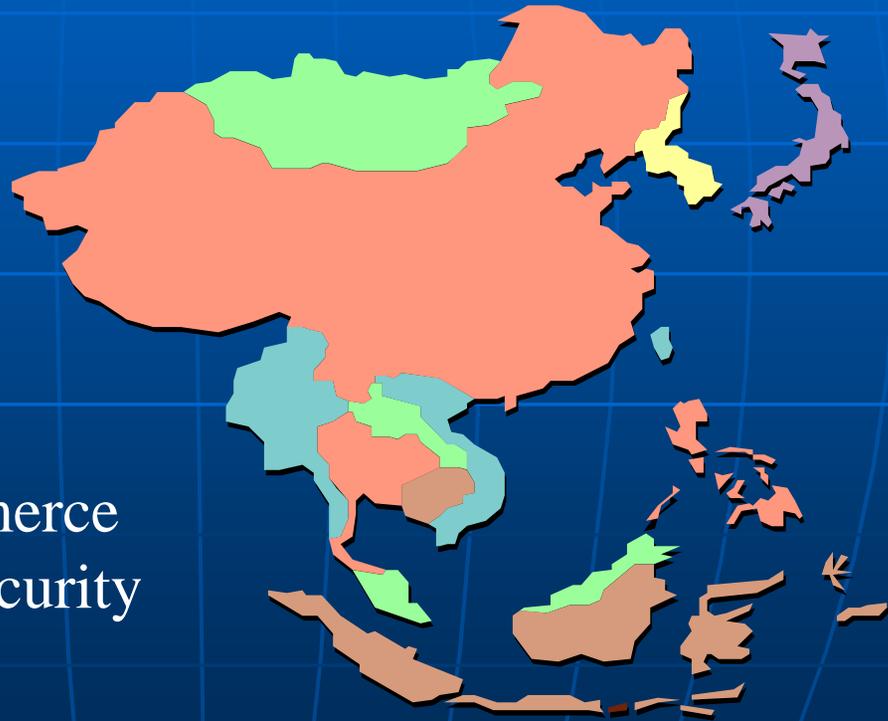


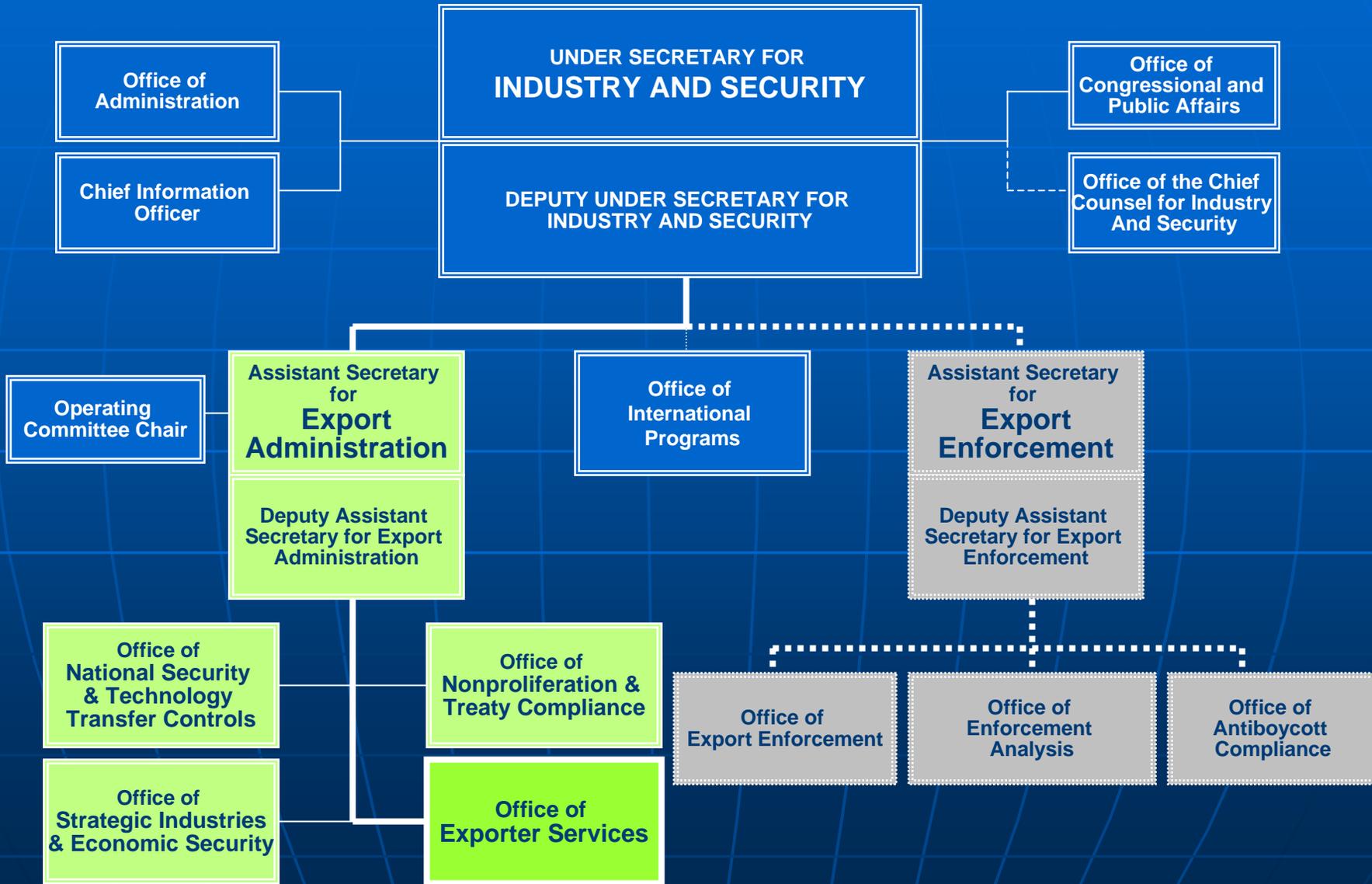
China Risk, Regulations & Rewards: US Export Controls



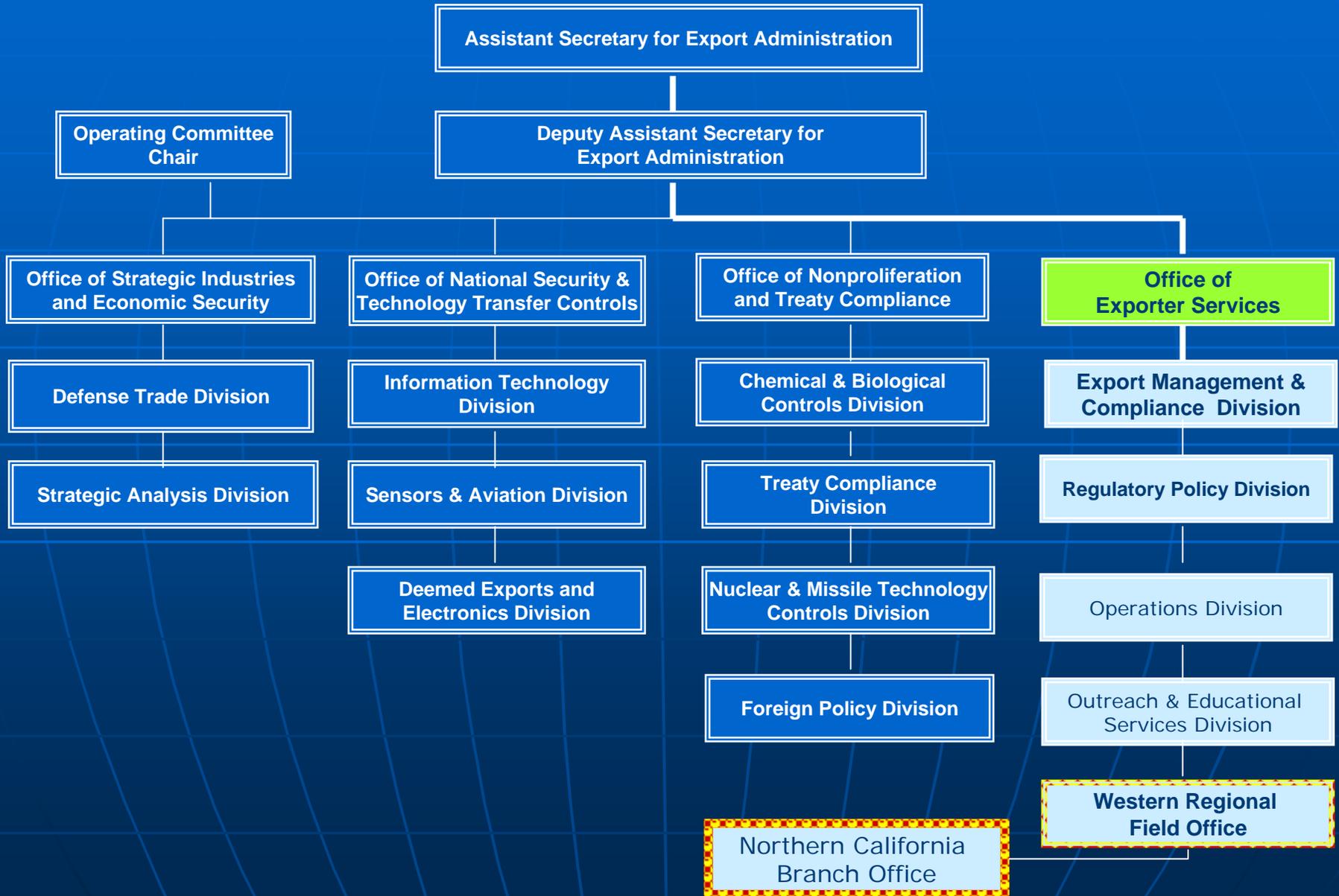
Jo Allyn Scott
U.S. Department of Commerce
Bureau of Industry and Security

March 22, 2007
Oakland, CA

U.S. DOC ~ Bureau of Industry and Security



BIS - Export Administration



BIS Mission

To advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology

History of Export Controls

Sept 5, 1774: the First Continental Congress convened in Philadelphia, and the following December the Congress declared the importation of British goods to be illegal.

12 months later, the Congress outlawed the export of goods to Great Britain, thus establishing the first U.S. export controls.



**Export Controls used to be easier
because our adversaries were clearly defined.**

Now the nature of our adversaries makes controls more difficult.



Designated Terrorist Countries

- Embargoed: *Cuba, Iran, Sudan*
- Not Embargoed: *Syria, North Korea*

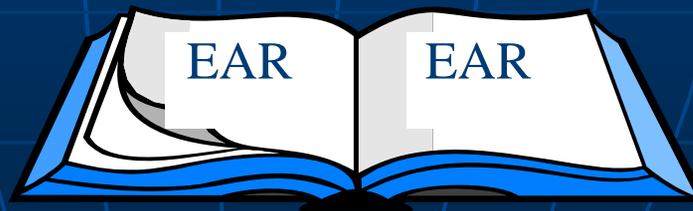
- 👤 Drug Traffickers
- ◆ Designated Terrorist Entities
- ☞ Weapons Proliferating Entities

- OFAC's SDNs
- BIS denied persons
- State's sanctioned entities

“conceptual representation only”

Export Administration Regulations (EAR)

- Designed to implement the Export Administration Act
- Apply to “dual use” items
 - Items that can be used in both commercial and military/strategic applications
 - Also apply to items that have solely civil uses



INK PENS to NUCLEAR EXPLOSIVES



0 40 80 120 160 200 meters

Scale 1 pixel = ~1 meter

We Control Exports for:

- National Security
- Foreign Policy
 - Anti-terrorism
 - Crime control
 - Regional Stability
- Non Proliferation
 - Nuclear non-proliferation
 - Chemical/biological weapons
 - Missile technology

Multilateral Basis

The U.S. prefers to use multilaterally adopted controls, but will use unilateral controls when necessary to further U.S. policies

Examples of multilateral cooperation:

Wassenaar Arrangement

Missile Technology Control Regime (MTCR)

Nuclear Suppliers Group (NSG)

Australia Group [chem/bio] (AG)

BIS WORKS WITH OTHER U.S. GOVERNMENT AGENCIES

- U.S. Dept. of State
- U.S. Dept. of Defense
- U.S. Dept. of Energy
- U.S. Dept. of Justice
- U.S. Dept. of Treasury
- Nuclear Regulatory Commission

How do I know what my regulatory requirements are?

- Depends *primarily* on what you are exporting and what country it is going to

e.g. chemical weapons
precursors

Highly sensitive
items require a
license to most
or all countries

e.g. semiconductor
manufacturing
equipment

Sensitive items require a
license to many
countries

e.g. food
and
clothing

Non-sensitive items require a
license to a small number of
countries

Commerce Control List

(Part 738 and Part 774, Supplement No. 1)

- Contains lists of items subject to licensing authority of BIS
- Each entry is called Export Control Classification Number (ECCN)
- Items listed in terms of technical parameters
- Lists reasons for control for each ECCN
- Used in conjunction with country chart to determine export licensing requirements

Product/Country License Determination

Commerce Control List Categories

0 = Nuclear materials, facilities and equipment
& miscellaneous items

1 = Materials, Chemicals, Microorganisms & Toxins

2 = Materials Processing

3 = Electronics

4 = Computers

5 part I = Telecommunications

5 part II = Information Security

6 = Sensors & Lasers

7 = Navigation & Avionics

8 = Marine

9 = Propulsion Systems, Space Vehicles
& Related Equipment



Five Product Groups

- A. Systems, Equipment and Components
- B. Test, Inspection & Production Equipment
- C. Material
- D. Software
- E. Technology

CATEGORY 4 - COMPUTERS

A. SYSTEMS, EQUIPMENT AND COMPONENTS

4A001 Electronic computers and related equipment, and "electronic assemblies" and specially designed components therefor.

License Requirements

Reason for Control: NS, MT, AT, NP, XP

Control(s)

NS applies to entire entry

Country Chart

NS Column 2

MT applies to items in 4A001.a when the parameters in 4A101 are met or exceeded

MT Column 1

AT applies to entire entry

AT Column 1

License Exceptions:

List of Items Controlled:

N.B: For the control status of “software” specially designed for packet switching, see ECCN 5D001. (Telecommunications).

Note 3: Computers, related equipment and “software” performing cryptographic, cryptoanalytic, certifiable multi-level security or certifiable user isolation functions, or that limit electromagnetic compatibility (EMC), must also be evaluated against the performance characteristics in Category 5, Part 2 (“Information Security”).

A. SYSTEMS, EQUIPMENT AND COMPONENTS

4A001 Electronic computers and related equipment, and “electronic assemblies” and specially designed components therefor.

License Requirements

Reason for Control: NS, MT, AT, NP

<i>Control(s)</i>	<i>Country Chart</i>
NS applies to entire entry	NS Column 2
MT applies to items in	MT Column 1

License Exceptions

LVS: \$5000 for 4A001.a; N/A for MT and 4A001.b
GBS: N/A
CIV: N/A

List of Items Controlled

Unit: Equipment in number; parts and accessories in \$ value

Related Controls: See also 4A101 and 4A994. Equipment designed or rated for transient ionizing radiation is subject to the export licensing authority of the U.S. Department of State, Directorate of Defense Trade Controls. (See 22 CFR part 121.)

Related Definitions: For the purposes of integrated circuits in 4A001.a.2, 5×10^3 Gy(Si) = 5×10^5 Rads (Si); 5×10^6 Gy (Si)/s = 5×10^8 Rads (Si)/s.

Items:

a. Specially designed to have either of the following characteristics:

a.1. Rated for operation at an ambient temperature below 228 K (-45°C) or above 358 K (85°C);

Note: 4A001.a.1. does not apply to computers

Commerce Country Chart

Reason for Control

Countries	Chemical & Biological Weapons			Nuclear Nonproliferation		National Security		Missile Tech	Regional Stability		Firearms Convention	Crime Control			Anti-Terrorism	
	CB 1	CB 2	CB 3	NP 1	NP 2	NS 1	NS 2	MT 1	RS 1	RS 2	FC 1	CC 1	CC 2	CC 3	AT 1	AT 2
	Afghanistan	X	X	X	X		X	X	X	X	X		X		X	
Albania	X	X		X		X	X	X	X	X		X	X			
Algeria	X	X		X		X	X	X	X	X		X		X		
Andorra	X	X		X		X	X	X	X	X		X		X		
Angola	X	X		X		X	X	X	X	X		X		X		
Antigua & Barbuda	X	X		X		X	X	X	X	X	X	X		X		
Argentina	X					X	X	X	X	X	X	X		X		
Armenia	X	X	X	X		X	X	X	X	X		X	X			
Aruba	X	X		X		X	X	X	X	X		X		X		
Australia	X					X		X	X							
Austria	X					X		X	X	X		X		X		
Azerbaijan	X	X	X	X		X	X	X	X	X		X	X			
Bahamas, The	X	X		X		X	X	X	X	X	X	X		X		
Bahrain	X	X	X	X		X	X	X	X	X		X		X		

End uses of concern

- Nuclear weapons
- Chemical and biological weapons
- Missiles
- Support of these activities by a U.S. person



End users of concern

- Denied Persons List
- Specially Designated Nationals List
- Entity List
- Unverified End Users



Export Licenses by Destination

FY06 (10/01/05 – 09/30/06)*

	Approved	Denied	RWAd	TOTAL
1 China	1429 (77%)	47 (3%)	370 (20%)	1846
2 Japan	836 (93%)	0	62 (7%)	898
3 India	539 (72%)	33 (4%)	173 (23%)	745
4 Taiwan	683 (93%)	0	53 (7%)	736
5 Canada	604 (87%)	0	90 (13%)	694

*not official figures

The United States and China Economic Interdependence

1978 ... \$2.5 Billion in Two-way Trade

2005 ... \$229 Billion in Two-way Trade

More than a 9000% Increase

Deemed Exports/Reexports

- Release of technology and source code to foreign national in the U.S. or abroad
 - Considered to be an export to that person's home country
 - Does not apply to U.S. Citizens, individuals granted permanent resident status, or protected individuals

2006 Deemed Export Statistics

- Almost 60% of the deemed export licenses processed were for PRC foreign nationals.
- PRC is followed in descending order by foreign nationals from India (13%), Iran (7%), Russia (2%), Germany (2%) and UK (1%).



EXPORTER RESOURCES

- [Search](#)
- [What's New](#)
- [Export Control Basics](#)
- [FAQs on Export Licensing](#)
- [Guidance on Reexports](#)
- [Lists To Check](#)
- [Advisory Opinions](#)
- [On-Line Submissions](#)
- [Report Suspected Violations](#)
- [Reading Room](#)

Email Notification Services
[Web Site Changes](#) | [Seminars](#)

Resource Links

[ExpectMore.gov](#) NEW

EXPORT GUIDELINES

Tuesday - February 27, 2007



On February 22-23, the United States and India held the fifth full meeting of the U.S.-India High Technology Cooperation Group in Washington February 22-23. Seen here with the delegatons are the co-chair on the Indian side, Foreign Secretary Shivshankar Menon, and Deputy Secretary David Sampson, leading the U.S. delegation. The Department of Commerce made a significant announcement when it introduced the Trusted Customer program first announced by President Bush during his visit to India in March 2006.
[Presentation](#)

IN THE NEWS

February 26, 2007

BIS publishes an Advance Notice of Proposed Rulemaking on Country Group C: Destinations of Diversion Concern. Comments are due no later than close of business March 12, 2007.

BIS PUBLICATIONS

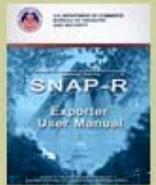


[BIS Annual Report 2006](#)



[Export Administration Regulations](#)

[Go Directly to Commerce Control List](#)



[Exporter User Manual](#)

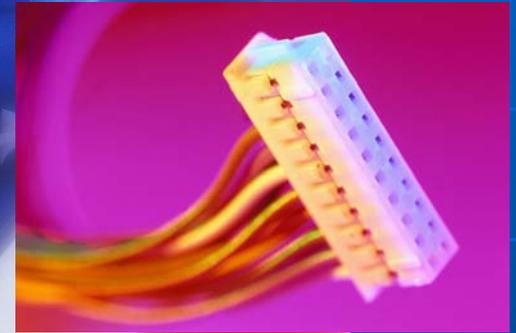


Who to Call for Assistance

- Export Administration Offices:
 - Northern California (408) 291-4212
 - Southern California (949) 660-0144
 - Washington, D.C. (202) 482-4811

- Export Enforcement Offices:
 - Northern California (408) 291-4204
 - Southern California (949) 251-9001
 - Nationwide (800) 424-2980

WORK WITH US TO HELP ENSURE A STRONGER AMERICA



Contact Information

Jo Allyn Scott

E-mail: jscott@bis.doc.gov

Ph: 408-291-4212

Fax: 408-291-4320

The Export Administration Regulations are subject to change at any time so the material on these slides is may become outdated.

We request that you use these slides for internal company training purposes only.