's water policies.

Nearly two decades of heavy military and public sector investment expenditures have left Syria with a heavy debt burden and a poor credit rating. Most of this debt, about 11 billion dollars, consists of military debts to Russia, with an additional 3 to 8 billion dollars being owed to other trading partners, various international development institutions, and a number of bilateral donors.

Syria's improved economic performance since 1990 has enhanced its prospects as a market for U.S. exports. Syria imported approximately \$4.1 billion in goods in 1993 (the most recent year for which statistics are available), including foodstuffs (21 percent of total imports), metal products (17 percent), and machinery (15 percent). The best prospects for exports to Syria have been agricultural products and various goods and services related to the development of Syria's oil fields. Although this will continue to be the case, the departure of U.S. exploration firms from Syria will force U.S. oil field service and equipment companies to concentrate their marketing efforts on Syrian and foreign oil companies. Syria will also require capital goods to rehabilitate its public utilities and state enterprises. In addition, Syria is likely to import significant quantities of light industrial equipment, transportation equipment, and computers.

From 1991 through 1995, U.S. exports to Syria totaled \$976 million (total derived from U.S. Census data), averaging roughly \$195 million per year and falling within a range between \$166 million and \$223 million per year (1991: \$205 million; 1992: \$166 million; 1993: \$185 million; 1994: \$197 million; and 1995: \$223 million). While the level of U.S. exports to Syria has remained relatively constant, several major industrial nations have significantly increased their exports to Syria in recent years. Foreign trade statistics available from the United Nations indicate that total exports to Syria, by the ten major industrial nations (excluding the U.S.) who are the leading exporters to Syria, increased by nearly 50 percent between 1990 and 1994.

Most of the leading U.S. exports to Syria (by dollar value) are concentrated in certain low technology areas (e.g., agricultural products and cigarettes) that are not affected by U.S. foreign policy controls and do not require a license for export or reexport to Syria, or are in areas where the United States, historically, has been dominant in the world market (e.g., oil and gas field equipment). Table 1 lists the U.S. exports to Syria that exceeded \$10 million during the period from 1991 through 1995 (1995 data available from 1/95 through 11/95 only).

Table 1: Top U.S. Exports to Syria (1991-1995)

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
3533	Oil & gas field equipment	\$247.7 million
0115	Corn	\$86.4 million
2111	Cigarettes	\$61.6 million
3569	General industrial machinery and equipment	\$32.8 million
2075	Soybean oil & byproducts	\$28.9 million
3511	Turbine & turbine generator sets	\$28.7 million
3711	Motor vehicles & passenger car bodies	\$26.9 million
2284	Thread & handwork yarns	\$19.4 million
3312	Blast furnace, steel works, & rolling mill products	\$17.2 million
2824	Manmade fibers (noncellulosic)	\$16.8 million
3531	Construction machinery and parts therefor	\$13.9 million

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
3714	Motor vehicle parts & accessories	\$12.8 million
3561	Pumps & pumping equipment (except fluid power pumps)	\$11.8 million
3357	Nonferrous metal wire & cable (drawn & insulated)	\$11.5 million
3829	Measuring & controlling devices	\$11.2 million

While total U.S. exports to Syria have remained relatively stable in recent years, with only incremental increases in total exports to Syria for every year following 1992, the value of licensed exports to Syria has increased significantly during the last three years. In FY 1996, Commerce approved 80 licenses for Syria, totaling \$81,006,877. As shown in Table 2, these figures represent a significant increase over FY 1991, when only eight licenses were approved with a total value of \$1,041,504.

Table 2: Approved Licenses for Syria (FY 1991 to FY 1996)

Fiscal Year	Total Applications Approved	Total Value (in U.S. dollars)
1991	8	\$ 1,041,504
1992	31	\$46,366,527
1993	106	\$42,896,103
1994	167	\$76,379,096
1995	139	\$68,298,135
1996	80	\$81,006,877

The majority of items that BXA licensed for export to Syria during the period covered by Table 2 fall within the categories of aircraft parts and components, digital computers, and certain electronic devices controlled only for foreign policy reasons. BXA denied 40 applications for Syria from FY 1991 through FY 1996; these applications had a total value of \$26.7 million.

According to foreign trade statistics available from the United Nations, the leading exporters to Syria among the world's major industrial nations from 1990 through 1994 (the most

recent period for which such data are available) include the following countries (listed in descending order according to their total exports to Syria from 1990-94): Germany, Italy, France, Japan, Turkey, the United States, Belgium/Luxembourg, the United Kingdom, the Netherlands, South Korea, and Spain. The United States was the sixth largest exporter to Syria during this period, with exports of nearly \$0.91 billion. The other ten countries combined for more than \$9.4 billion in exports to Syria from 1990 through 1994. Table 3, below, shows the categories of goods for which exports to Syria by the major industrial nations (excluding the U.S.) exceeded \$250 million. These categories contain roughly 65 percent of the goods exported from the major industrial nations (excluding the U.S.) to Syria during this period.

Table 3: Top Exports to Syria by Major Industrial Nations (1990-94)

S.I.T.C. Number	Description of Goods	Total Value (U.S. dollars)
78	Road vehicles	\$972.6 million
72	Machinery specialized for particular applications	\$828.2 million
65	Textile yarn, fabrics, & made-up articles	\$783.1 million
67	Iron & steel	\$705.4 million
74	General industrial machinery & equipment	\$690.9 million
04	Cereals & cereal preparations	\$561.4 million
71	Power generating machinery & equipment	\$511.3 million
77	Electrical machinery, apparatus, & appliances	\$451.7 million
06	Sugars, sugar preparations & honey	\$350.6 million
76	Telecommunications & sound recording & reproduction equipment	\$293.9 million

A number of the top export categories listed in Table 3 (e.g., road vehicles, iron and steel, textile yarn, specialized machinery, cereals, and industrial machinery) were dominated by only a handful of countries (e.g., Germany, Japan France, Italy, South Korea, and Turkey).

Although U.S. exports to Syria represent only a small portion of total U.S. exports (e.g., U.S. exports to Syria of \$750 million from 1991 through 1994 represented only 0.04 percent of total U.S. exports during that period), analysts such as J. David Richardson, Visiting Fellow at the Institute for International Economics and Professor of Economics in the Maxwell School of Citizenship and Public Affairs at Syracuse University, recently estimated that U.S. unilateral foreign policy controls on Syria had a cost for U.S. businesses “in the neighborhood of \$0.2 billion to \$0.3 billion annually.”¹²

Sudan. Sudan has a very sluggish economy largely due to continuing civil war in the south. The country suffers from soaring inflation rates of over 50 percent per year and a declining annual per capita income. At \$375 in 1994, it was among the world’s lowest.¹³ Sudan’s inadequate transportation system is also a major hindrance to economic development. Sudan receives very little economic assistance from the world’s donor countries. It has been ineligible for assistance from the International Monetary Fund (IMF) since 1984 and remains the world’s largest debtor to the IMF, with accumulated arrears of over \$1.3 billion. Sudan continues to suffer from a severe shortage of foreign exchange, as imports exceed exports by more than two to one.¹⁴ The country’s desperate economic situation is not expected to improve in the near future.

In conclusion, the overall impact on U.S. industry of U.S. unilateral export sanctions on Sudan is negligible. Sudan’s poor economic performance over the past decade has prevented the country from importing a significant amount of goods from any supplier, including the United States. The little amount that is imported by Sudan by and large does not require an individual validated license and is therefore not affected by the sanctions. Many other markets exist for prohibited U.S. exports which should counter the effects of any potential losses.

5. Enforcement of Control. In extending these controls on Iran, Sudan and Syria, the Secretary has determined that the United States has the ability to enforce the controls. Special enforcement problems with these controls involve exports and reexports of aircraft and parts. The fact that aircraft and parts are not controlled to most other countries, including to many in the region, creates the potential of shipments from other sources.

Iran. The expansion of controls on exports to Iran in 1987 imposed new licensing requirements on a large number of items that may be sent to most other destinations without a license or using a licensing exception, including some aircraft items and "consumer" goods that have many producers and end-users around the world. Detection and enforcement cooperation and control of reexports may be particularly difficult with respect to these items. However, enforcement of the controls on direct exports to Iran is aided by the general negative public perception of Iran.

Sudan. Controls on Sudan have not caused major enforcement problems. The United States has a limited number of direct exports and reexports of controlled items to Sudan. Any enforcement problems would likely be in the area of enforcement cooperation and control over

reexports since most other countries have not imposed controls comparable to those imposed by the United States.

Syria. Few enforcement problems have been identified for the direct export of controlled items to Syria. The problems that are most likely to occur will be in the area of enforcement cooperation and control over reexports, particularly for items that are available to many destinations under a general license.

C. Consultation with Industry

Commerce received several comments concerning sanctions imposed in retaliation for acts of terrorism. The main complaint was the unilateral nature of these sanctions and the loss to U.S. business as a result. One manufacturer of commercial jet transports stated that their company deplors acts of terrorism of which their airplanes and the passengers on them are often the targets. However, because of the unilateral nature of U.S. controls, the U.S. manufacturer is often prevented from even supporting those old aircraft that predate sanctions with certified parts and regular updates of safety items. Aircraft owners are compelled to get new equipment from foreign manufacturers thereby bypassing U.S. sanctions and, in some cases, compromising passenger safety. Consequently, jobs and sales are lost to overseas competition which faces no comparable constraints.

Another commentator stated that the only effect of these unilateral controls is to preclude U.S. companies from competing in the marketplace. The same commentator complained about the dollar amount of computer shipments that U.S. industry has not had an opportunity to compete for.

D. Consultation with Other Countries

The United States continues to consult with the international community, particularly key allies, regarding Syria's support for terrorism.

The United States has also consulted with other nations regarding Sudan's support for terrorism, as well as its dismal human rights record and the need for better Sudanese cooperation on humanitarian relief efforts by international organizations operating within Sudan. Specific information has been provided to interested countries on the justification for designating Sudan a state sponsor of terrorism while urging them to do what they can to influence Sudan's behavior favorably.

E. Alternative Means

In efforts to persuade countries supporting terrorism to drop their backing for terrorist activities, the United States Government has taken a wide range of diplomatic, political, and security-related steps, in addition to economic measures such as export controls. The exact

combination has varied according to circumstances and judgments as to the best approaches at a particular time.

The existing controls on Sudan generally reflect the concerns that led to the United States decision to place it on the terrorism list, including the use of Sudanese territory as a sanctuary for terrorist organizations and the training in Sudan of militant extremists who commit hostile acts in neighboring countries. Those controls altogether will take into consideration Sudan's humanitarian needs and generally focus on items that could reasonably make a significant contribution to Sudan's military capability or ability to support terrorism.

The Syrian Government consistently disavows any involvement with acts of international terrorism, despite evidence of direct past Syrian involvement. There is no evidence that Syrian officials have been directly involved in planning or executing terrorist attacks since 1986. In 1994, Syria's involvement centered on its support for, and its providing safe haven to, groups which engage in terrorism. Maintaining these controls is an appropriate way to remind Syria of its obligations to act against terrorist elements whenever it has the capability to do so.

F. Foreign Availability

The foreign availability provision does not apply to items determined by the Secretary of State to require control under Section 6(j) of the Act.¹⁵ Cognizant of the value of such controls in emphasizing the United States position toward countries supporting international terrorism, Congress specifically excluded them from foreign availability assessments otherwise required by the Act. However, the foreign availability of the items controlled to terrorist-designated countries under Section 6(a) has been considered by the Department. In general, numerous foreign sources of commodities similar to those subject to these controls are known. As discussed in the section on Economic Impact (see B(4) above), other countries appear to be supplying Syria with equipment that the United States will not license to Syria. Foreign availability is not an issue for Sudan because of its poor economy.

5. Embargoed Countries [Section 746(785A.1)]

Export Control Program Description and Licensing Policy

The United States maintains comprehensive economic embargoes against Cuba, Iran, Iraq, Libya and North Korea. (Cuba, Iran, Iraq, Libya and North Korea are five of the seven countries designated by the Secretary of State as supporters of acts of international terrorism.) The United States maintains arms embargoes on Liberia, Rwanda and Somalia. The United States maintains an embargo on the supply of both arms and petroleum products to UNITA in Angola.

The embargoes against Cuba and North Korea are administered jointly by the Treasury and Commerce Departments, under the Trading With the Enemy Act of 1917, the Cuban Democracy Act, the EAA, and other statutes and will be discussed in detail in this chapter.

The embargoes against Iran, Iraq, Libya and UNITA are administered by the Treasury Department under the International Emergency Economic Powers Act (IEEPA) and, in some cases, the United Nations Participation Act. The embargoes against these countries are not further detailed in this report. Commerce administers reexports to Libya, so Libya is discussed in detail in Chapter 6 of this report. The arms embargo against Rwanda is administered jointly by the State and Commerce Departments.

Summary of 1996 Changes

The Former Yugoslavia. By Presidential Determination No. 96-7 (December 27, 1995) and subsequent Treasury regulations, the United States suspended sanctions prospectively on all financial and trade transactions with the Federal Republic of Yugoslavia and certain areas of Croatia, effective January 16, 1996. Concurrent with Treasury's regulations, Commerce reassumed licensing responsibility for exports. Trade and financial transactions with Serb-controlled areas of Bosnia were similarly authorized prospectively effective May 10, 1996. Federal Republic of Yugoslavia and Bosnian Serb-controlled assets blocked prior to the suspension, however, remain blocked.

The United Nations Security Council terminated sanctions against the Federal Republic of Yugoslavia and the Bosnian Serb forces, effective October 1, 1996. The resolution terminating sanctions, however, reaffirms the continued blocking of Federal Republic of Yugoslavia assets potentially subject to conflicting claims, including successor state claims, until provision is made to address them.

Iran. On March 5, 1996 Commerce amended the EAR to reflect the imposition of additional economic sanctions on Iran as a result of the issuance of Executive Order 12959 on May 6, 1995. The Executive Order delegates responsibility for implementing sanctions imposed, inter alia, under the authority of the International Emergency Economic Powers Act, to the Department of the Treasury's Office of Foreign Assets Control (OFAC), including restrictions on exports and certain reexports. The controls on exports and reexports to Iran under the Export Administration Regulations continue to apply. To avoid duplication, however, application for an export or reexport subject to both the EAR and OFAC's Iran Transactions Regulations are made to OFAC. If OFAC authorizes an export or reexport, no separate authorization from BXA is necessary. This rule makes clear that enforcement action may be taken under the EAR with respect to an export or reexport prohibited both by the EAR and by the Executive Order and not authorized by OFAC.

On August 5, 1996 the President signed into law the Iran and Libya Sanctions Act of 1996. The threats posed by Iran and Libya are serious and urgent. By limiting the ability of these countries to develop their petroleum resources, this act aims to induce Iran and Libya to change their behavior, and to restrict the funds they have available to develop weapons of mass destruction and support terrorism. If there is a determination that sanctionable activity has occurred, the President must choose two among six sanctions, one of which is export sanctions.

Rwanda. The United Nations terminated the restrictions on the sale of arms and related material to the Government of Rwanda September 1, 1996. Originally, the United Nations imposed these restrictions through Resolution 918 in 1994. In August 1995 the United Nations suspended the restrictions for a year with the expectation of terminating the controls if Rwanda remained peaceful for the year. Since the Rwandan government remained stable, the U.N. restrictions on the Government of Rwanda were terminated. However, the U.S. restrictions on the sale or supply of arms and related material to non-governmental forces for use in Rwanda are still in effect.

Cuba. Following the shutdown of U.S. civilian aircraft by Cuban military aircraft in February 1996, the President ordered the grounding of U.S. flights to Cuba. The ban also applies to temporary sojourn flights that previously were allowed under validated licenses for humanitarian, journalistic, or other approved purposes. The President allowed one flight carrying humanitarian relief aid from the United States to fly directly to Cuba in October 1996 when Cuba was struck by hurricane "Lili."

The Cuban Liberty and Democratic Solidarity (LIBERTAD) Act (Public Law 104-114) was signed into law on March 12, 1996. The legislation, among other things, codifies the embargo, amends the telecommunications provision of the Cuban Democracy Act (CDA), and authorizes the President to assist independent non-governmental groups in Cuba and to establish an exchange of news bureaus between the United States and Cuba. The Act did not impact current Commerce licensing of exports of humanitarian aid to Cuba under the CDA.

Iraq. On December 9, 1996, the United Nations approved a long-delayed oil-for-food agreement that permits Iraq to export specified amounts of petroleum for the first time since the United Nations imposed sanctions on Iraq in 1990 for invading Kuwait. The agreement, which represents a partial and temporary lifting of the sanctions, permits Iraq to sell \$2 billion worth of oil over six months and use some of the proceeds from the sale of oil to buy food, medicine and other humanitarian supplies to help ease widespread hunger and illness. This program is administered by the Department of Treasury's Office of Foreign Assets Control.

North Korea. The United States is committed to the further relaxation of economic sanctions against North Korea provided there is verified progress on the nuclear issue and other areas of concern.

The following paragraphs outline the licensing policies for Cuba and North Korea:

A. A license is required for foreign policy purposes for export to Cuba and North Korea of all commodities and technical data, except:

1. Technical data generally available to the public and informational materials;

2. some types of personal baggage, crew baggage, vessels and certain aircraft on temporary sojourn, ship stores (except as prohibited by the CDA to Cuba) and plane stores under certain circumstances;
3. certain foreign-origin items in transit through the United States;
4. shipments for United States Government personnel and agencies;
5. gift parcels not exceeding \$400 for North Korea of commodities such as food, clothing (non-military), medicines, and other items normally given as gifts by an individual; and
6. gift parcels not exceeding \$200 for Cuba limited to clothing (non-military), vitamins, seeds, medicines, medical supplies and devices, hospital supplies and equipment, equipment for the handicapped, personal hygiene items, veterinary medicines and supplies, fishing equipment and supplies, soap-making equipment, certain radio equipment, and batteries for such equipment. There are no frequency or dollar value limits on food contained in gift parcels to Cuba.

(NOTE: Cash donations from U.S. citizens for humanitarian assistance, channeled through U.N. agencies, the International Federation of the Red Cross (IFRC) and U.S. Non-government Organizations; and humanitarian related commodities sourced in third countries and donated to North Korea through the above organizations are licensed by OFAC.)

B. Applications for licenses will generally be denied; however, applications will be considered on a case-by-case basis for:

1. non-commercial exports to meet basic human needs;¹⁶
(Applications will also be considered for the export to the North Korea of telecommunications equipment and transactions related to the implementation of the Agreed Framework. Such transactions are directly related to the liberalizations that took place in January 1995.)
2. exports to Cuba from foreign countries of non-strategic foreign-made products containing 20 percent or less United States-origin parts, components or materials, provided the exporter is not a United States-owned or controlled subsidiary in a third country;
3. exports to Cuba of telecommunications equipment, to the extent permitted as part of a telecommunications project approved by the Federal Communications Commission, necessary to deliver a signal to an international telecommunications gateway in Cuba.

C. Applications for exports of donated and commercially-supplied medicine/medical items to Cuba will be reviewed on a case-by-case basis and shall not be restricted, except:

1. to the extent such restrictions would be permitted under Section 5(m) of the Export Administration Act of 1979 or Section 203(b)(2) of the IEEPA;

2. in a case in which there is a reasonable likelihood that the item to be exported will be used for purposes of torture or other human rights abuses;
3. in a case in which there is a reasonable likelihood that the item to be exported will be reexported; or
4. in a case in which the item to be exported could be used in the production of any biotechnological product; and
5. in a case where it is determined that the United States Government is unable to verify, by on-site inspection and other appropriate means, that the item to be exported will be used for the purpose for which it was intended and only for the use and benefit of the Cuban people, but this exception shall not apply to donations of medicine for humanitarian purposes to a nongovernmental organization in Cuba.

The following paragraphs outline the licensing policy for Rwanda:

- A. A license is required for foreign policy purposes for export to non-governmental forces for use in Rwanda of all arms and related material of all types, regardless of origin, including weapons and ammunition, military vehicles and equipment, paramilitary police equipment, and spare parts for such items. This requirement applies to exports by any person from U.S. territory or by any U.S. person in any foreign country or other location to Rwanda. A license is also required for the use of any U.S. aircraft or vessel to supply or transport any such items to non-governmental forces for use in Rwanda.
- B. Applications for export or reexport to Rwanda of Crime Control and Detection Commodities will generally be denied to non-governmental forces.
 1. Applications for export or reexport to Rwanda of any ECCN ending in "18" generally will be denied.
 2. There will be a general policy of denial for export of other listed items.

Analysis of Control as Required by Section 6(f) of The Act

The embargoes on exports to Cuba and North Korea have been administered under the Act and other statutes, and are consistent with the Treasury Department sanctions adopted under the Trading with the Enemy Act, as amended. The latter authority continues in effect by virtue of Sections 101(b) and (c), and 207, of Public Law 95-223 and has been extended annually by the President, pursuant to national interest determinations.

- A. The Purpose of the Control

Originally, the embargoes on each of these countries were imposed inter alia for foreign policy purposes. Although the original circumstances that prompted the imposition of controls have changed, present circumstances require that these controls continue. The objective of the embargoes is to demonstrate the unwillingness of the United States to maintain normal trade with these countries until they take steps to improve their behavior and relations with the United States.

Cuba. This embargo came at a time when Cuban actions seriously threatened the stability of the Western hemisphere and the Cuban Government had expropriated property from United States citizens without compensation. Because of its support for insurgent groups that have engaged in terrorism, Cuba was designated as a supporter of terrorism under Section 6(j) of the Act in March 1982. Sanctions against Cuba will be reduced in carefully calibrated ways only in response to positive steps by Cuba toward political and economic reform.

North Korea. North Korea continues to maintain its offensive military capability and to suppress human rights. The planting of a bomb aboard a South Korean airliner by North Korean agents in November 1987 prompted the initial designation in January 1988 of North Korea as a supporter of international terrorism, under Section 6(j) of the Act.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving Intended Foreign Policy Purpose. For Cuba and North Korea, the embargoes have denied these nations the substantial benefits of normal trade relations with the United States. The controls continue to put pressure on the governments of these countries to modify their policies, since the embargoes will not be lifted until a general improvement in relations is achieved. For Rwanda, to fulfill U.S. obligations under an international arms embargo mandated by the United Nations Security Council and help end the fighting and the killing of innocent civilians.

2. Compatibility with Foreign Policy Objectives. For Cuba and North Korea, the controls are a useful complement to U. S. foreign policy in other aspects of our relations with these countries. They encourage the governments to modify their policies, thereby improving their relations with the United States. For Rwanda, these controls are consistent with U.S. foreign policy goals of promoting peace and stability and preventing human rights abuses.

3. Reaction of Other Countries. Although most countries recognize the right of the United States to determine its own foreign policy and security concerns, many countries, particularly the European Union, Canada and Mexico are strongly opposed to the Helms-Burton Act and to the Iran and Libya Sanctions Act. They view these acts as unjustifiable interference in their commercial relations with Cuba, Iran and Libya. The U.S. arms embargo to non-governmental forces for use in Rwanda is consistent with the objectives of the members of the United Nations; no significant objections to U.S. controls have been noted.

4. Economic Impact on United States Industry.

Cuba. The U.S. Census Bureau reports that total U.S. exports to Cuba in CY 1995 amounted to \$5.85 million, up from \$4.39 million in 1994 and \$2.5 million in 1993. The increase may be attributed to increased exports of donations of food, medicines, and medical supplies to meet humanitarian needs. U.S. exports comprise a tiny percentage of worldwide exports to Cuba, which totaled about \$2 billion in 1995, down slightly from \$2.02 billion in 1994. The figures for 1993 and 1992 were \$1.9 billion and \$2.2 billion respectively.¹⁷

A license is required for the export and re-export of virtually all U.S.-origin commodities and technical data to Cuba. In fiscal year 1995 the Bureau of Export Administration (BXA) approved 83 license applications (for 81 exports and 2 re-exports), with a total value of over \$592 million. Excluding licenses for the value of aircraft on temporary sojourn to Cuba (which require export licenses), BXA approved licenses for shipments totaling over \$540 million for humanitarian aid in the form of food, medicine, and medical supplies (68 licenses), gift parcels (7), and transiting aircraft (5).

Seven export applications and two re-export applications totaling \$10.1 million were returned without action. Three export license applications totaling \$1.9 million were denied.

Table 1. Export License Applications Approved for Cuba, FY 1995¹⁸

Type of Export	No. of Applications	Dollar Value
Humanitarian Aid	68	400,686,880
Gift parcels	7	140,000,300
Aircraft Transiting Cuba	5	51,893,600
Other	3	157,033
Total:	83	\$592,737,813

Cuba's economy remains in a severe depression as a result of the loss of massive amounts of economic aid from the former Soviet Bloc. In 1989-93, GDP declined by about 40 percent and import capability fell by about 80 percent, which is reflected in the figures for annual imports and exports during the same period (see Figure 1).

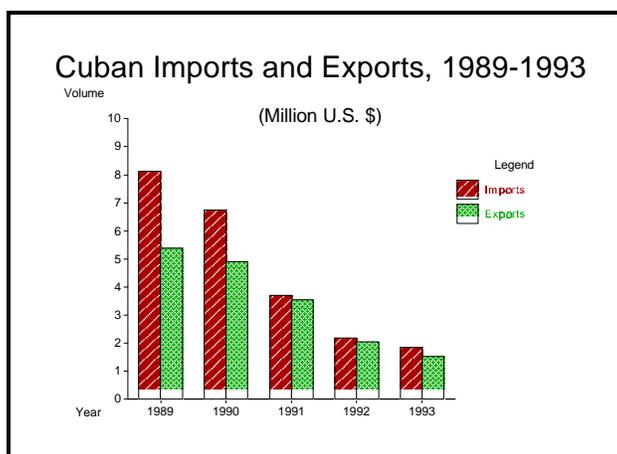


Figure 1

Source: The World Factbook 1994.

Cuba has signed investment-guarantee treaties with a number of countries, including Mexico, Canada, Spain, Italy, Britain, and Russia. Two more are planned for France and the 13-member Caribbean Community (Caricom). In September 1995, the Cuban national assembly amended the law governing foreign investment to create free trade zones, speed approval processes, allow foreign firms to own majority stakes, and open previously restricted sectors, such as real estate and banking, to foreign participation.

Cuba's leaders pin their hopes for economic recovery on generating massive foreign investment, which Cuba is actively courting, with the goal of developing indigenous production of as many import-substituting products as possible. According to Cuban government figures, there are 212 joint ventures underway, worth about \$2 billion. U.S. sources estimate that \$4.9 billion in

foreign investment has been announced, of which \$556 million had been formally committed.¹⁹ Much of this investment is in long-term infrastructure projects that will commit the Cubans to import supporting equipment and supplies from the foreign partners' countries for years to come. The Cuban economy's slow recovery could receive a serious setback from the Helms-Burton Act if the threat of legal action in the United States, or exclusion from the United States, gives pause to potential investors.

Cuba's principal imports during 1994 were fuels (\$720.0 million), food products (\$430 million), machinery (\$240 million), semi-finished goods (\$215 million), and chemical products (\$175 million). In 1994, Russia provided \$209.6 million of fuels; Mexico provided \$67.0 million. France provided \$104.7 million in food products; China \$42.5 million; Canada \$30.5 million; The Netherlands \$30.2 million. Spain provided \$85.9 million in machinery; Italy \$19.8 million; China \$16.5 million; France \$15.4 million; Canada \$15.0 million. Spain provided \$74.9 million in semi-finished goods; Mexico 31.9 million; China \$20.1 million; Russia \$17.4. Spain provided \$32.4 million in chemical products; Mexico \$27.1 million; China \$23.2 million; the U.K. \$12.8 million.²⁰

Cuban imports from most major exporting nations have declined in recent years (see Table 2) along with the Cuban economy's declining ability to produce goods for export and generate foreign exchange reserves. Among major trading partners, only Mexico, Spain and France exported more to Cuba in 1994 than in 1989. Canadian and Chinese exports rose sharply in 1990 but have since declined steadily. Contrary to this trend, French exports to Cuba have more than doubled since 1989. Since 1992 French exports to Cuba consisted primarily of foodstuffs, which comprised 83 percent of total French exports to Cuba in 1993. Grains alone comprised 62 percent of the 1993 total.

The overall economic impact on U.S. industry of the U.S. unilateral trade embargo is significant in view of the historical U.S. dominance of the Cuban market and the proven advantage of U.S. suppliers' proximity to Cuba, but is diminished considerably by Cuba's steadily decreasing import potential. A chronically depressed economy, limited currency reserves, and a limited capacity to generate hard currency severely curtail Cuba's ability to import foreign products. Trade with an economically revitalized Cuba could threaten large numbers of U.S. jobs in certain sectors. Even in its present impoverished state, Cuba could imperil U.S. jobs if trade restrictions are lifted.

In general, the U.S. regions and economic sectors most affected by the trade embargo are southern Florida (particularly the port area of Tampa), producers of agricultural products and other exports of other products that benefit from the cost advantages of U.S.-Cuba proximity (e.g. perishable agricultural products).

The Helms-Burton Act is perceived by our major trading partners as being an impermissible extraterritorial application of U.S. law that violates international law, and U.S. obligations under the World Trade Organization (WTO) Agreement and the North American Free Trade Agreement (NAFTA)'s dispute settlement mechanism. The European Community (EC)

has brought a challenge to Helms-Burton under the WTO Agreement, and in November the WTO Dispute Settlement Body endorsed creation of a panel to hear the case. Panelists have not yet been selected.

The EC, Canada and Mexico have enacted antidote legislation that 1) blocks compliance with, implementation of, or enforcement of Helms-Burton in those countries, and 2) provides a mechanism for recovery of damages (“clawback”) suffered as a result of judgments under the Helms-Burton Act in U.S. courts. The damages that may be recovered under the antidote laws are not limited to judgments in U.S. courts, but may include consequential damages that result from the application of Helms-Burton.

However, friction between the United States and the European Union over policy toward Cuba has diminished substantially with adoption by the Europeans of a binding policy that links expanded ties to Cuba to improvements in human rights conditions and advances toward democracy by President Fidel Castro’s communist government. The United States viewed the announcement that EU members would evaluate future relations with Cuba according to the ratification and observance of international human rights conventions as an affirmation of the international community’s commitment to human rights and democracy.

North Korea. North Korea remains a rigid socialized economy, with a strong emphasis on self-reliance. The agricultural land is collectivized, and state-owned industry produces 95% of the manufactured goods. Heavy industry, including arms production, is emphasized at the expense of consumer goods. Despite improvements in agricultural methods, North Korea has not yet become self-sufficient in food production; indeed, various factors have resulted in chronic food shortages. Increasing shortages of fuels and electric power have resulted in idle factories, fewer exportable items, and less hard currency to buy food and other critical items. Additionally, factory industrial equipment is in a serious state of disrepair because there is no money to better the industrial facilities. North Korea’s industrial development remains 15-25 years behind that of South Korea.

The political ideology of national self-reliance and independence has resulted in an international trade share (exports plus imports) of only 12 percent of the GDP, well below the figure of 50-55 percent observed in neighboring South Korea. Traditionally, North Korea has regarded international trade as a necessary evil. Foreign trade has been conducted mainly to obtain essential imports. Exports have never been considered for economic gains in employment or income, but as a means to finance necessary imports.²¹ North Korea’s total imports average about \$1-2 billion per year.

The “necessary” commodities North Korea imports include petroleum, grain, coking coal, machinery and equipment, and consumer goods. As reported by the Korea Trade Promotion Corporation (KOTRA), North Korea’s four major trading partners are China, Russia, Japan and South Korea, accounting for almost 70 percent of its total trade (exports plus imports). Other sources (1992 World Trade Database, Major Economic Indicators for N. Korea, 1993) indicate

Iran and Hong Kong are also major contenders in import trade. Russian imports, once a strong portion of North Korean trade, have continued to decline as Russia focuses on its own economic difficulties, and China has supplanted Russia as North Korea's economic lifeline. China's importance in North Korea's trade is in all probability underestimated in available statistics as observers note that a high magnitude (\$100 millions) of smuggling occurs between the two countries.²²

Table 1 illustrates the current trade figures:²³

Table 1. North Korean Trade 1994
(in US\$ millions)

Country	Imports	Exports	Total
China	425	199	624
Japan	170	323	493
South Korea	174*	21*	195
Russia	115*	15*	140
World Totals	1,269	839	2,108

(* KOTRA trade figures at this time do not give import/export values for these countries. These figures are derived from other sources)

Trade statistics from the United Nations provide more detailed information on North Korean imports from many developed countries (unfortunately many countries, including Russia, do not report trade to the United Nations). The top five exporters to North Korea in 1993 according to U.N. data were China (\$602 million), Japan (\$217 million), India (\$61 million), Germany (\$47 million), and Singapore (\$38 million). Other major exporters were Italy, Ireland, the Netherlands, Brazil, and Thailand. China supplies most of North Korea's needs for grains and petroleum, while North Korea's imports from European countries predominantly consist of chemicals and machinery, and, in the case of Germany, motor vehicles. Ten German companies and Germany's Korean Economic Information Bureau reportedly plan to establish an office in 1995 to promote trade with North Korea. From Japan, North Korea imported mostly textile goods and vehicles; many of the textiles were apparently re-exported back to Japan in the form of finished goods. Many Japanese companies maintain a presence in North Korea awaiting the possibility that a normalization in North Korean-Japanese relations occurs (dependent upon war reparations).

In FY 1996, Commerce approved 39 validated licenses for exports to North Korea, totaling \$209,134,369. (Two licenses valued at \$4,026 were denied.) This is a decrease in license approvals of more than one billion dollars from FY 1995, but FY 1995 was an exception in that there were license approvals for larger grain shipments of \$1 billion or more. The commodities

involved are almost entirely humanitarian items: milk, grains, etc. which are used to relieve increasing famine, and assorted medicinal supplies to aid victims from widespread flood damage.

According to U.S. Census Bureau statistics, U.S. exports to North Korea last year totaled only \$5,008,000, of which 84% was cereal. The other commodities exported, in descending order by value, are petroleum, coking coal, machinery, and consumer goods. Overall, North Korea represents an extremely small part of the U.S. exports to the world (0.00086%).

Full implementation of the October 21, 1994 U.S.-North Korean Agreed Framework will facilitate a possible broadening of bilateral relationships during which current restrictions on U.S. trade with North Korea may be reduced. In addition, the United States' status as a founding member of the Korean Peninsula Energy Development Organization (KEDO) foreshadows an increasing role as a trading partner with North Korea. KEDO is the international organization established in March 1995 to implement the Agreed Framework. Under the Agreed Framework, North Korea agreed to freeze and eventually dismantle its existing graphite-moderated nuclear program. In return, KEDO will provide North Korea with two light water reactors (LWRs) developed from U.S. technology. In addition, KEDO is providing 500,000 metric tons of heavy fuel oil to North Korea annually until the first LWR plant goes on line. Further implementation of the provisions of the Agreed Framework should also broaden North Korea's economic contacts with the international community in general.

Because of North Korea's strong political ideology emphasizing self-reliance, U.S. export sanctions have generally had a minimal effect on U.S. exports. In the absence of the U.S. embargo, some United States industries (vehicles, machinery, chemicals) could have potential export sales of up to \$50 million per year, as determined by current trade with European suppliers. Following the signing of the nuclear accord, opportunities for limited economic activity by some U.S. companies may now be possible. Restrictions on travel to North Korea and per diem expenditure limits have been liberalized. Permission has been given to purchase certain strategic minerals from North Korea, and special licenses will be granted in connection with the light water reactor project, ranging from technology and equipment for the reactors to the sale and transportation of oil on an interim basis. The potential for some profit exists, but the sanctions regime and the inherent risks of doing business in/with a command economy have discouraged most U.S. firms from doing business there.

Understanding that it must tap world markets to satisfy critical economic needs, North Korea has established the Rajin-Sonbong Free Trade zone to promote trade with other countries. However, the North Korean leaders appear fearful of too much foreign influence, thus the trade zone remains in a high-security area, limiting access to markets. Additionally, at present this area has a lack of infrastructure. However, if the trade zone is at all successful, U.S. firms could be at a disadvantage vis-a-vis other nations due to U.S. economic sanctions.

Rwanda. The arms embargo has had very little impact on U.S. industries.

5. Enforcement of Control. The problems associated with detecting unauthorized exports to embargoed countries are more difficult than with other export controls, because the controls on exports to embargoed countries cover virtually all U.S.-origin goods, including consumer items that do not attract enforcement attention, either in the United States or overseas. However, in the case of direct exports, an embargo against a small number of countries is easier to enforce, because the concept of a total embargo is generally understood and supported by the public. We can count on voluntary cooperation from most U.S. exporters. Further, a total embargo requires little expertise to differentiate between those goods that are and those that are not subject to control.

Cuba. Controls on exports under the CDA of non-U.S.-origin goods from foreign subsidiaries of U.S. firms present certain enforcement difficulties. Foreign governments have shown little inclination to cooperate with, and indeed some hostility to, our enforcement efforts. On the other hand, the Department has the authority to deny export privileges of firms and individuals overseas who violate U.S. controls. While a denial order can be very effective, use of that enforcement tool against a violator of CDA-based controls can be expected to provoke strong reaction from the home country of the firm which is the object of the order.

Rwanda. No significant enforcement problems have occurred or are foreseen.

C. Consultation with Industry

Comments received by Commerce from industry either objected to the unilateral nature of U.S. sanctions, or to the extraterritorial reach of U.S. sanctions, particularly in the Iran and Libya Sanctions Act of August 1996 and in the Helms-Burton Act of March 1996.

In particular, industry comments asserted that the extraterritorial reach of U.S. laws and regulations can and does impact the reputation of U.S. vendors as reliable suppliers. Although there is much interest in U.S. technology, customers often opt for a comparable offering from a foreign competitor because of the constraints imposed by U.S. export regulations.

D. Consultation with Other Countries

The Administration has worked hard to garner support from other countries for both the Helms-Burton Act and the Iran and Libya Sanctions Act.

E. Alternative Means

Comprehensive embargoes are designed to make the strongest possible statement against a particular country's policies by imposing the harshest trade conditions possible.

Restrictions on exports supplement other actions taken by the United States Government that are intended to strengthen the embargo. Among the more prominent other actions that can and have been taken are severing of diplomatic relations, banning imports into the United States, seeking United Nations denunciations and curtailing or discouraging bilateral educational, scientific, or cultural exchanges.

F. Foreign Availability

Since Cuba and North Korea are also terrorist-designated countries, as well as embargoed, the foreign availability provision does not apply to items determined by the Secretary of State to require control under Section 6(j) of the Act.²⁴ Cognizant of the value of such controls in emphasizing the U.S. position toward countries supporting international terrorism, Congress specifically excluded them from foreign availability assessments otherwise required by the Act.

For Rwanda, the foreign availability provisions of the Act do not apply to export controls imposed in compliance with international obligations of the United States under Section 6(i) of the Act.

6. Libya [Section 746.4(785A.7)]

Export Control Program Description And Licensing Policy

On August 5, 1996 the President signed into law the “Iran and Libya Sanctions Act.” The threats posed by Iran and Libya are serious and urgent. By limiting the ability of these countries to develop their petroleum resources, this act aims to induce Iran and Libya to change their behavior, and to restrict the finances they have available to develop weapons of mass destruction and support terrorism. The President can choose two among seven sanctions to discipline violators, one of which is export sanctions. The “Iran and Libya Sanctions Act” is the most recent action in a long history of difficult U.S. relations with Libya.

In January 1986, the President imposed sanctions against Libya under the authority of the International Emergency Economic Powers Act. The Department of the Treasury administers the export restrictions under the Libyan Sanctions Regulations (31 CFR Part 550). Since February 1, 1986, exports from the United States and transshipments via third countries to Libya require authorization in the form of a general or specific license from that Department²⁵.

On November 14, 1991, a grand jury in the U.S. District Court for the District of Columbia returned an indictment against two Libyan nationals accused of sabotaging Pan Am

103. On the same day, Scottish authorities obtained a petition warrant for the two Libyans on similar charges.

On January 21, 1992, the United Nations Security Council (UNSC) adopted Resolution 731, which condemned the bombings and urged Libya to fully and effectively respond to requests that the United States, the United Kingdom, and France had made upon it in connection with the investigation, apprehension, and prosecution of those responsible for the bombings. On March 31, 1992, after concluding that Libya had not made satisfactory responses to such requests, the UNSC adopted Resolution 748, which imposed mandatory sanctions on Libya, effective April 15, 1992, until such time as the Security Council determined that Libya had complied with the requests made by the United States, the United Kingdom, and France, and renounced terrorism. Resolution 748 requires U.N. member states to prohibit, by their nationals or from their territory, *inter alia* the supply of any aircraft or aircraft components to Libya or the provision of engineering and maintenance servicing of Libyan aircraft. Resolution 748 also requires member states to prohibit, by their nationals or from their territory, the provision of arms and related material of all types, including the sale or transfer of weapons and ammunition, military vehicles and equipment, paramilitary police equipment and spare parts for such equipment. Finally, Resolution 748 requires member states to deny any flight in their airspace, or landing or taking off in their territory, by aircraft which are flying to or from Libya, to prevent operation of Libyan Arab Airlines and to reduce significantly Libyan diplomatic representation abroad.

Continued Libyan non-compliance with UNSC demands resulted in the adoption by the UNSC of Resolution 883 on November 11, 1993, which imposed additional sanctions, including a limited assets freeze, and provisions closing certain gaps in the civil aviation sanctions which had been put into place by Resolution 748. The Resolution required States to freeze any funds or financial resources owned or controlled by the Government of Libya or a Libyan undertaking and ensure that such funds, or any other funds or financial resources, are not made available to the Government of Libya or any Libyan undertaking. Also, the Resolution required member states to prohibit the provision to Libya, by their nationals or from their territory of materials destined for the construction, improvement or maintenance of Libyan civilian or military airfields and associated facilities and equipment, of any engineering or other services or components destined for the maintenance of any Libyan civil or military airfields, with certain exceptions, and of certain oil terminal and refining equipment, as listed in the Addendum to this chapter. Furthermore, Resolution 883 required that States immediately close all Libyan Arab Airlines offices, and prohibit any commercial transactions with Libyan Arab Airlines, and prohibit, by their nationals or from their territory, the entering into or renewal of arrangements for the making available for operation within Libya of any aircraft or aircraft components.

Libya is one of the countries designated by the Secretary of State as a repeated supporter of acts of international terrorism.

The Department of Commerce has maintained foreign policy controls on exports and reexports to Libya since the 1970s. While the control on exports to Libya under the Export

Administration Regulations (EAR) remain in effect, the Department has determined, in order to avoid duplicate licensing requirements, that licenses issued by the Treasury Department for direct exports and transshipments to Libya constitute authorization under the EAR. However, exports or reexports to Libya not covered by the Treasury regulations continue to require Commerce authorization. Requests for such authorization are reviewed under the policies set forth in sections A through E below.

In December 1993, the President instructed the Commerce Department to reinforce the trade embargo on the reexport to Libya of United States-origin items. The Commerce Department thereupon tightened licensing policy on the reexport of items covered by United Nations Security Council Resolutions 748 and 883.

A. Reexport authorization is required for foreign policy purposes for export from third countries to Libya of all United States-origin goods or technical data, except for:

1. Medicine and medical supplies;
2. Food and agricultural commodities;
3. Items permitted under certain special purpose general licenses; and
4. The foreign non-strategic products of United States-origin technical data; or
5. The foreign strategic products of United States-origin technical data exported from the United States before March 12, 1982.

B. Applications for reexport authorization will generally be denied for:

1. Off-highway wheel tractors of carriage capacity of 10 tons or more, except for exports of such tractors in reasonable quantities for civil use, to the extent consistent with U.N. Resolution 883;
2. aircraft (including helicopters), and specified parts and accessories;
3. other commodities and related technical data controlled for national security purposes, including controlled foreign-produced products of United States technical data exported from the United States after March 12, 1982, and oil and gas equipment and related technical data not readily available from non-United States sources;
4. goods and technical data destined for the Ras Lanuf Petrochemical Processing Complex, except for (a) exports or reexports pursuant to a contractual arrangement in effect prior to December 20, 1983; and (b) the reexport of goods or technology already outside the United States on December 20, 1983, which will be reviewed on a case by case basis; and

5. items subject to UNSC Resolution 748 of March 30, 1992 (effective April 5, 1992) and Resolution 883 of November 11, 1993 (effective December 1, 1993).

C. Exceptions are considered on a case-by-case basis for:

1. reexports of commodities or technical data involving a contract in effect prior to March 12, 1982, where failure to obtain an authorization would not excuse performance of the contract;

2. the reexport of goods or technology subject to national security controls already outside the United States on March 12, 1982, or the export of foreign products incorporating such items as components; or

3. the use of United States-origin components incorporated in foreign origin equipment and constituting 20 percent or less by value of that equipment.

D. All other reexports will generally be approved, subject to any other licensing policies applicable to a particular transaction and subject to U.N. Resolutions.

Part Two: Analysis Of Control As Required By Section 6(f) Of The Act

A. The Purpose of the Control

The purpose of export and reexport controls toward Libya is to demonstrate United States opposition to, and to distance the United States from, that nation's support for acts of international terrorism, international subversive activities, and intervention in the affairs of neighboring states. They also reinforce implementation of United Nations Security Council resolutions.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving Intended Foreign Policy Purpose. The controls deny to Libya United States-origin national security-controlled items, oil and gas equipment unavailable from outside sources, and items for the Ras Lanuf Petrochemical complex. The controls restrict Libyan capability to use United States-origin aircraft, aircraft components and accessories, and off-highway tractors in military ventures, especially in their efforts to destabilize nations friendly to the United States. Most recently, reexport prohibitions were reinforced for certain oil terminal and refining equipment, plus items used to service or maintain Libyan aircraft and airfields. The combined effect of these controls has been to prevent a United States contribution to Libya's ability to engage in activities detrimental to United States foreign policy. Further, they have sent a clear signal that the United States is unwilling to permit trade in light of Libya's behavior.

2. Compatibility with Foreign Policy Objectives. Because these controls are intended to prevent a United States contribution to Libyan economic activities, and force Libya to abide by

international law and thereby diminish Libya's ability to undermine regional stability, along with its support for international terrorism, they are consistent with United States foreign policy goals and with policies on sales to Libya.

3. Reaction of Other Countries. As indicated by the adoption of United Nations Security Council Resolutions 731, 748 and 883, there is a general understanding by other countries of the threat posed by Libya's policies of subversion, terrorism, and military aggression. When the bulk of U.S. controls were imposed in 1986, we explained our policies to other governments and urged them to adopt comparable policies. There was some favorable response, but no country has matched the extent of United States controls. The EU and the seven major industrialized countries in 1986 approved unanimous steps against Libya including restrictions on Libyan officials in Europe and a ban on new arms sales. There has generally been good implementation by the international community of the sanctions imposed by the U.N. Security Council. We monitor all trade with Libya closely and bring any noncompliance with the most recent U.N. action swiftly to the attention of appropriate foreign authorities.

4. Economic Impact on United States Industry. In FY 1996 Commerce issued one re-export authorization for commodities valued at \$19,692. Commerce denied applications for 14 re-export authorizations for commodities valued at \$8 million. Five other re-export applications worth \$11.1 million were returned without action. U.S.-origin products comprised a minute percentage of Libyan imports. The U.S. Census Bureau reports that total U.S. exports to Libya in 1995 amounted to approximately \$241,000, down from as much as \$310.2 million in 1985.

U.S. exports to Libya have declined steadily since 1975, when strong sanctions were first imposed. Since then export authorizations have for the most part been issued only for shipments required to fulfill pre-1982 contractual obligations. Annual U.S. exports and re-exports to Libya fell from \$860 million in 1979 to less than \$1 million annually from 1987 through 1994.

The Libyan economy depends primarily upon revenues from the oil sector, which contributes practically all export earnings and about one-third of GDP. (Source: The World Factbook 1995.) Windfall revenues from the rise in world oil prices in late 1990 improved Libya's foreign payments position and resulted in a current account surplus. The non-oil manufacturing and construction sectors, which account for about 20 percent of GDP, have expanded from processing mostly agricultural products to include petrochemicals, iron, steel, and aluminum. Although agriculture accounts for only five percent of GDP, it employs about 20 percent of the labor force. Climatic conditions and poor soils severely limit farm output, and Libya imports about 75 percent of its food requirements.

UN sanctions imposed in April 1992 have not yet had a major impact on the economy because Libya's oil revenues generate sufficient foreign exchange that, along with Libya's large currency reserves, sustain food and consumer goods imports as well as equipment for the oil industry and ongoing development projects. In 1994, Libyan imports totaled \$6.9 billion (f.o.b., estimated), compared to exports of \$7.2 billion (f.o.b., estimated). The sanctions have, however, made an effect in painting Libya as a rogue nation.

Libya's leading trading partners in 1995 were Italy and Germany, which were Libya's largest suppliers of imported goods as well as Libya's leading export markets. Nearly all of Libya's exports to these two countries are in crude oil. Germany and Italy in turn have invested heavily in Libyan oil production, and German firms plan major new investment. Germany's exports to Libya consist mainly of machinery (30 percent of total export value) and agricultural-related goods (19 percent). The remainder are largely vehicles, electrical/electronic equipment, metal stock, and chemical processing equipment. Italy primarily exports refined petroleum products, cereal products, and animal feed.

Libya's principal imports, in dollar value, from all major industrialized nations include: cereals and cereal products (France, Canada), iron and steel (Japan, France, Italy), road vehicles (Germany, Japan), general industrial machinery and equipment (Germany, U.K.), specialized machinery (Germany, Italy), power generating machinery (Germany), chemical materials and products (U.K.), and animal feed (Italy).

Table 1. Libyan Imports from Selected Countries, 1990-95 (million U.S. \$)

Country	1990	1991	1992	1993	1994	1995**
Leading Industrialized Nations						
Canada	45.43	49.60	66.85	69.70	48.61	n.a.
France	378.18	334.01	322.28	362.26	255.70	214
Germany*	751.18	691.43	609.22	761.85	638.48	466
Italy	1,060.54	1,363.76	1,074.23	1,189.30	n.a.	719
Japan	137.05	138.53	140.15	152.06	n.a.	n.a.
U.K.	438.22	451.47	400.72	411.42	295.44	n.a.
U.S.	n.a.	1.2	1.2	1.1	2.5	n.a.
Other Nations						
Belgium/Luxemburg	148.25	153.05	96.58	151.68	n.a.	n.a.
China	n.a.	n.a.	86.62	45.24	29.51	23
Denmark	36.15	24.44	17.89	20.72	n.a.	n.a.
Greece	67.02	68.49	62.11	64.87	n.a.	n.a.
Ireland	49.19	17.62	18.52	30.31	n.a.	n.a.
Netherlands	228.07	188.37	171.36	236.60	n.a.	n.a.

Country	1990	1991	1992	1993	1994	1995**
Leading Industrialized Nations						
Portugal	18.19	1.05	4.16	2.53	n.a.	n.a.
Spain	65.63	68.41	38.87	76.51	118.80	n.a.

* 1990 figures are for West Germany.

** First three quarters of 1995 only.

Source: Figures for 1990 to 1994 are from United Nations Trade Statistics, as reported by exporting countries. 1995 figures were reported by the U.S. Embassy in Bonn.

So far, U.S. unilateral sanctions are believed, even by some of their critics, to have had only a modest effect on American business in terms of lost revenue. Unilateral sanctions, by various estimates, have deprived the U.S. economy of less than one-tenth of 1 percent of the nation's annual income in recent years.²⁶

In August 1996 the President signed into law the Iran and Libya Sanctions Act of 1996 in an effort to deny Iran and Libya the ability to support acts of international terrorism and develop weapons of mass destruction. The Act requires the President to impose certain congressionally-mandated economic sanctions against any U.S. or foreign persons investing \$40 million or more in Iran's or Libya's energy sector or violating certain United Nations Security Council resolutions against Libya. The sanctions apply only to new investments made after August 5, 1996 with the goal of "directly and significantly" contributing to Iran's or Libya's ability to develop their petroleum resources.

Most foreign governments believe that the Act unfairly inhibits free trade and access to markets. Some U.S. business groups, including the European-American Chamber of Commerce, have denounced the bill as antithetical to U.S. economic interests because of the danger of foreign government retaliation.²⁷

5. Enforcement of Control. It is not possible to monitor all trade with Libya in non-strategic items. However, it appears that, in light of the widespread perception of Libya as a supporter of international terrorism, along with U.N. sanctions, there is substantial voluntary compliance on the part of subsidiaries of U.S. multinational companies. The controls on aircraft traditionally have posed enforcement problems because in reality they have resulted in a complete embargo of all reexports of aircraft parts, components and avionics, including the servicing of U.S.-origin aircraft, or foreign-manufactured aircraft with any U.S. content. The 1992 and 1993 U.N. Security Council Resolutions, which imposed an international embargo on civil aviation items to Libya, assisted the United States in its efforts to maintain these controls. The reexport controls on aircraft parts to Libya require significant enforcement and diplomatic resources. Commerce will continue to aggressively enforce all controls concerning Libya.

C. Consultation with Industry

Commerce received no comments on Libya from the request for public comments. However, past industry comments indicated that the controls had minimal impact on the Libyan oil and petrochemical industry, while trade between the United States and Libya had been virtually eliminated. The most recent U.N. action calls on all parties to prohibit sales of certain oil-related equipment.

D. Consultation with Other Countries

Extensive consultation with other nations has taken place under U.N. auspices. The United States Government also intends to continue consulting friendly governments in order to achieve full compliance with U.N. sanctions.

E. Alternative Means

These controls complement diplomatic measures that have been, and will continue to be used to influence Libyan behavior. In January 1986, the United States Government established a comprehensive trade embargo against Libya which remains in force. All direct trade with Libya is prohibited and certain Libyan Government-owned or -controlled assets subject to U.S. jurisdiction--estimated at \$1 billion--are frozen by the Department of Treasury.

F. Foreign Availability

The foreign availability provision does not apply to items determined by the Secretary of State to require control under Section 6(j) of the Act.²⁸ Cognizant of the value of such controls in emphasizing the United States position toward countries supporting international terrorism, Congress specifically excluded them from foreign availability assessments otherwise required by the Act. The foreign availability of items controlled under Section 6(a) has been considered by the Department. In general, numerous foreign sources of commodities similar to those subject to these controls are known, especially for items controlled by the United States.

ADDENDUM

Reexports to Libya

Effective December 1, 1993

A. Oil Terminal and Refining Equipment

1. Pumps of medium or large capacity whose capacity is equal to or larger than 350 cubic meters per hour and drivers (gas turbines and electric motors) designed for use in the transportation of crude oil and natural gas.
2. Equipment designed for use in crude oil export terminals, as follows:
 - o Loading buoys or single point moorings;
 - o Flexible hoses for connection between underwater manifolds (plem) and single point mooring and floating loading hoses of large sizes (from 12-16 inches);
 - o Anchor chains.
3. Equipment not specially designed for use in crude oil export terminals, but which because of its large capacity can be used for this purpose, as follows:
 - o Loading pumps of large capacity (greater than 4000 m³/h) and small head (10 bars);
 - o Boosting pumps within the same range of flow rates;
 - o In line pipeline inspection tools and cleaning devices (i.e. pigging tools) (16 inches and above);
 - o Metering equipment of large capacity (1000 m³/h and above).
4. Refinery equipment, as follows:
 - o Boilers meeting American Society of Mechanical Engineers 1 standards;
 - o Furnaces meeting American Society of Mechanical Engineers 8 standards;
 - o Fractation columns meeting American Society of Mechanical Engineers 8 standards;
 - o Pumps meeting American Petroleum Institute 610 standards;
 - o Catalytic reactors meeting American Society of Mechanical Engineers 8 standards; and
 - o Prepared catalysts including catalysts containing platinum and catalysts containing molybdenum.
5. Spare parts for any item above.

B. Items Used to Service or Maintain Aircraft and Airfields

1. Any aircraft or aircraft components.

2. Engineering or maintenance servicing of any aircraft or aircraft components.
3. Any materials destined for the construction, improvement or maintenance of Libyan civilian or military airfields and associated facilities and equipment. **Note:** Emergency equipment and equipment and services directly related to civilian air traffic control are exempt from this control and reexport applications for such will continue to be reviewed on a case-by-case basis.
4. Any engineering or other services or components destined for the maintenance of any Libyan civil or military airfields and associated facilities and equipment. Note: Emergency equipment and equipment and services directly related to civilian air traffic control are exempt from this control and reexport applications for such will continue to be reviewed on a case-by-case basis.
5. Any advice, assistance or training to Libyan pilots, flight engineers, or aircraft and ground maintenance personnel associated with the operation of aircraft and airfields within Libya.

7. Chemical Precursors and Associated Equipment and Technical Data [Sections 742.2, 744.4 and 744.6(778A.8 and 778A.9)]

Export Control Program Description And Licensing Policy

The United States has continued efforts to curb proliferation of chemical weapons by maintaining national controls and by promoting multilateral harmonization of export controls through the Australia Group (AG). The AG is an informal forum of 30 nations (South Korea joined in 1996), cooperating to prevent and impede chemical and biological weapons proliferation through information exchange, harmonized export controls, and other diplomatic means. The European Union also is represented at the AG's annual plenary meeting. (See table in Appendix II for complete list of members.)

On October 19, 1995, Commerce issued the final rule to implement the AG's three-tiered approach to controlling exports of chemical mixtures containing an AG-controlled chemical weapon (CW) precursor. This regulation: 1) provided relief to the chemical industry from the previous requirement to apply for licenses for the de minimum threshold concentration on a solvent-free basis, and 2) streamlined controls and reporting requirements on sample chemical shipments.

At the October 1996 AG plenary session, the members discussed the chemical mixtures rule which uses a solvent free basis to compute the percentage of CW precursor and agreed to meet intersessionally to review member country proposals to modify the solvents rule. The session also covered many other topics, including 1) the AG's role once the Chemical Weapons Convention (see next paragraph) enters into force, 2) the "no undercut" policy and "catch-all" controls, 3) AG membership, and 4) biological controls and the Biological Weapons Convention Review Conference (see Part 8 of this report).

The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction, known as the Chemical Weapons Convention, (CWC) was signed by the United States on January 13, 1993. Since the required 65 countries have ratified the CWC by the end of October 1996, it will enter into force on April 29, 1997.

The Convention was scheduled for a Senate vote on providing its advice and consent to ratification on September 14, 1996, but was withdrawn from consideration on September 12, 1996. The President considers ratification of the CWC as a high priority objective and wants the United States to be a State Party when it enters into force. Accordingly, the Administration encourages the Senate to schedule a ratification vote as early as possible in 1997 in order to continue U.S. leadership in the CW non-proliferation arena.

The CWC will ban the development, production, stockpiling, and retention of chemical weapons (CW) and will support the economic viability of the U.S. chemical industry. The CWC will also prohibit the direct or indirect transfer of CW. The CWC trade restriction provisions are compatible with existing AG-related export licensing regulations. The CWC will provide another tool for stemming the proliferation of chemical weapons.

In 1995 and 1996, the Department has made significant progress in planning for the implementation of the CWC. In April, 1995, the Department field-tested draft CWC data declarations with nine chemical companies. This exercise provided an opportunity for the chemical industry to critique the draft instructions, the format, and the forms, and to develop a time estimate for completing the declarations. In general, the companies commented favorably on the clarity and user-friendliness of the forms and suggested minor modifications to further enhance their utility. During this period, the Department has worked closely with chemical industry associations, including the Chemical Manufacturers Association and the Synthetic Organic Chemical Manufacturers Association, on CWC industry-related issues.

The licensing requirements for chemical precursors and associated equipment and technical data are as follows:

A. A license is required for the export to most destinations²⁹ of 54 dual-use chemicals and related technical data identified as chemical weapons precursors by the AG. (Chemical warfare agents deemed to have direct military application are controlled by the State Department under the International Traffic in Arms Regulations.)

A license is required for the export to specified destinations of certain equipment and related technical data that can be used in the production of chemical weapon precursors or chemical warfare agents. These destinations are: Bulgaria, People's Republic of China, Cuba, Middle East,³⁰ Mongolia, Myanmar (Burma), North Korea, Southwest Asia,³¹ the geographical area formerly known as the Soviet Union³², Taiwan and Vietnam.

A license is also required for the export of any commodity, software, or technical data, when the exporter knows that it will be used in the design, development, production, stockpiling,

or use of chemical weapons in or by one of the above- listed countries. In addition, the Department may inform the exporter that a validated license is required because there is an unacceptable risk of use in, or diversion to, a CBW project anywhere in the world.

A license is required for the export to most destinations (see endnote 1) of technical data for facilities designed or intended to produce any of the controlled chemicals.

Licensing restrictions apply to certain forms of "knowing" participation and support by United States persons, including foreign branches of United States companies, in chemical weapons activities in the countries of concern specified in the regulations. The restrictions apply to the export, reexport or transfer of any item, including foreign origin items, by a United States person where the person knows the item will be used in the design, development, production, stockpiling, or use of chemical weapons in such countries. Support activities requiring a license include financing, freight forwarding, transportation, and other comparable assistance by which a person facilitates an export, reexport or transfer. In addition, no United States person may perform any contract, service, or employment knowing it will assist in chemical weapons activities in a country of concern. There also are limits on a United States person's participation in the design, construction, or export of whole chemical plants.

B. Applications for export licenses will be considered on a case-by-case basis to determine whether the export would make a material contribution to the design, development, production, stockpiling, or use of chemical weapons. When an export is deemed to make such a contribution, the application will be denied.³³

Analysis of Control as Required by Section 6(f) of The Act

A. The Purpose of the Control

The purpose of these controls is to prevent U.S. contribution to, and to support multilaterally coordinated efforts to control the proliferation and use of chemical weapons. Exports from the United States are denied when there is a significant risk that they will be used for chemical weapon purposes.

These controls implement some of the measures specified in Executive Order 12735 of November 16, 1990, and its successor, Executive Order 12938 of November 14, 1994, and the Enhanced Proliferation Control Initiative (EPCI) announced by then President Bush on December 13, 1990. The Administration fully supports all of these EPCI measures.

These controls advance U.S. implementation of multilateral export control commitments made by members of the AG to further nonproliferation objectives. They also advance the goals of the 1925 Geneva Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or other Gases, and of Bacteriological Methods of Warfare, under which Parties are prohibited from using chemical and biological weapons in warfare, and are fully compatible with the object and

purpose of the CWC. These multilateral export controls on items particularly useful in the productions of chemical weapons help limit the destabilizing spread of chemical weapons.

B. Considerations and/or Determinations of the Secretary of Commerce

1. Probability of Achieving the Intended Foreign Policy Purpose. The 54 chemicals and the equipment and technical data covered by these controls have many commercial uses and are widely available from foreign sources. Many of the major sources of these items are in industrialized countries that are members of the AG. While it is not expected that export controls alone can prevent the proliferation of chemical weapons, these controls strengthen United States efforts to stem the spread of such weapons. Accordingly, the Secretary has determined that these controls are likely to achieve the intended foreign policy purpose.

2. Compatibility with Foreign Policy Objectives. In extending these controls, the Secretary has determined that the controls are compatible with the foreign policy objectives of the United States. The United States has a strong interest in remaining in the forefront of international efforts to stem the proliferation of chemical weapons and has made multilateral commitments to do so. These controls are compatible with United States' goals of preventing American contribution to the spread of chemical weapons and reducing the ability of countries of concern to obtain the means for coercive destabilization. They are also compatible with U.S. multilateral and bilateral non-proliferation cooperation and obligations that the United States expects to undertake under the CWC, upon ratification by the U.S. Senate.

3. Reaction of Other Countries. The Secretary has determined that the reaction of other countries to these controls by the United States is not likely to render the controls ineffective in achieving the intended foreign policy purpose or to be counterproductive to United States foreign policy interests. In 1996, the United States continued to consult with the AG and other nations on the growing problem of chemical weapons proliferation and terrorism. The AG continues to urge all countries to take necessary steps to ensure that they are not contributing to the spread of chemical weapons.

In October 1996, South Korea's application for membership to the AG was accepted. The AG will continue to consider potential new members, as well as continue its outreach effort to nonmembers. We encourage all countries to implement an effective export control system which includes covering the items on the AG control lists, as well as forgoing any CW activities or programs. Because the AG's membership consists of the major chemical producers and traders in the world and because it has a "no undercut policy," which commits the other AG members to honor another member's denial, other member countries' actions will not undermine U.S. foreign policy or commercial interests.

4. Economic Impact on United States Industry. The Secretary has determined that the potential impact of these export controls on the United States' economic position is minimal as borne out by our export licensing statistics. In FY 1996, 616 license applications were approved for export and reexport of controlled chemical precursors with a value of \$265 million. Only one

of these applications was denied for \$222. For chemical production equipment, 85 export license applications were approved valued at \$13.3 million, while only two export license applications were denied with a value of \$5,300.

These statistics also demonstrate that AG export controls do not undermine the legitimate economic or technological development of any country. Rather they are consistent with Article I of the CWC which prohibits assistance of any type to any country's CW program.

5. Enforcement of Control. Chemical controls pose problems for Commerce enforcement personnel because of the vast size, dispersion, diversity, and specialized nature of the dual-use chemical industry. In addition, enforcement officers can be exposed to personal safety risks when seizing and inspecting chemical materials.

To meet the challenge of effective enforcement of these controls, Commerce has redirected resources toward preventive enforcement, with particular attention to Shipper's Export Declarations to ensure that the products labeled "No License Required" (NLR) are in fact eligible for unlicensed shipment. Also, Commerce conducts an extensive on-going outreach program to educate companies about export controls, and to heighten their awareness of "red flags" that may indicate potentially risky transactions. This program is an important component of Commerce's efforts to prevent companies from illegally exporting dual-use products which can be used to make chemical weapons.

C. Consultation with Industry

The Department has sought the views of a broad cross-section of industry by consulting with various advisory committees, trade associations and individual firms. (For industry consultations regarding the CWC see Section E, "Alternative Means".)

D. Consultation with Other Countries

These U.S. controls are consistent with the multilateral export control criteria of the 30 member-nation AG, which includes many of the world's major chemical producers and traders. A number of non-AG countries -- including Bulgaria, Russia, and Ukraine -- have taken steps to adopt AG-type controls. The U.S. has actively encouraged non-AG participants to adopt AG controls. The United States continues to encourage harmonization of export control provisions among AG participants to ensure a level playing field for U.S. exporters.

E. Alternative Means

Alternative means to curtail chemical weapons proliferation, such as diplomatic approaches, do not obviate the need for these controls. Diplomatic means alone are not likely to prevent attempts by countries intent on acquiring chemical weapons or to obtain materials for the production of chemical weapons. Some of the additional means that have been and will continue to be used in an attempt to curb the illegal use and spread of chemical weapons are:

bilateral diplomatic approaches to countries that are seeking to acquire chemical weapons or are furnishing materials and assistance for chemical weapons production;

multilateral cooperation with countries concerned about the use and proliferation of chemical weapons;

U.S. legislation - The Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (Title III, Pub. L. 102-182) provides for the imposition of sanctions on foreign entities and countries for certain kinds of chemical and biological weapons related activity. Sanctions have been imposed on certain entities for chemical weapons-related activities; and

public statements by United States officials condemning the use of chemical weapons and drawing attention to the dangers of increased chemical warfare capabilities.

F. Foreign Availability

Past reviews conducted by Commerce revealed that there was availability from non-AG countries for a wide range of AG chemical precursors and production equipment. Some producing countries have export controls on certain AG-controlled items. Non-AG suppliers of precursors and/or related production equipment include Brazil, Chile, Colombia, India, Mexico, PRC, South Africa, former Soviet Union, Taiwan, Thailand, and Turkey. However, most of these countries have signed the CWC and will take steps to prevent CW proliferation under this treaty.

8. Biological Agents and Associated Equipment and Technical Data [Sections 742.2, 744.4 and 744.6(778A.8 and 778A.9)]

Export Control Program Description And Licensing Policy

The Convention on the Prohibition on the Development Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (BWC), which entered into force in 1975, is an international arms control agreement among 139 nations that bans the development, production, stockpiling, acquisition, or retention of biological agents or toxins that have no justification for prophylactic, protective or other peaceful purposes. However, unlike other arms control agreements, the BWC did not include a regime to monitor the compliance of participating state parties. It was not until the threatened use of Biological Weapons (BW) by Iraq on U.S. and Allied troops during the Gulf War that a number of countries begin to consider the need for additional BWC measures to help detect and discourage the use of BW.

In September 1994 a BWC Special Conference established an international Ad Hoc Group with the mandate to develop a legally binding instrument to strengthen the effectiveness of the BWC. Over the past two years this group has held six meetings to define elements that could be used to strengthen the BWC. Elements under consideration included, but were not limited to,

mandatory data declarations, on-site inspections, enhanced information exchange, and a permanent BWC international oversight organization.

Throughout the year Commerce worked closely with various industry associations, including the Pharmaceutical Manufacturers Association (PhRMA), the Biotechnology Industry Organization, and the Animal Health Institute on issues being discussed at the BWC Ad Hoc Group. Commerce organized and participated in numerous meetings with industry and in mock inspection exercises.

On March 25, 1996, based on the decisions of the Australia Group, Commerce updated the Biological Control List for the first time in three years. These changes included:

- implementing new nomenclatures for several pathogens,
- modifying the wording and clarification of terms for biological items,
- liberalizing BW export controls on immunotoxins,
- revising technical parameters for fermenters, cross-flow filtration equipment, and chambers.

Commerce also participated in the interagency Culture Collection Committee. The Antiterrorism and Effective Death Penalty Act of 1996 required the Administration to take certain steps to better address the potential threats of biological terrorism. The Center for Disease Control within the U.S. Department of Health and Human Services led the interagency group to develop plans that would ensure that public safety is protected without encumbering legitimate scientific and medical research in the United States. On June 10, 1996, the Committee published in the Federal Register a proposed rule which places additional shipping and handling requirements on facilities involved in interstate commerce that transfer or receive selected agents capable of causing substantial harm to human health. It designed the rule to: 1) collect and provide information on biological facilities where agents are transferred, 2) track the domestic transfer of these specific agents, and 3) establish a process for alerting appropriate authorities if an unauthorized attempt is made to acquire these agents.

Finally, Commerce restructured the Materials Technical Advisory Committee to include a biotechnology subgroup to provide the technical input needed to understand the potential impact of proposed measures on industry.

The licensing requirements for biological agents and associated equipment and technical data are derived from the AG and are as follows:

A. A license is required for the export to all destinations, except Canada, of biological agents and related technical data consisting of viruses, viroids, bacteria, toxins, fungi, protozoa, and genetically modified forms that could be used in the production of biological weapons.³⁴

A license is required for the export to specified countries of certain dual use equipment and related technical data that can be used in the production of biological weapons. The countries

to which this requirement applies are: Bulgaria, People's Republic of China, Cuba, Middle East,³⁵ Myanmar (Burma), North Korea, Southwest Asia,³⁶ the geographical area known formerly as the Soviet Union,³⁷ Taiwan, Mongolia, and Vietnam.

A license is also required for the export of any commodity, software, or technical data, when the exporter knows that it will be used in the design, development, production, stockpiling, or use of biological weapons in or by one of the above-listed countries. In addition, the Commerce Department may inform the exporter that a validated license is required because there is an unacceptable risk of use in, or diversion to a CBW project, anywhere in the world.

Licensing restrictions apply to certain forms of "knowing" participation and support by U.S. persons, including foreign branches of U.S. companies, in biological weapons activities in the countries of concern specified in the regulations. The restrictions apply to the export, reexport or transfer of any item, including foreign origin items, by a U.S. person where the person knows the item will be used in the design, development, production, stockpiling, or use of biological weapons in such countries. Support activities requiring a license include financing, freight forwarding, transportation and other comparable assistance by which a person facilitates an export, reexport or transfer. In addition, no U.S. person may perform any contract, service or employment knowing it will assist in biological weapons activities in these countries.

B. Applications for licenses will be considered on a case-by-case basis to determine whether the export would make a material contribution to the design, development, production, stockpiling, or use of biological weapons. When an export is deemed to make such a contribution, the application will be denied.³⁸

Analysis of Control as Required by Section 6(f) of The Act

A. The Purpose of the Control

The purpose of these controls is to support multilaterally coordinated efforts to control the proliferation and illegal use of biological weapons. They also provide regulatory authority to control exports from the United States when there is a significant risk that they will be used for that purpose. The controls implement some of the measures directed in Executive Order 12735 of November 16, 1990 and its successor, Executive Order 12938 of November 14, 1994 and the Enhanced Proliferation Control Initiative of December 13, 1990.

Thirty nations cooperate in the Australia Group (AG) to further BW non-proliferation objectives. (See table in Appendix for complete list of members.) While initially organized to address the threat of chemical weapons, the AG later expanded its cooperation into the biological area. Therefore, these controls are consistent with the international standards adopted by the AG. These controls help implement the United States obligation under the BWC not to assist in any way the acquisition of biological agents or toxins covered by the BWC. They also advance the goals of the 1925 Geneva Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous, or other Gases, and of Bacteriological Methods of Warfare under which States Parties

are prohibited from using chemical and biological weapons in warfare. U.S. export controls, along with those of other suppliers, help limit the destabilizing spread of biological weapons.

B. Considerations and/or Determinations of the Secretary of Commerce

1. Probability of Achieving the Intended Foreign Policy Purpose. The Secretary has determined that the control is likely to achieve the intended foreign policy purpose in light of other factors including availability from other sources of these biological materials and related equipment and technical data. The United States continues to address the problem of biological weapons proliferation through a variety of international fora, and urges other AG members to pursue export control cooperation with non-members on a bilateral or regional basis.

While the controlled materials are widely available from other countries, the continuation of these controls reaffirms U.S. opposition to the development, proliferation and use of biological weapons and serves to distance the United States from such activities.

2. Compatibility with Foreign Policy Objectives. In extending these controls, the Secretary has determined that the controls are compatible with the foreign policy objectives of the United States. The United States has a strong interest in remaining in the forefront of international efforts to stem the proliferation of biological weapons. The United States has binding obligations not to assist in any way the acquisition of biological weapons under the BWC, and has made multilateral commitments to control exports in connection with the AG. These controls are compatible with the multilateral export controls for biological materials agreed to in the AG. They are also compatible with multilateral efforts to strengthen the BWC to deter non-compliance and to reinforce the global commitment against the proliferation of biological weapons.

3. Reaction of Other Countries. The United States regularly engages in consultation with other countries regarding use of export controls to halt the proliferation of biological weapons. In addition the AG urges all countries to adopt export controls on microorganisms, equipment and technical data related to the production of biological weapons.

4. Economic Impact on U.S. Industry. The Secretary has determined that the potential impact of these export controls on the U.S. economic position is minimal as borne out by our export licensing statistics.

In FY 1996, the Department approved 242 export license applications for biological agents valued at \$24.7 million. Two export applications valued over \$740 were denied. For the categories of equipment and materials related to production of controlled biological agents, 1 export application was approved totaling \$680 thousand dollars. No license application was denied.

These statistics also demonstrate that AG export controls do not undermine the legitimate economic or technological development of any country. Rather they are consistent with the spirit of Article III of the BWC which prohibits assistance to any country's BW program.

5. Enforcement of Control. Enforcing controls on biological weapons materials poses problems similar to the enforcement of chemical controls, but with additional difficulties. Biological materials are microscopic organisms that require technical expertise and specialized facilities to identify and to handle. Because of their size, they can be concealed and transported with ease. Enforcing controls on biological agents and associated equipment, brings enforcement personnel in contact with industries, manufacturers and exporters with whom they have had little prior contact, until recently.

To meet the challenge of effective enforcement of these proliferation controls, Commerce has redirected resources toward preventive enforcement, and conducts an extensive on-going outreach program to educate appropriate industries about export controls. The program is also designed to increase the industry's awareness of suspicious orders for products or equipment that could be used for biological weapons proliferation. A significant number of investigations have been opened into allegations of illegal activity related to these concerns. In cases when unlicensed shipments of biological materials have already taken place, Commerce has found that investigations and prosecutions can be successfully conducted on the basis of routine documentation, as in other export control enforcement cases.

C. Consultation with Industry

Commerce consulted the government/industry members of its Regulations and Procedures Technical Advisory Committee in the development of the March 25, 1996 interim rule amending the regulations to implement the biological changes agreed to by the AG. During FY 1996, BXA reestablished the charter of the Biological Technical Advisory Committee (BIOTAC) and incorporated it into the Materials Advisory Technical Committee (MATAC). BXA took this action because of the need to address issues relating to the Biological Weapons Convention (BWC) and BW agents. This re-formatted industry advisory group is playing an important role in the development and implementation of BXA's BW export control responsibilities as well as in its efforts to develop a legally binding protocol to strengthen the BWC.

D. Consultation with Other Countries

The United States coordinates its controls on biological items with 29 other countries in the AG. On October 14-17, 1996, experts at the AG Implementation/Enforcement Meeting discussed implementation of last year's agreed biological changes and any other control techniques which could be adopted to the AG's BW list. A BXA representative presented an overview of the measures that the U.S. has recently used to help address the threats of BW terrorism, i.e., the recently proposed regulation on the domestic transfer of select biological agents.

The U.S. continues to urge key non-AG countries to adopt AG biological controls. We have been working closely with Bulgaria, Russia and Ukraine to set up an export control system, including an enforcement mechanism, that will include AG-listed biological items.

E. Alternative Means

The United States continues to address the problem of the proliferation of biological weapons on a number of fronts. Direct negotiations with countries intent on acquiring biological weapons are not likely to prevent the use of U.S.-origin materials in such activities. Neither are such negotiations likely to affect the behavior of these countries.

Alternative means to curtail the acquisition and development of biological warfare capabilities, such as diplomatic negotiations, do not obviate the need for controls. Some of the following are examples of additional means that have been and will continue to be used in an attempt to curb the use and spread of biological weapons:

U.S. Legislation - The Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (Title III, Pub. L.102-182) provides for the imposition of sanctions on foreign persons and countries for certain kinds of chemical and biological weapons related activity. To date, no sanctions have been imposed for biological weapons related activities.

Trilateral US/UK/Russian Statement - In September 1992, the US, UK and Russia confirmed their commitment to full compliance with the Biological Weapons Convention and agreed to a number of steps including data exchanges and visits to biological sites, and further consultations to enhance cooperation and confidence.

Biological Weapons Convention - The BWC Special Conference held September 19-30, 1994, produced a mandate to develop a legally binding instrument to strengthen the effectiveness and improve the implementation of the BWC. The BWC Ad Hoc Group continues to work on developing these instruments.

F. Foreign Availability

Past reviews conducted by BXA identified the availability of AG-controlled viruses and bacteria in the non-AG countries of Brazil, Bulgaria, India, Indonesia, Iran, Jordan, Mexico, PRC, Senegal, Singapore, Taiwan, and Thailand and related AG-controlled equipment items available in Brazil, Bulgaria, Hong Kong, India, Israel, Malaysia, Pakistan, PRC, Russia, Saudi Arabia, Singapore, South Africa, Taiwan and Ukraine. (Most of this equipment has application in the food processing and pharmaceutical industries.) Many of the countries listed above are parties to the BWC and Commerce is working with other U.S. agencies as part of ongoing international efforts to strengthen the effectiveness of this convention.

9. Missile Technology [Sections 742.5 and 744(778A.7 and 778A.9)]

Export Control Program Description And Licensing Policy

On April 16, 1987, the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom formed the Missile Technology Control Regime (MTCR) to coordinate their national export controls on certain goods and technologies in order to limit the proliferation of missiles and related technology. Spain joined the MTCR in 1989, with Belgium, the Netherlands, Luxembourg, Denmark, Australia and New Zealand becoming members in 1990. In 1991, Austria, Finland, Norway and Sweden were admitted and Greece, Ireland, Portugal, and Switzerland joined in 1992. In March 1993, Iceland joined the MTCR, and in November the MTCR expanded into Latin America and Eastern Europe for the first time, as Argentina and Hungary were admitted as new members.

In 1995 the MTCR added Brazil, Russia and South Africa as new members, which further expands the regime into Eurasia and Africa, and strengthens the global efforts to prevent missile proliferation. There were no new members added in 1996. However, several other countries, including Romania, Israel, the Czech Republic, and Ukraine have made public pronouncements regarding their unilateral adherence to the current MTCR Guidelines. In addition, China has committed to abide by the original 1987 MTCR Guidelines.

The MTCR is not treaty-based, but rather an understanding among Partners to implement a common set of export guidelines on a commonly agreed list of goods and technologies in accordance with each Partner's national laws and regulations. The MTCR Guidelines form the basis for controlling transfers of items that could contribute to unmanned delivery systems for weapons of mass destruction (WMD). The Guidelines describe general export licensing commitments, review criteria, standard assurances, and an appeal for all countries to unilaterally adhere to them. The original 1987 Guidelines restricted transfers of nuclear-capable missiles and related technology. However, in January 1993, the MTCR Partners extended the Guidelines to cover delivery systems for all types of WMD.

The MTCR Annex is a multilaterally agreed list of controlled equipment and technology needed for the development, production, and operation of missiles. The MTCR Annex is divided into two categories, with technology for the items controlled in the same manner as the hardware or materials:

- (1) Category I covers complete missile systems, as well as major subsystems; and
- (2) Category II covers munitions and dual use hardware, parts, components, production and test equipment, and materials, as well as Items 19 and 20 (described below).

The Annex defines a Category I missile system as one capable of delivering at least a 500 kilogram payload to a distance of at least 300 kilometers. Category I items carry a strong presumption of denial and are rarely licensed for export. Transfers of production facilities for Category I items are prohibited. Category II items are licensed only after a case-by-case review to insure that they are not intended for use in an MTCR class missile or a WMD delivery system. In 1993, Item 19 was added to Category II in the MTCR Annex to cover complete rocket systems and unmanned air vehicles not covered under Category I and capable of a range of 300

kilometers. Item 20 was added to Category II of the Annex to cover major subsystems for Item 19 missiles.

In 1991, the Enhanced Proliferation Control Initiative (EPCI) was instituted to control goods and technology (not on the MTCR Annex), as well as services, when the exporter "knows" the export will be used in the design, development, production, or stockpiling of missiles or Chemical/Biological Weapons (CBW), or "is informed" by the Commerce Department that there is an unacceptable risk of diversion to a missile or CBW project. A majority of the MTCR Partners have followed the U.S. lead and adopted EPCI-like controls to further combat missile proliferation. This was most evident in July 1995 when the 15 countries in the European Union included so called "catch-all" controls in their dual use export control regulations, and Japan followed with new regulations that went into effect on October 1, 1996.

The licensing requirements and policy for missile technology controls are described in Parts 742.5 and 744 of the Export Administration Regulations (EAR), and summarized as follows:

- A. A license is required for the export to all destinations (except Canada) of those dual-use items specifically identified on the Commerce Control List as controlled for missile technology reasons. These items are controlled on a multilateral basis by the MTCR. Munitions-related items are controlled and licensed through the Department of State.
- B. A license is required for any destination, including Canada, for any dual use export or reexport subject to the EAR, when the exporter knows that the item is either (1) destined for a missile project listed in the footnote to Country Group D:4 in the EAR, or (2) will be used in the design, development, production, or use of missiles in or by a country listed in Country Group D:4.
- C. The Department may inform the exporter that a license is required for any item because there is an unacceptable risk of use in, or diversion to such activities, anywhere in the world.
- D. EPCI licensing restrictions also apply to certain forms of "knowing" participation and support by U.S. persons, including foreign branches of U.S. companies, in missile activities in countries of concern specified in the regulations. The restrictions apply to the export, reexport or transfer of any item, including foreign origin items, by a U.S. person where the person knows the item will be used in the design, development, production, or use of missiles in or by such countries. Support activities requiring a license include financing, freight forwarding, transportation and other comparable assistance by which a person facilitates an export, reexport or transfer. In addition, no U.S. person may perform any contract, service or employment knowing it will assist in missile activities in a country of concern.
- E. Applications for export licenses will be considered on a case-by-case basis to determine whether the export would make a material contribution to the proliferation of missiles.

Analysis of Control as Required by Section 6(f) of The Act

A. The Purpose of the Control

The purpose of this control is to curtail the availability of goods and technology that could contribute to missile proliferation. Regulating exports of specific types of missile related equipment and technology, in coordination with other suppliers of these materials, helps limit the destabilizing spread of missile systems and related technology around the world. This control complements U.S. and international nuclear, chemical, and biological non-proliferation efforts by blocking development of unmanned delivery systems for weapons of mass destruction.

This control lends clear U.S. support to a collective effort with the other 27 member countries of the MTCR and underscores our resolve to address mounting international concern regarding missile proliferation. A multilateral arrangement to honor other members' denials of licenses and to support such denials through a "no undercut" commitment enhances global efforts to prevent missile proliferation and prevents unfair commercial advantage or disadvantage to members.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving the Intended Foreign Policy Purpose. Despite the foreign availability of some controlled items, cooperation between the United States, its MTCR Partners, and other like-minded countries, many of which are major producers of the items under control, has hindered the efforts of proliferators to successfully develop or acquire highly accurate missiles that are militarily effective. The Secretary has determined that the extended controls are likely to achieve the purpose of limiting the spread of missile delivery systems.
2. Compatibility with Foreign Policy Objectives. Halting the spread of missiles and related equipment and technology worldwide is a key U.S. national security goal. This control is consistent with, and contributes to, this important U.S. policy objective. Moreover, U.S. membership in the MTCR and rigorous application of the MTCR Guidelines and Annex complement the existing nuclear, chemical and biological non-proliferation control policies by working actively to curb the spread of missile technology and equipment for use of such weapons.
3. Reaction of Other Countries. The Secretary has determined that the reaction of other countries to these controls will not render the controls ineffective or be counterproductive to U.S. policy. The United States is confident that other members of and adherents to the MTCR, many of whom are also the leading Western suppliers of missile technology, will continue to support and strengthen this control regime. The MTCR Partners share information regarding denials of MTCR Annex items and are committed to consult before approving an essentially identical export denied to a specific end user by another Partner ("no undercut policy"). The MTCR Partners also share information about activities of potential proliferation concern and have cooperated to interdict certain transactions. In addition, both the number of MTCR members and other countries willing to cooperate with the Regime have increased over the past few years. At the

1996 Edinburgh MTCR Plenary, the Partners also reaffirmed their commitment to combating the missile proliferation threat from non-member countries. Finally, the U.S. and its MTCR Partners have actively engaged in an outreach program to encourage additional countries to adhere to the Guidelines and implement effective export controls on MTCR items.

4. Economic Impact on U.S. Industry. In extending these controls the Secretary has determined that the economic impact does not outweigh the foreign policy benefit of the control. There were no major changes or revisions to the MTCR Annex or U.S. missile technology controls on dual use items in 1995 or 1996. The focus of the control is limited to those goods and technologies that would contribute to missile development. Therefore, the MTCR affects only a confined list of commodities and has limited economic impact on the export of the majority of dual use commodities. In September 1994, Commerce published revisions to the Commerce Control List to reflect changes in the MTCR Annex.

Multilateral support for the MTCR Annex by other major suppliers of controlled technologies and products helps restrain the flow of missile-related goods and technologies to activities and projects of proliferation concern. Multilateral cooperation from other MTCR members to honor members' export denials through a "no undercut policy" helps ensure that no member country obtains an unfair commercial advantage in the pursuit for foreign sales.

In FY 1996 a total of 1,466 licenses were approved to all destinations controlled for missile technology, at a dollar value of \$354,855,430. A total of 63 licenses were denied, at a dollar value of \$8,011,893. A total of 154 applications were returned without action, with a dollar value of \$231,901,610.

5. Enforcement of Control. To meet the challenge of effective enforcement of these controls, Commerce has redirected resources toward preventive enforcement, and conducts an extensive on-going outreach program to educate appropriate companies about export controls and to increase their awareness of "red flags" that may indicate potentially risky transactions. This program is an important component of Commerce's efforts to prevent companies from illegally exporting dual-use products or equipment that could be used to make missiles. A significant number of investigations have been opened into allegations of illegal activity involving MTCR controls.

C. Consultation with Industry

Commerce received no comments on missile technology controls from the request for public comments. However, changes or issues involving the MTCR Annex are discussed primarily in the Transportation Technical Advisory Committee (TransTAC). The material contribution of items, such as oscilloscopes, controlled for other reasons were reviewed to determine if they were critical for the use or development of missiles. The results of these discussions are now under review. There are also regular consultations with other relevant TACs on missile-related issues, such as the EPCI clarification project and other current MTCR technical issues. The MTCR Annex can be amended by a consensus decision of all MTCR Partners. Commerce participates in interagency working groups that review proposed changes to the Annex.

D. Consultation with Other Countries

Ongoing consultations with the other members of the MTCR are a fundamental element of U.S. missile technology controls. The membership of the MTCR continues prudently to expand, as other significant potential suppliers recognize the importance of this cooperative mechanism to restrict the proliferation of missile systems. Consultations with non-MTCR countries are also an essential element of U.S. missile nonproliferation policy. As noted above, the USG shares information about activities of concern with other countries and seeks to prevent or stop certain transactions. The United States also shares denial information with the MTCR Partners. Although the export controls are coordinated multilaterally, national discretion remains the ultimate decision-making authority.

E. Alternative Means

To participate fully in the MTCR, the United States must be able to prevent exports of equipment and technologies relevant to the development of missiles. The missile technology control provisions of the National Defense Authorization Act of FY 1991 provides for the imposition of export, import, and procurement sanctions on foreign entities engaged in certain kinds of activities relating to the transfer of MTCR Annex items to non-MTCR adherent countries. In the past, sanctions have been imposed on entities in China, India, North Korea, Pakistan, and Russia. A goal of the missile sanctions is to encourage the governments of the sanctioned entities to adopt responsible nonproliferation behavior.

Diplomatic efforts by the United States and the MTCR Partners to encourage additional countries, including other potential suppliers of missile technology, to abide by the MTCR Guidelines are on-going. These efforts are aimed at encouraging non-MTCR members to adhere unilaterally to the MTCR Guidelines and implement effective export controls on missile items.

F. Foreign Availability

Foreign availability of missile systems and launch vehicles prior to the imposition of MTCR-based controls was examined. Foreign capabilities outside the MTCR included, but were not limited to China (PRC), Egypt, India, Israel, Taiwan, and Ukraine. Some of these countries, such as Israel and Ukraine, abide by the MTCR Guidelines and apply MTCR-type controls. Prior to the 1991 streamlining of the COCOM national security list, most of the MTCR Annex items were also included on the COCOM lists and detailed foreign availability analyses were performed. Even though COCOM ceased to exist in April 1994, the COCOM controls remain in place until a new strategic trade regime can be established. A foreign availability study was conducted on batch mixers and a solid fuel additive in 1989. In 1992, foreign availability reviews were conducted on vibration test equipment and accelerometers. The United States has approached and will continue to approach other nations that produce the MTCR Annex-controlled items to urge vigilance in reviewing requests to export these items and to rigorously apply the MTCR Guidelines to help prevent missile proliferation worldwide.

10. High Performance Computers [Section 742.12(776A.10)]

Export Control Program Description And Licensing Policy

The revision of export controls on computers is a high priority for the Administration. Major revisions occurred in 1993, but the Administration recognized that computer technology would continue to change rapidly and computer controls would need to be reviewed every 18 to 24 months. Accordingly, the Administration continues to review export controls on computers taking into account 1) the rapid advance of computing technology since 1993, 2) U.S. security and nonproliferation interests, and 3) the need for a policy that will remain effective over an 18 to 24 month period.

On October 6, 1995, the President again announced substantial changes in export controls on computers, including controls on computers formerly referred to as "supercomputers." These proposed changes were to increase the performance levels of computers which could be exported without prior government approval. However, recognizing the strategic and proliferation applications for "High Performance Computers," foreign policy controls were extended for machines, including software and technology, at varying levels, based on country of destination, end use and end user, as described below. These foreign policy controls supplement national security and anti-terrorism controls that apply to computers.

The extension of foreign policy controls on "high performance computers" does not mean that prior government review for foreign policy reasons is required for all destinations. For many destinations, no prior government approval to export is necessary. Four Computer Country Groups have been established for the purpose of these controls. The specific performance level at which prior government review is required varies based on country of destination and the end user and end use of the computers.

The President's decision called for a sliding scale of controls, whereby the scope of control is commensurate to the performance of the computer and the level of risk associated with

destination and end-use. The revised level of controls, which eliminates the use of the term "supercomputer," using the term "high performance computers" instead, is as follows:

Computer Country Tier 1 -- The first level of the sliding scale allows exports to most industrialized countries to proceed without prior government review (license exception). Exporters are required to maintain records of shipments and must forward certain information to the government as requested for shipments of computers at 2000 CTPS (Composite Theoretical Performance) and above. Reexport and retransfer restrictions also apply. (See Addendum to this chapter for listing of specific countries by Country Tiers.)

Computer Country Tier 2 -- The second level applies to countries with mixed (but generally low risk) proliferation and export control records. There is no prior government review up to 10,000 CTPS, but exporters are required to maintain records for computers at 2,000 CTPS and above and report this information to the United States Government, as requested. Reexport and retransfer restriction apply. Exports above 10,000 CTPS to these countries would require prior government review (an export license). Above 20,000 CTPS, additional safeguards procedures are required.

Computer Country Tier 3 -- The third level applies to countries posing proliferation, diversion or other security risks. Licenses would begin at 2,000 CTPS for military and proliferation end-users/uses, and 7,000 CTPS for all other end-users/uses, with a requirement for full safeguards for machines of 10,000 CTPS and above, depending on the end-user. No prior government review would be required for exports to civil end-users/uses between 2,000 - 7,000 CTPS, but exporters would be required to maintain records and report this information to the USG, as requested. Reexport and retransfer restrictions apply.

Computer Country Tier 4 -- The fourth level applies to terrorist countries (Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria). The President's decision was to continue to deny computer technology to terrorist countries. A license is required to export or reexport to any end-user in Sudan or Syria computers with a CTP => 6 MTOPS. Licenses are required for export or reexport of any computer, regardless of CTP to Iran, Iraq, Libya, North Korea or Cuba. (OFAC has responsibility for transactions with Iran and Iraq, and exports to Libya.) Applications to export or reexport computers to terrorist countries will generally be denied.

A regulation implementing the above-described, revised level of controls was published in the Federal Register on January 25, 1996.

Part Two: Analysis of Control as Required by Section 6(f) of The Act

A. The Purpose of the Control

The purpose of the computer controls is to prevent the transfer or diversion of computers to unauthorized end-uses or end-users. The controls also demonstrate the degree of U.S. concern

over illegitimate access to such machines and assist the United States in its efforts to obtain multilateral cooperation in the regime.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving the Intended Foreign Policy Purpose. Because the United States is one of the few producers of high performance computers in the world, there is high probability that the controls will be effective. The United States is also making every effort to convince other producers to adopt similar controls.

2. Compatibility with Foreign Policy Objectives. It is the foreign policy of the United States to restrict the flow of goods and technology that would compromise U.S. security and foreign policy interests. Extensive U.S. leadership and participation in various multilateral control groups demonstrate the U.S. commitment in this regard. Since high performance computer export controls focus on security and foreign policy concerns, these controls substantially support U.S. foreign policy objectives.

3. Reaction of Other Countries. The Secretary has determined that the reaction of other countries to the extension of controls is not likely to render the controls ineffective in achieving the intended foreign policy objectives, or to be counterproductive to U.S. foreign policy interests. Countries that want high performance computers for legitimate civilian purposes should have no objection to the control because export licenses are reviewed on a case-by-case basis and are denied only if the export would adversely affect U.S. security or foreign policy objectives.

4. Economic Impact on U.S. Industry. In FY 1996 there were 169 licenses approved for high performance computers, valued at \$188.3 million. Of these, 165 licenses, valued at \$179.9 million, were approved through January 25, 1996; while the remaining four licenses, valued at \$9.4 million, were approved between the date the new computer deregulation was published, and the end of the fiscal year. No export license applications for the transfer of high performance computers were denied in FY 1996. The effect of the deregulation on high performance computers can be seen when compared to FY 1995 when 306 licenses, valued at \$525.8 million, were approved.

The administrative costs incurred by computer producers to comply with U.S. export regulations had been a major burden in the export licensing process. The October 6, 1995 decision, and subsequent publication in January 1996, resulted in a substantially reduced compliance burden for U.S. industry.

5. Enforcement of Control. The Secretary has determined that the United States has the ability to enforce the control effectively. Significant problems of product identification are not expected. Because this control covers only one class of items, training of enforcement personnel to familiarize them with the equipment can be done without undue difficulty. In addition, the actual computer hardware is only one component of the total system. Specialized application software, maintenance, and spare parts often require continued contact with the exporter.

Therefore, with appropriate safeguards, computers could not be completely, readily, and reliably diverted to unauthorized uses, moved, or adequately maintained for extended periods of time without the knowledge and support of the exporter or manufacturer.

C. Consultation with Industry

One commentator claimed that liberalization of computer export controls have failed to keep up with the speed of computer technology development and its rapid dissemination throughout the world. Industry has proposed to index controls to the pace of technology; in other words, once a level of computer or computer products become foreignly available, the decontrol would “kick in” automatically.

Another computer manufacturer said that it is necessary for the Administration to again review the thresholds of export controls on computers because the next generation workstation servers and workstations will far exceed the current control levels.

D. Consultation with Other Countries

The United States has actively consulted our allies and friends to ensure that they understand the basis for the new controls. The United States is working particularly closely with Japan and others in the Wassenaar Arrangement (the successor to COCOM), believing that our controls are consistent with the basic foundations and principles already agreed in these negotiations. Exporters will be required to report certain information to the government consistent with our multilateral commitments on information sharing in the new regime.

E. Alternative Means

Alternatives to controls would not be the most effective means of achieving the intended strategic and non-proliferation objectives. The United States will continue to use diplomatic efforts to discourage other countries from engaging in activities which the controls address, and to consult with other supplier countries about adhering to multilateral export controls. However, these efforts can only supplement, not replace, the effectiveness of actual export controls.

F. Foreign Availability

The new computer export controls take a realistic account of the likely effectiveness of controls in the face of the rapid advance and diffusion of computer technology worldwide. The key to effective export controls is setting control levels above foreign availability -- that is, the level of computer capability that end users of security and proliferation risk can obtain because of widespread availability or by diversion from normal commerce. When the United States had last adjusted the controls in 1993, it was evident that computer technology would continue to change rapidly -- about every 18 to 24 months. Thus, the Administration announced then that it would be reviewing computer controls again in that time frame.

The government review determined that widespread worldwide availability of computers up to 7,000 CTPS would likely become uncontrollable over the next two years.

ADDENDUM

COMPUTER TIER	COUNTRIES
1	Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Holy See, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Mexico, Monaco, Netherlands, New Zealand, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, Turkey, and the United Kingdom, and all territories thereof (except Hong Kong, which is in Tier 2).
2	Country Group T (except Mexico) in the Export Administration Regulations, Antigua & Barbuda, Bangladesh, Benin, Bhutan, Botswana, Brunei, Burkina Faso, Burma (Myanmar), Burundi, Cameroon, Cape Verde, Central Africa, Chad, Congo, Cote d'Ivoire, Cyprus, Czech Republic, Dominica, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, Gambia (The), Ghana, Grenada, Guinea, Guinea-Bissau, Hong Kong, Hungary, Indonesia, Kenya, Kiribati, Korea (Republic of), Lesotho, Liberia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritius, Micronesia (Federated States of), Mozambique, Namibia, Nauru, Nepal, Niger, Nigeria, Palau, Papua New Guinea, Philippines, Poland, Rwanda, St. Kitts & Nevis, St. Lucia, St. Vincent and Grenadines, Sao Tome & Principe, Senegal, Seychelles, Sierra Leone, Singapore, Slovak Republic, Slovenia, Solomon Islands, Somalia, South Africa, Sri Lanka, Swaziland, Taiwan, Tanzania, Togo, Tonga, Thailand, Tuvalu, Uganda, Western Sahara, Western Samoa, Zaire, Zambia, and Zimbabwe.
3	Afghanistan, Albania, Algeria, Andorra, Angola, Armenia, Azerbaijan, Bahrain, Belarus, Bosnia & Herzegovina, Bulgaria, Cambodia, China (People's Republic of), Comoros, Croatia, Djibouti, Egypt, Estonia, Georgia, India, Israel, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Lithuania, Macedonia (The Former Yugoslavia Republic of), Mauritania, Moldova, Mongolia, Morocco, Oman, Pakistan, Qatar, Romania, Russia, Saudi Arabia, Serbia and Montenegro, Tajikistan, Tunisia, Turkmenistan, Ukraine, United Arab Emirates, Uzbekistan, Vanuatu, Vietnam, and Yemen.
4	Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria.

11. Encryption (Section 742.15)

Export Control Program Description and Licensing Policy

On October 1, 1996, the Vice President announced a plan to make it easier for Americans to use stronger encryption products to protect their privacy, intellectual property and other valuable information. The plan relies on market forces to develop a worldwide key management infrastructure with the use of key recovery and key escrow encryption items to promote electronic commerce and secure communications while protecting national security and public safety.

On November 15, 1996, the President issued a Memorandum and Executive Order 13026 (15 November 1996, 61 FR 58767) directing that all encryption items controlled on the U.S. Munitions List (USML), except those specifically designed, developed, configured, adapted, or modified for military applications, be transferred to the Commerce Control List (CCL). The Memorandum also set forth certain additional provisions with respect to controls on such encryption items to be imposed by the Department of Commerce. The Executive Order provides for appropriate controls on the export and foreign dissemination of encryption items controlled on the USML that are placed on the CCL.

Non-recoverable encryption items up to 56-bit key length Data Encryption Standard (DES) or equivalent strength will be permitted for export and reexport after a one-time review, if an exporter makes satisfactory commitments to build and market products that support recoverable encryption items and to support an international key management infrastructure. This policy will apply to hardware and software. The relaxation of export and reexport controls on non-recoverable encryption items up to 56-bit key length DES or equivalent strength will last until January 1, 1999.

On December 13, 1996 Commerce published a rule in the Federal Register accepting jurisdiction for key recoverable encryption items. Full implementation of the Vice President's October 1 announcement on encryption export controls came on December 30, 1996 with publication of the full regulation. This rule imposed national security and foreign policy controls on certain encryption items. These items do not include those that are specifically designed, developed, configured, adapted or modified for military applications (including command, control and intelligence applications). Such items remain on the USML, and continue to be controlled by the Department of State, Office of Defense Trade Controls. The controls imposed by the rule apply to encryption software, including recoverable encryption "software" transferred from the USML to the CCL pursuant to E.O. 13026. With this rule the Secretary of Commerce imposed foreign policy controls on encryption products to supplement the national security controls already in place. In the CCL the acronym "EI" (Encryption Items) designates foreign policy controls on these items.

The President's executive order directs the Secretary of Commerce to take actions to control the export of assistance to foreign persons in the same manner and to the same extent as the export of such assistance is controlled under the Arms Export Control Act. Therefore, the rule prohibits U.S. persons, without a license from Commerce, from knowingly providing assistance to foreign persons, including providing training, to manufacture or to export encryption items transferred from the USML to the CCL. This provision will not apply to any activity involving such encryption items that have been licensed or otherwise authorized by Commerce.

A. In general, the United States requires a license for all destinations, except Canada, for exports and reexports of commercial encryption items. However, certain exceptions to the licensing requirements may apply.

B. Export license applications for commercial encryption items are reviewed on a case-by-case basis, to determine whether the export or reexport is consistent with U.S. national security and foreign policy interests.

C. Exporters of 56-bit DES or equivalent encryption products are required to make commitments to develop and market products that support key recovery. The Administration believes that the worldwide use of key recovery encryption products will promote electronic commerce and secure communications, while protecting national security and public safety.

Analysis of Control as Required by Section 6(f) of the Act

A. The Purpose of the Control

The purpose of the control is to protect U.S. national security and foreign policy interests, including the safety of U.S. citizens. Policies concerning the export control of cryptographic products are based on the fact that the proliferation of such products will make it more difficult for the United States Government to obtain access to information vital to national security interests. Cryptographic products and software have military and intelligence applications. As demonstrated throughout history, encryption has been used to conceal foreign military communications, on the battlefield, aboard ships and submarines, or in other military settings. Encryption is also used to conceal other foreign communications that have foreign policy and national security significance for the United States. For example, encryption can be used to conceal communications or data of terrorists, drug smugglers, or others intent on taking hostile action against U.S. facilities, personnel, or security interests.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving the Intended Foreign Policy Purpose. The Secretary of Commerce has determined that the control is likely to achieve the intended purpose of denying the export of commercial encryption items, including products with key recovery features, if its export would be contrary to U.S. national security or foreign policy interests.

2. Compatibility with Foreign Policy Objectives. The Secretary has also determined that the controls are compatible with the foreign policy objectives of the United States. The control is consistent with U.S. foreign policy goals to promote peace and stability and to prevent U.S. exports that might contribute to destabilizing military capabilities and assisting international terrorist or criminal activities against the United States. The controls will also contribute to public safety by promoting the protection of U.S. citizens overseas.

3. Reaction of Other Countries. The Secretary has determined that the reaction of other countries to this control is not likely to render the control ineffective in achieving its intended foreign policy purpose or to be counterproductive to U.S. foreign policy interests. Other allied countries recognize the need to control exports of encryption products for national security and law

enforcement reasons. These countries also recognize the desirability of restricting goods that could compromise shared security and foreign policy interests.

4. Economic Impact on U.S. Industry. The Secretary has determined that the transfer of commercial encryption items, including products with key recovery features, from the USML to the CCL will benefit industry positively and make U.S. manufacturers more competitive in the world market. Removal of these products from the USML may actually improve their marketability to foreign, civil end-users who prefer not to trade in items the United States considers to be munitions. Moreover, since key recoverable encryption products pose less security and law enforcement risks, their export will be treated more liberally than export of encryption products with non-recoverable keys. This will allow U.S. manufacturers and exporters to capture a larger share of growing world demand for key recovery-based products.

5. Enforcement of Control. The Secretary has determined that the United States has the ability to enforce these controls effectively. The United States expects no unusual problems in enforcing the controls. Under the State Department's authority, the items covered by this action have been under strict control. Manufacturers and dealers are familiar with U.S. controls on this product and technology. The strategic importance of these items is clear. Finally, since these items are also under multilateral control, we can expect cooperation from foreign enforcement agencies in preventing violations and punishing violators.

C. Consultation with Industry

The U.S. Government consulted with various elements within industry on the proposed change in controls and on the desirability of development of key recoverable encryption products for both Government and industry. In preparation for the USML rationalization exercise, the State Department also published a number of Federal Register notices dealing with this and other changes to the USML. Industry comments overwhelmingly favored inclusion of commercial encryption items, including products with key recovery features, on the CCL versus the USML.

D. Consultation with Other Countries

The United States has taken the lead in international efforts to stem the proliferation of sensitive items, urging other supplier nations to adopt and apply export controls comparable to those of the United States. The major industrial partners of the United States maintain export controls on this equipment and technology. Pursuant to their agreement to establish a new regime for the control of conventional arms and sensitive dual-use technologies, the 33 participants in the Wassenaar Arrangement have agreed to control these items on a global basis and to coordinate export policies for such items.

In addition, the President appointed Ambassador David L. Aaron as Special Envoy for Cryptography, with the responsibility to promote the growth of international electronic commerce and robust, secure global communications in a manner that protects the public safety and national security. Ambassador Aaron will carry out his responsibilities as Special Envoy while retaining his

position as the United States Permanent Representative to the Organization for Economic Cooperation and Development (OECD). As Special Envoy, Ambassador Aaron will promote international cooperation, coordinate U.S. contacts with foreign governments on encryption matters and provide a focal point for identifying and resolving bilateral and multilateral encryption issues.

The United States and other members of the OECD have discussed the desirability of an international standard using encryption with key recovery features and have completed a draft standard.

E. Alternative Means

Alternatives to export controls at this time would not be the most effective means of achieving the intended national security and foreign policy objectives. The United States has undertaken a wide range of diplomatic means, both bilateral and multilateral, to encourage the proper restrictions over these items. However, these efforts can only supplement, not replace, the effectiveness of actual export controls.

F. Foreign Availability

Although other countries produce software and hardware encryption products, the United States is the world's leader. The U.S. is also leading the world in development of the emerging technology of encryption with key recovery features. This fact alone would make a unilateral control effective; however, this is not a unilateral control because most producers of encryption are members of the Wassenaar Arrangement and also control exports of encryption.

It should be noted that the Department of Commerce and the National Security Agency (NSA) prepared a joint study of the international market for computer software with encryption. The study found that the U.S. software industry still dominates world markets for encryption. In those markets not offering strong encryption locally, U.S. software encryption remains the dominant choice. However, the existence of foreign products with labels indicating DES or other strong algorithms, even if they are less secure than claimed, can nonetheless have a negative effect on U.S. competitiveness. The study also notes that the existence of strong U.S. export controls on encryption may have discouraged U.S. software producers from enhancing the security features of general purpose software products to meet the anticipated growth in demand by foreign markets.

The study found that all countries that are major producers of commercial encryption products control exports of these products to some extent. A few countries control imports and domestic use of encryption, as well.

In regard to foreign availability as it relates to encryption items transferred from the USML to the CCL, the President's Executive Order of November 15, 1996 stated the following:

I have determined that the export of encryption products [transferred to the Commerce Control List] could harm national security and foreign policy interests even where comparable products are or appear to be available from sources outside the United States, and that facts and questions concerning the foreign availability of such encryption products cannot be made subject to public disclosure or judicial review without revealing or implicating classified information that could harm United States national security and foreign policy interests. Accordingly, sections 4(c) and 6(h)(2)-(4) of the Export Administration Act of 1979, 50 U.S.C. App. 2403(c) and 2405(h)(2)-(4), as amended and as continued in effect by Executive Order 12924 of August 19, 1994, and by notices of August 15, 1995, and August 14, 1996, all other analogous provisions of the EAA relating to foreign availability, and the regulations in the EAR relating to such EAA provisions, shall not be applicable with respect to export controls on such encryption products. Notwithstanding this, the Secretary of Commerce may, in his discretion, consider the foreign availability of comparable encryption products in determining whether to issue a license in a particular case or to remove controls on particular products, but is not required to issue licenses in particular cases or to remove controls on particular products based on such consideration.

12. Commercial Communications Satellites and Hot Section Technology [Section 742.14(776A.2 & 776A.20)]

Export Control Program Description and Licensing Policy

On October 21, 1996 Commerce published a rule in the Federal Register accepting jurisdiction on certain commercial communications satellites and certain hot section technology for the development and production of commercial aircraft engines transferred from the U.S. Munitions List to the Commerce Control List (CCL). The Secretary of Commerce imposed new foreign policy controls on these items with the concurrence of the Secretary of State, in the belief that these controls are necessary to further significantly the foreign policy of the United States. [In the CCL the acronym "SI" (Significant Items) designates foreign policy controls on these items.] These commodities are also controlled by the Wassenaar Arrangement whose members include most of the other producers of these commodities. Commerce controls these on the CCL under Export Control Classification Numbers (ECCNs) 9A004(9A04) and 9E003(9E03.a.1 through a.12).

A. The United States requires a license for all destinations, except Canada, for exports and reexports of the above listed items. These items will be controlled for national security and foreign policy reasons.

B. The United States reviews all license applications for the above items, on a case-by-case basis, to determine whether the export or reexport is consistent with U.S. national security and foreign policy interests.

Analysis of Control as Required by Section 6(f) of the Act

A. The Purpose of the Control

The purpose of the control is to protect U.S. national security and foreign policy interests and to demonstrate U.S. resolve to promote peace and stability. The United States is maintaining such controls because of potential applications for the equipment in a manner contrary to U.S. security or foreign policy interests.

B. Considerations and/or Determinations of the Secretary of Commerce:

1. Probability of Achieving the Intended Foreign Policy Purpose. The Secretary of Commerce has determined that the control is likely to achieve the intended purpose of denying the export of commercial communication satellites and hot section technology if its export would be contrary to U.S. national security or foreign policy interests.

2. Compatibility with Foreign Policy Objectives. The Secretary has also determined that the controls are compatible with the foreign policy objectives of the United States. The control is consistent with U.S. foreign policy goals to promote peace and stability and to prevent U.S. exports that might contribute to inappropriate military capabilities abroad.

3. Reaction of Other Countries. The Secretary has determined that the reaction of other countries to this control is not likely to render the control ineffective in achieving its intended foreign policy purpose or to be counterproductive to U.S. foreign policy interests. Other allied countries currently control commercial communications satellites and hot section technology for commercial jet engines. These countries also recognize the desirability of restricting goods that could compromise shared security and foreign policy interests.

4. Economic Impact on U.S. Industry. The Secretary has determined that the transfer of commercial communication satellites and commercial hot section technology from the USML to the CCL will benefit industry positively and make U.S. manufacturers more competitive in the world market. Removal of these products from the USML may improve their marketability to foreign, civil end-users who prefer not to trade in items the United States considers to be munitions.

5. Enforcement of Control. The Secretary has determined that the United States has the ability to enforce these controls effectively. The United States expects no unusual problems in enforcing the controls. Under the State Department's authority, the items covered by this action have been under strict control. Manufacturers and dealers are familiar with U.S. controls on this product and technology. The strategic importance of these items is clear. Finally, since these items are

also under multilateral control, we can expect cooperation from foreign enforcement agencies in preventing violations and punishing violators.

C. Consultation with Industry

Commerce consulted with various elements within industry on the proposed change in controls. Industry comments in large measure favored transfer of the items to Commerce.

D. Consultation with Other Countries

The United States has taken the lead in international efforts to stem the proliferation of sensitive items, urging other supplier nations to adopt and apply export controls comparable to those of the United States. The major industrial partners of the United States maintain export controls on this equipment and technology. Pursuant to their agreement to establish a new regime for the control of conventional arms and sensitive dual-use technologies, the 33 participants in the Wassenaar Arrangement have agreed to control these items on a global basis and to coordinate export policies for such items.

E. Alternative Means

The United States has undertaken a wide range of diplomatic means, both bilateral and multilateral, to encourage the proper control over these items. The United States has specifically encouraged efforts to limit the flow of satellites and hot section technology to areas contrary to U.S. security and foreign policy concerns.

F. Foreign Availability

Although other countries produce commercial communications satellites and hot section technology, the United States is the world's leader. This fact alone would make a unilateral control effective; however, this is not a unilateral control because most producers of commercial communications satellites and hot section technology are members of the Wassenaar Arrangement and are controlling these items.

In addition, it is important to note that while the Act contains provisions on foreign availability, items controlled for foreign policy reasons are excluded from mandatory foreign availability decontrol or export licensing provisions of the Act.

13. Nuclear Non-Proliferation [Section 744.2)(778A)]

Export Control Program Description and Licensing Policy

The United States maintains export controls on certain items for the purpose of furthering its nuclear non-proliferation policy. Although under different legislative authority (the Nuclear Non-Proliferation Act of 1978) and thus not foreign policy-based controls in the same sense as

others noted in this report, nuclear controls maintained by the Commerce Department are included here because they have many foreign policy characteristics and are normally grouped with the other non-proliferation controls contained in this report. The format of this chapter does not follow that of previous chapters but instead addresses the requirements of the legal authority for these controls.

A. A validated license is required for exports of the following commodities and related technical data:

1. Commodities or related technical data that could be of significance for nuclear explosive purposes (i.e., the Nuclear Referral List included in the CCL); and

2. Any commodity or related technical data that the exporter knows, or has reason to know, will be used directly or indirectly in any of the following activities:

a. nuclear explosive activities including designing, developing, manufacturing, or testing nuclear weapons or nuclear explosive devices; or

b. unsafeguarded nuclear activities including designing, developing, or manufacturing any nuclear reactor, critical facility, facility for the fabrication of nuclear fuel, facility for the conversion of nuclear material from one chemical form to another, or separate storage installation, where there is no obligation to accept International Atomic Energy Agency Safeguards at the facility or installation, when it contains any source of special fissionable material, or where any such obligation is not met; or

c. safeguarded and unsafeguarded nuclear activities including: designing, constructing, fabricating, or operating the following facilities, or components for such facilities: (i) facilities for the chemical processing of irradiated special nuclear or source materials; (ii) facilities for the production of heavy water; (iii) facilities for the separation of isotopes of source and special nuclear material; or (iv) facilities for the fabrication of nuclear reactor fuel containing plutonium.

3. The Commerce Department may inform the exporter that a license is required for any item because there is an unacceptable risk of use in or diversion to such activities, anywhere in the world.

B. Factors considered in reviewing applications for licenses include:

the stated end-use of the item;

the significance for nuclear purposes of the particular component and its availability elsewhere;

the types of nuclear non-proliferation assurances or guarantees given in a particular case;

and

the non-proliferation credentials of the recipient country.

Analysis of Control as Required by Law³⁹

Section 17(d) of the Act and Section 309(c) of the Nuclear Non-Proliferation Act of 1978 are interpreted to provide that:

- A. Nuclear non-proliferation controls do not expire annually and determinations to extend them are thus not required; and
- B. The criteria and other factors set forth in Sections 6(b) through 6(f) of the Act are not applicable to these controls.

The Congress is, therefore, notified that these controls continue in effect. These controls further significantly the nuclear non-proliferation policy of the United States and its international obligations. This policy of the United States has made it more difficult for nations to acquire sensitive nuclear technology or equipment.

The United States maintains on-going discussions with other countries to coordinate export controls for nuclear non-proliferation purposes and has received significant assistance from other countries in reducing available foreign sources. The multilateral Nuclear Suppliers Group (NSG), composed of 34 members (Brazil and Ukraine became members in 1996), set forth guidelines on the export control of a list of nuclear-related dual-use items, effective on January 1, 1993.

The Departments of Commerce and Energy, in consultation with the Departments of State and Defense, the Arms Control and Disarmament Agency and the Nuclear Regulatory Commission, have revised the list of dual-use items controlled for nuclear non-proliferation reasons and published this revision in March 1994. This list, commonly called the Nuclear Referral List, conforms with our international obligations under the NSG. The list was further revised by the member countries of the NSG; these revisions were published in January 1996, but the list is too lengthy to include in this report.

ENDNOTES

1. Pursuant to Section 6(b)(2), the Department is required to consider the criteria set forth in Section 6(b)(1) when extending controls in effect prior to July 12, 1985. In addition, the report must include the elements set forth in Sections: 6(f)(2)(A) (purpose of the controls), 6(f)(2)(C) (consultation with industry and other countries), 6(f)(2)(D) (alternative means attempted), and 6(f)(2)(E) (foreign availability).
2. Pursuant to Section 6(b)(1), the Department is required to make determinations regarding the criteria set forth therein when extending controls in effect after July 12, 1985. The report shall also contain the additional information required in Section 6(f)(2)(A), (C)-(E) (as set forth in endnote 1, supra.)
3. There may be limitations in assessing the economic impact of certain controls because of the unavailability of data or because of the prevalence of other factors, i.e., currency

values, foreign economic activity, or foreign political regimes, which may restrict imports of United States products more stringently than the United States restricts exports.

4. When controls are implemented without the imposition of corresponding restrictions by other countries, it is difficult to guard against reexports from third countries to the target country, to secure third country cooperation in enforcement efforts, and to detect violations abroad and initiate proper enforcement action. The relative ease or difficulty of identifying the movement of controlled goods or technical data is also a factor. Controls on items that are small, inexpensive, easy to transport or conceal, or that have many producers and end-users, are harder to enforce.
5. Certain goods and technical data described in this report, whether or not subject to foreign policy controls, may also require a license for certain destinations for national security purposes in accordance with Section 5 of the Act.
6. Citations following each of the foreign policy control programs refer to those sections of the Export Administration Regulations (EAR), 15 CFR Parts 730-772(730A-799A), in which the control program is described.
7. Provisions pertaining to foreign availability are not applicable to export controls in effect before July 12, 1985 under sections 6(i) (International Obligations), 6(j) (Countries Supporting International Terrorism), and 6(n) (Crime Control Instruments). Export Administration Amendments Act of 1985, Public Law No. 99-64, section 108(g)(2), 99 Stat. 120, 134-35. Moreover, sections 6(i), 6(j), and 6(n) require that controls be implemented under certain conditions without consideration of foreign availability.
8. A validated license is required under Section 6(a) for all computers going to Sudan or Syria with performance of 6 CTPS or above.
9. See footnote 2 in Section 1 of this report.
10. MEED Middle East Business Weekly, Vol. 39, No. 19, page 25 (May 12, 1995).
11. The New York Times, Section D, page 5. Column 1, article by Barnaby J. Feder entitled "An Embargo Is Seen to Affect Oil Services and Farmers Most" (May 2, 1995).
12. Sizing Up U.S. Export Disincentives by J. David Richardson, Institute for International Economics, page 130 (1993).
13. Sisler, Peter F., "IMF Board Cites 'Progress' in Sudan," Washington News, June 20, 1995.
14. U.S. Department of State, "Background Notes - Sudan," June 20, 1995.

15. See footnote 3 in Chapter 2 of this report.
16. Commercial shipments to North Korea of goods intended to meet basic human needs are also permitted under a license on a case-by-case basis.
17. Cuba: Handbook of Trade Statistics, 1995, Central Intelligence Agency.
18. License approvals are authorizations to export and do not necessarily correspond directly to the volume of actual shipments within 1995.
19. "Foreign Investors Finding Cuba More Comfortable-With U.S. Away," The Washington Post, September 12, 1995.
20. Cuba: Handbook of Trade Statistics, 1995, Central Intelligence Agency.
21. Hohn, Y.T. Kuark, "A Comparative Study of Foreign Trade in North and South Korea," University of Denver, March 1992, p. 21.
22. Noland, Marcus, "The North Korean Economy," Institute for International Economics, July 1995, p. 26.
23. Flake, L. Gordon, "International Economic Linkages of North Korea," Korea Economic Institute of America, May 26, 1995, p. 2.
24. See endnote 3 in Chapter 2.
25. Though the Libyan Sanctions Regulations encompass the restrictions in the EAR on exports from generally the United States to Libya, all the Department of Commerce controls are being extended. These controls can be reevaluated in the event the IEEPA authorities are revoked.
26. "Who's Punishing Whom?; Trade Bans Are boomerangs, U.S. Companies Say," The New York Times, September 11, 1996.
27. "House Passes Measure Against Foreign Firms Investing in Iranian, Libyan Oil," Washington Post, July 24, 1996.
28. See endnote 3 in Chapter 2.
29. Exports to Australia Group member countries are exempt from these foreign policy controls. Until recently, Turkey, as a NATO member country, was exempt from these controls. Turkey, however, is not a member of the AG and has not adopted AG-comparable export controls. Therefore, the United States imposed controls on chemical

precursor exports to Turkey on October 19, 1994.

- 30 . The Middle East region is understood to include Bahrain, Egypt, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, and Yemen.
- 31 . Southwest Asia is understood to include Afghanistan, India, Iran, and Pakistan.
- 32 . This area includes Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.
- 33 . Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria have been designated as countries supporting international terrorism. See endnote 1 in Chapter 4 of this report.
- 34 . The Commerce Department first imposed foreign policy controls on microorganisms useful in weapons development on February 23, 1989. On July 5, 1992, the Department revised these export controls to conform with the list of microorganisms agreed to by the countries participating in the Australia Group.
- 35 . See endnote 34 in Section 8 of this report.
- 36 . See endnote 35 in Section 8 of this report.
- 37 . See endnote 3 in Chapter 8 of this report.
- 38 . See endnote 4 in Chapter 8 of this report.
- 39 . The analysis required by law differs for Nuclear Nonproliferation controls. It is governed by the Nuclear Nonproliferation Act of 1978. Therefore, the headings under this section differ from the rest of the report.

APPENDIX I

SUMMARY OF COMMENTS ON FOREIGN POLICY EXPORT CONTROLS

In the Federal Register of October 2, 1996 (Vol. 61 No. 192, p. 51395), the Department requested comments from the public on existing foreign policy-based controls maintained under Section 6 of the Act. In the notice, the Department sought comments on how existing foreign policy-based controls have affected exporters and the overall public. Specifically, the notice invited public comments about such issues as: the effectiveness of controls where foreign availability exists; whether the goals of the controls can be achieved through other means such as negotiations; the compatibility of the overall U.S. policy toward the country in question; the effect of controls on U.S. economic performance and; the enforceability of the controls. The Department also requested comments from the member companies of its Technical Advisory Committees(TACs) and the President's Export Council Subcommittee on Export Administration (PECSEA).

The Department received nine comments. All are available for review in the Department of Commerce, Bureau of Export Administration. The Department has included some of the substantive comments under the "Consultation with Industry" section of each of the control areas where the comments were specific to particular controls. Three members of the PECSEA commented in both their capacity as members of the PECSEA and as members of the companies that they represent, specifically, Hardinge Inc., International Business Machines Corporation(IBM) and United Technologies. Two of the Department of Commerce's TACs responded: the Information System TAC (ISTAC) and the Regulatory Procedures TAC (RPTAC). Three other companies sent comments: Sun Microsystems, Inc., The Boeing Company, Varian Associates, Inc. and an association representing nuclear energy industries, called the Nuclear Energy Institute. The Department attributes each comment to the trade association or manufacturer providing the information.

A summary of the major issues raised in the public submission follows. Most of the comments fell into three broad areas: unilateral controls, the "catch-all" in the Enhanced Proliferation Control Initiative (EPCI), and the "unfair impact" provision of the proposed Export Administration Act which did not pass the 104th Congress.

Unilateral Controls

United Technologies supported a recommendation to the President from the President's Export Council to appoint a government-industry panel to assess the current status of all economic sanctions, particularly those that are unilateral, and recommend policies to guide the use of unilateral controls in the future. United Technologies felt this would be "a much more meaningful exercise than the current annual review of existing, entrenched foreign policy based export controls."

The RPTAC also supported the letter that the President's Export Council sent to the President. The letter discussed the adverse effect that unilateral sanctions have on the economic security of our nation. The limited purpose of distancing the United States from abhorrent acts or actors is questionable and may be counterproductive when friendly foreign governments openly refuse to follow the U.S. lead and offer competitive products. The ISTAC said it was difficult to imagine how unilateral controls could be effective for commodities for which the United States is not the sole supplier.

Varian Associates, Inc. claimed that many decisions made to further the U.S. foreign policy goals fail to balance the economic impact on vital American industries. The U.S. Government needs to work harder to limit its own use of foreign policy measures which are unilateral in nature. IBM believes that this discretionary power of imposing unilateral controls has been used in recent years as the "weapon of first resort," rather than as the last resort. The impact of U.S. foreign policy actions against other countries has, therefore, fallen unfairly on American exports and jobs. Under the old COCOM system, a U.S. veto of another country's exports both safeguarded U.S. national security prerogatives and ensured that U.S. producers would not suffer a competitive disadvantage. As the Wassenaar Arrangement allows no similar veto, the possibility exists that the United States will resort to unilateral controls more often.

Sun Microsystems was concerned that the United States is considering retaining current unilateral controls on Eastern European countries and the PRC when the Wassenaar Arrangement national security controls are implemented. Unilateral export controls are generally ineffective, other than to distance the United States from an offensive nation. While such distancing may be a laudable symbolic goal, it seriously undercuts U.S. competitiveness and imposes a substantial price in terms of an economic drag on the U.S. economy.

Hardinge, Inc. gave a specific example of being hurt by unilateral controls when Chengdu Aircraft Industrial Corporation did not invite any American machine tool builders to China for technical discussions. Hardinge says that was because of Chengdu's difficulty in obtaining export licenses for American products and because Chengdu had not encountered such difficulties with the Europeans or Japanese. Insistence on rigid export controls for items beyond the nuclear control list is a guarantee that U.S. machine tool builders will suffer unfair competition in the world marketplace. Hardinge has simply stopped trying to sell highly accurate machine tools to Chinese customers because numerous past license rejections has shown that the U.S. Government has no intention of allowing these sales. Other U.S. machine tool builders have reached the same conclusion.

EPCI

Varian Associates, Inc. said that the "catch-all" provisions of the Enhanced Proliferation Control Initiative (EPCI) should be eliminated. The only items which should be controlled are those which have been multilaterally agreed to by one of the four export control regimes, i.e., the

Wassenaar Arrangement, the MTCR, the NSG and the Australia Group. Varian indicated that it has lost a long-standing customer in India due to the U.S. Government's over-reaching interpretation of the EPCI rules. U.S. policy makers need to remember that by denying a particular export to a U.S. exporter, it is often not just a single sale which is lost. Many times, the lost opportunity of a single sale permits other foreign competitors to enter a market which was previously closed to them. The end result is far greater than the loss of the single transaction.

Sun Microsystems protested that they have had particular difficulty in complying with EPCI regulations, especially the so-called "catch-all" controls on the export of items otherwise eligible for general license shipment. Providing clean economic data is very difficult given that these rules are so vague and the standards for compliance so unclear. Sun recommends that these catch-all rules be abolished. Sun has asked Commerce for guidance and help from time to time and received very little helpful guidance in response to these requests. In some cases Sun was informed not to make sales to the entities in question, but other U.S. competitors, who were not so informed, sold comparable U.S. products to the same entities. Sun's failure to sell the product to the foreign company only took a sale away from Sun and gave it to a competitor who was not as diligent. In another case, it took Sun six months to get a response from Commerce, despite repeated requests.

The RPTAC noted that in 1995 the European Community(EC) acceded to a U.S. initiative to adopt a catch-all control regulation; yet, the majority of EC countries have not implemented in national regulations functional "catch-all" controls. The U.S. regulations and practices are generally broader than those of other countries.

EAA Renewal

IBM was pleased to see an "Unfair Impact on U.S. Exporters" provision in the most recent attempts of the Clinton Administration to secure a reauthorization of the Export Administration Act. The unfair impact provision would help to focus the attention of American policy-makers on the breakneck speed that is so characteristic of the computer industry, thereby helping to ensure that U.S. industry remains competitive in the global marketplace. However, this version of a new EAA (H.R. 361) was not passed in the 104th Congress.

Hardinge Associates, Inc. also mention the "unfair impact" provision and its disappointment that H.R. 361 was not passed by this Congress. The unfair impact provision would have provided the opportunity for relief from the advantage given our foreign competitors by their governments' lax interpretation of international export control regimes. Hardinge indicated that it recently lost an order for multiple machines because a German competition agreed to supply a Chinese manufacturer with machines well in excess of existing accuracy limits. Hardinge felt compelled to offer only products within the parameters of the limits of the Nuclear Non-Proliferation Controls. In a recent Chinese machine tool show, this same competitor openly displayed and offered for sale machines with published and advertised accuracies well beyond existing control limits. Hardinge submitted for the records photographs of the competitor's display

and copies of its sales brochures to the Senate Subcommittee on International Finance at its July 31, 1996, hearing on HR 361, the Export Administration Act of 1996. Hardinge recognizes that the Nuclear Non-Proliferation controls exclude any consideration of foreign availability but continues to stress the unfair disadvantage caused by unequal enforcement of these controls.

APPENDIX II

MULTILATERAL EXPORT CONTROL REGIMES			
WA	AG	MTCR	NSG
Argentina	Argentina	Argentina	Argentina
Australia	Australia	Australia	Australia
Austria	Austria	Austria	Austria
Belgium	Belgium	Belgium	Belgium
		Brazil	Brazil
Bulgaria			Bulgaria
Canada	Canada	Canada	Canada
Czech Republic	Czech Republic		Czech Republic
Denmark	Denmark	Denmark	Denmark
	European Union		European Union
Finland	Finland	Finland	Finland
France	France	France	France
Germany	Germany	Germany	Germany
Greece	Greece	Greece	Greece
Hungary	Hungary	Hungary	Hungary
	Iceland	Iceland	
Ireland	Ireland	Ireland	Ireland
Italy	Italy	Italy	Italy
Japan	Japan	Japan	Japan
Luxembourg	Luxembourg	Luxembourg	Luxembourg
Netherlands	Netherlands	Netherlands	Netherlands
New Zealand	New Zealand	New Zealand	New Zealand
Norway	Norway	Norway	Norway
Poland	Poland		Poland
Portugal	Portugal	Portugal	Portugal
Romania	Romania		Romania
Russia		Russia	Russia
Slovakia	Slovakia		Slovakia
		South Africa	South Africa
South Korea	South Korea		South Korea
Spain	Spain	Spain	Spain
Sweden	Sweden	Sweden	Sweden
Switzerland	Switzerland	Switzerland	Switzerland
Turkey			
Ukraine			Ukraine
United Kingdom	United Kingdom	United Kingdom	United Kingdom
United States	United States	United States	United States

