



STATEMENT OF THE SECRETARY AND UNDER SECRETARY

It is our pleasure and privilege to present this report on the activities of the Department of Commerce's Bureau of Industry and Security (BIS) during Fiscal Year 2004.

In the three years since the tragic events of September 11, 2001, the continuing global war on terrorism has reminded all Americans that trade and security are closely intertwined. Indeed, effective security provides the necessary foundation for legitimate trade to flourish. With the passage of United Nations Security Council Resolution 1540 in April 2004, the international community has joined that consensus with a call for all countries to implement effective controls on exports of sensitive goods and technologies in order to prevent the proliferation of weapons of mass destruction and their means of delivery.

BIS plays a critical role in answering this call by meeting the challenges that lie at the intersection of trade and security. During Fiscal Year 2004, BIS did so by enhancing export controls, strengthening enforcement efforts, pursuing important international initiatives to support U.S. high-technology trade and deter proliferation, and working in support of the U.S. defense industrial base.

The heart of trade security is the U.S. system of dual-use export controls. In Fiscal Year 2004, BIS took important steps to strengthen and streamline this system of controls to facilitate legitimate trade while preventing the illicit transfer of sensitive goods and technologies. As a result, BIS reduced the average license processing time from 44 days in Fiscal Year 2003 to 36 days in Fiscal Year 2004, even though the number of applications increased by nearly 25 percent from the previous year. At the same time, BIS published new rules and worked to adapt controls to current technological and geopolitical realities, including reducing licensing requirements for the transfer of computer and microprocessor technology to eligible foreign nationals; easing restrictions for certain exports to Iraq and Libya; and imposing new restrictions on exports to Cuba and Syria.

Recognizing that, in today's world, America's security boundaries must extend beyond its national boundaries, BIS made major efforts on the international front to support U.S. non-proliferation and national security interests, while fostering U.S. exports of high-technology and other sensitive items in a manner consistent with America's security needs. For example:

- BIS played a leading role in the development, launch, and conclusion of the first phase of the Next Steps in Strategic Partnership (NSSP) with India, a Presidential initiative that sets forth bilateral reciprocal steps to expand cooperation in civilian space activities, civilian nuclear matters, high-technology activities, and missile defense. The conclusion of the first phase of the NSSP permitted the easing of certain U.S. export control requirements for exports to India while also enhancing U.S. nonproliferation objectives.

- The United States and India also made substantial progress on advancing bilateral high-technology trade through the High Technology Cooperation Group (HTCG). During Fiscal Year 2004, the two sides held discussions under the HTCG to address export controls, market access, trade barriers, and outreach to industry. They also convened two public-private forums in conjunction with industry to discuss cybersecurity, data privacy, and defense technology issues.
- Another significant accomplishment in the international sphere was an agreement between BIS and the Ministry of Commerce of the People's Republic of China on procedures to strengthen end-use visit cooperation. By increasing confidence that U.S. exports of sensitive goods are being used by the licensed recipient for the licensed use, this agreement should open the way to increased U.S. exports and enhanced U.S. security.
- Elsewhere on the international front, BIS worked with major transshipment hubs, such as Hong Kong, Singapore, and Panama, to strengthen their ability to facilitate legitimate trade in sensitive goods and technologies, while seeking to ensure that these items do not end up in the wrong hands.
- BIS also continued its successful program of technical exchanges to help other countries build effective export control systems, managing and coordinating 86 bilateral technical exchanges with 22 countries around the world.

In addition to these important regulatory and policy accomplishments, BIS continued to enforce U.S. export control laws vigorously by effectively targeting its resources on the most sensitive commodities and the end-users of greatest concern. In Fiscal Year 2004, BIS closed 66 administrative enforcement cases, up from 34 in Fiscal Year 2003, and imposed fines in excess of \$5.9 million, up from \$4.1 million in Fiscal Year 2003. BIS investigations also led to 28 criminal convictions, and the imposition of \$2.9 million in criminal fines. To support its international and enforcement missions, BIS strengthened its export control attaché program by placing new attachés in Hong Kong and New Delhi, in addition to the attachés already serving in Abu Dhabi, Beijing, and Moscow.

Outreach to industry is a critical element of BIS's efforts to promote trade and security. During Fiscal Year 2004, BIS enhanced the role of the President's Export Council Subcommittee on Export Administration (PECSEA) and the Technical Advisory Committees in the development of policy and sought increased input from the public on BIS programs and initiatives. BIS also conducted 50 domestic seminars for industry on U.S. export control requirements, 52 sector-specific programs, three Business Executive Enforcement Training programs, and two overseas seminars, all kicked off by BIS's annual Update Conference.

Outside of export controls, BIS worked with U.S. industry on a broad array of trade and security-related issues. BIS continued to ensure U.S. industry compliance with the Chemical Weapons Convention and played a major role in preparing for implementation of the Additional Protocol to the U.S.-International Atomic Energy Agency Safeguards Agreement. BIS also exercised its authority under the Defense Priorities and Allocations System to expedite the delivery of defense

articles needed to help facilitate elections in Afghanistan and support operations in Iraq, including key materials for body and vehicle armor. Further, BIS helped U.S. companies secure \$7.2 billion in contracts to supply foreign governments with defense articles, including sales of naval combat systems to Australia, security and chemical protection equipment to Greece for the Olympics, and maritime helicopters to Canada.

Fiscal Year 2004 was a year of achievement for BIS in its mission of helping make Americans more prosperous and more secure. These accomplishments set the stage for new initiatives at the intersection of industry and security, in the year to come.



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