



U.S. DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY

Export Control Reform Update: Enhancing Interoperability and Industrial Cooperation

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Export Control Reform Resources: www.bis.doc.gov

Topics



- Our Defense Trade and Industrial Base Mission
- Export Control Reform Update
 - Reducing Jurisdiction and Classification Confusion
 - Tailoring Controls/No More 1-Size-Fits All Approach
 - Enhancing Interoperability/Cooperation with Allies
 - Promoting Greater Efficiency in Business Operations

Office of Strategic Industries and Economic Security



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Defense Programs Division

- Defense Priorities and Allocations System/ Security of Supply
- Emergency Preparedness/Continuity of Operations
- National Defense Stockpile Market Impact Committee
- NATO Industrial Resources and Communications Services Working Group

Munitions Control Division

- 600 Series Policy
- 600 Series Licensing/Classifications/Determinations
- 600 Series Compliance/Outreach

Strategic Analysis Division

- Committee on Foreign Investment in the United States
- Defense Policy (Advocacy, Excess Defense Articles, International Agreements, Offshore FMS/FMF Waivers)
- Offsets in Defense Trade
- NATO International Competitive Bidding Certification

Export Control Reform



- To enhance national security, the Administration determined that the export control system needed to be reformed to:
 - Increase interoperability with NATO and other close allies;
 - Reduce the current incentives for companies in non-embargoed countries to design out or avoid US-origin content; and
 - Allow the Administration to focus its resources on the transactions of greater concern.

Primary Export Control Regulations



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International Traffic in Arms Regulations (ITAR)

- Administered by U.S. Dept. of State, Directorate of Defense Trade Controls
- 22 C.F.R. Parts 120-130
- Covers **defense articles** (commodities, software, and technical data) and defense services



Export Administration Regulations (EAR)

- Administered by U.S. Dept. of Commerce, Bureau of Industry and Security
- 15 C.F.R. Parts 730-774
- Historically covered mostly commercial and dual-use commodities, software, and technology; some services related to proliferation
- **Now also includes less-sensitive military items and commercial spacecraft items**

Export Control Reform



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Framework:

- Items providing a significant military or intelligence capability are listed on the USML, which is now a more “positive” list.
- Military items no longer listed on the USML are subject to the EAR’s “600 series.”
- Commercial spacecraft items no longer on the USML are listed in the EAR’s 9x515 ECCNs.
- When items cannot be positively enumerated, they will be described using the defined term “specially designed.”

License Requirements:

- Licenses from BIS will still be required to export or reexport most 600 series items worldwide (minus Canada), **unless an EAR license exception is available.**

Export Control Reform Status



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USML Category	ECCNs	Status
I: Firearms	0x601	Proposed rule TBD
II: Artillery	0x602	Proposed rule TBD
III: Ammunition	0x603	Proposed rule TBD
IV: Launch Vehicles/Missiles	0x604 9x604	Final rule Jan. 2, 2014; Effective July 1, 2014
V: Explosives/Propellants	1x608	Final rule Jan. 2, 2014; Effective July 1, 2014
VI: Vessels of War	8x609	Final rule July 8, 2013; Effective Jan. 6, 2014
VII: Tanks/Military Vehicles	0x606	Final Rule July 8, 2013; Effective Jan. 6, 2014
VIII: Aircraft	9x610	Final rule Apr. 16, 2013; Effective Oct 15, 2013 Proposed Revision Rule Feb. 9 2016, Comments due Mar. 25, 2016
IX: Training Equipment	0x614	Final rule Jan. 2, 2014; Effective July 1, 2014
X: Personal Protective Equip.	1x613	Final rule Jan. 2, 2014; Effective July 1, 2014
XI: Electronics	3x611 9x620	Final rule July 1, 2014; Effective Dec. 30, 2014

Export Control Reform Status



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USML Category	ECCNs	Status
XII: Sensors/Night Vision	6x615 7x611	Proposed rule May 5, 2015 Proposed Revision Rule Feb. 19 2016, Comments due Apr. 4, 2016
XIII: Miscellaneous	0x617	Final rule July 8, 2013; Effective Jan. 6, 2014
XIV: Toxicological Agents	1x607	Proposed rule June 17, 2015
XV: Spacecraft/Satellites	9x515	Interim final rule May 13, 2014 Effective June 27, 2014 (for rad-hard ICs) Effective Nov. 10, 2014 (for all other items)
XVI: Nuclear	N/A	Final rule Jan. 2, 2014; Effective July 1, 2014
XVII: Classified	N/A	Final rule Apr. 16, 2013; Effective Oct 15, 2013
XVIII: Directed Energy Weapons	6x619	Proposed rule June 17, 2015
XIX: Gas Turbine Engines	9x619	Final rule Apr. 16, 2013; Effective Oct 15, 2013 Proposed Revision Rule Feb. 9 2016, Comments due Mar. 25, 2016
XX: Submersible Vessels	8x620	Final rule July 8, 2013; Effective Jan. 6, 2014
XXI: Not Enumerated	N/A	Final rule Apr. 16, 2013; Effective Oct 15, 2013

Example: USML Category VIII and ECCN 9A610



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<p>Revised USML</p> <p>“A More Positive List”</p>	<p>Commerce Control List 600 Series</p>		
	<p><u>(“.a-w” items)</u></p> <p>Specifically enumerated end-items, “parts,” “components,” “accessories,” & “attachments”</p>	<p><u>(“.x” items)</u></p> <p>“Specially designed” “parts,” “components,” “accessories,” and “attachments”</p>	<p><u>(“.y” items)</u></p> <p>Specifically enumerated commodities (primarily “parts,” “components,” “accessories,” and “attachments”) that are “specially designed”</p>
	 		 
<ul style="list-style-type: none"> • F-15, F-16 • Assembled engines • Weapons pylons • Mission systems • Bomb racks • Missile launchers • Fire control computer • Fire control Radar 	<ul style="list-style-type: none"> • Aircrew life support and safety equipment • Parachutes/paragliders • Controlled opening equipment of automatic piloting systems, designed for parachuted loads • T-1 Aircraft 	<ul style="list-style-type: none"> • Wings, Rudder, Fin, Panels • Fuselage – forward, center, aft • Cockpit structure • Forward equipment bay • Control surfaces, activation and control systems 	<ul style="list-style-type: none"> • Aircraft tires • Hydraulic system filters • Hydraulic and fuel hoses, fittings, clips, couplings, brackets • Cockpit panel knobs, switches, buttons, dials

Enhancing Interoperability/ Industrial Cooperation



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- Most 600 series items require a license to all countries except Canada, **but many are eligible for license exceptions**
- This avoids the need for prior approval from the U.S. Government for transactions of less concern, such as trade with allies

Enhancing Interoperability/ Industrial Cooperation



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- Most 600 series items eligible for License Exception Strategic Trade Authorization (STA)
- Allows for license-free exports and reexports to 36 countries (**including Japan**) for ultimate end use by the country's armed forces, police, paramilitary, law enforcement, customs, correctional, fire, or search/rescue agency, or for return to the United States

Online Web Tool, How to Use License Exception STA
www.bis.doc.gov

Greater Business Efficiency



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- If a 600 series item needs to be serviced in the U.S., non-U.S. company may ship item without having to alert the U.S. company to obtain a temporary import authorization
- Most 600 series parts/components may be exported under a license exception to replace defective or worn parts/components abroad, as well as to return items serviced in the U.S. to non-U.S. customers

Greater Business Efficiency



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- If a customer requests a sample 600 series commodity, it is possible to export the sample without needing a license. Shipments of most 600 series items valued at \$1,500 or below may be exported under a license exception to many destinations
- If a U.S. reexport license is required, no purchase order is required to be submitted with the application. Companies may anticipate future business opportunities in requesting authorization from the U.S. Government, which reduces need for future licenses

Applying for a BIS License



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- Free online submission system (SNAP-R); no cost associated with license application
- Default four-year validity period
- May export or reexport to *and* among end users listed on license
- No purchase order required
- No large agreements to draft or lengthy agreement guidelines to follow
- May pre-position applications prior to effective date of applicable final rule

Impact



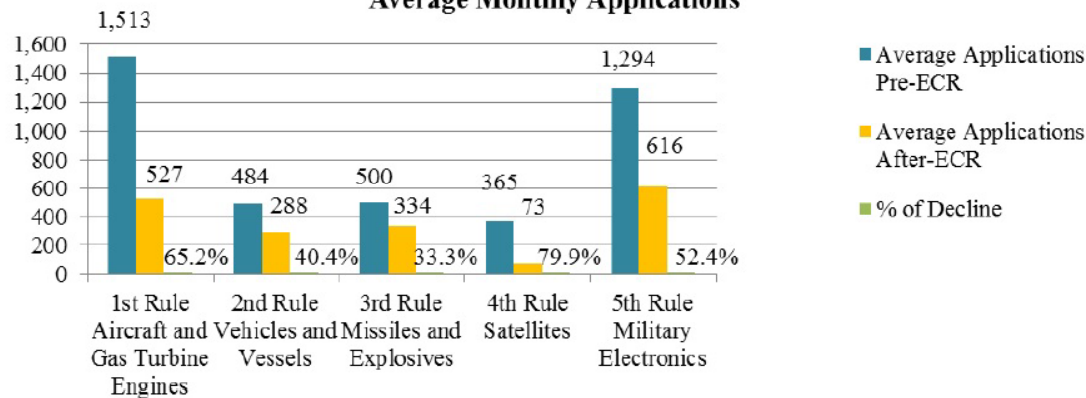
- From October 2013 through September 2015:
 - 55% reduction in license volume at the Department of State for the newly implemented USML categories
 - Over 22,000 license applications submitted to BIS for items that have moved from the USML to the CCL
 - Over 180,000 shipments valued at \$6.2 billion in exports have been shipped under BIS authorizations

ECR License Trend Comparison



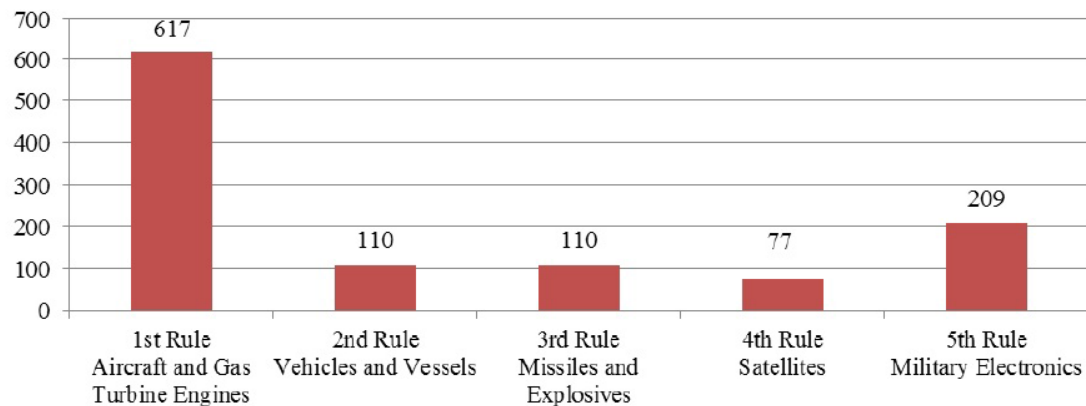
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DDTC License Trends by ECR Transition Rules
October 15, 2013 to September 30, 2015
Average Monthly Applications



Source: the Directorate of Defense Trade Controls of the U.S. Department of State, October 2015.

BIS Average Monthly Applications by ECR Transition Rules
October 15, 2013 to September 30, 2015



Top 10 Destinations - Licenses



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600 Series and 9x515 Items (10/2013-9/2015)

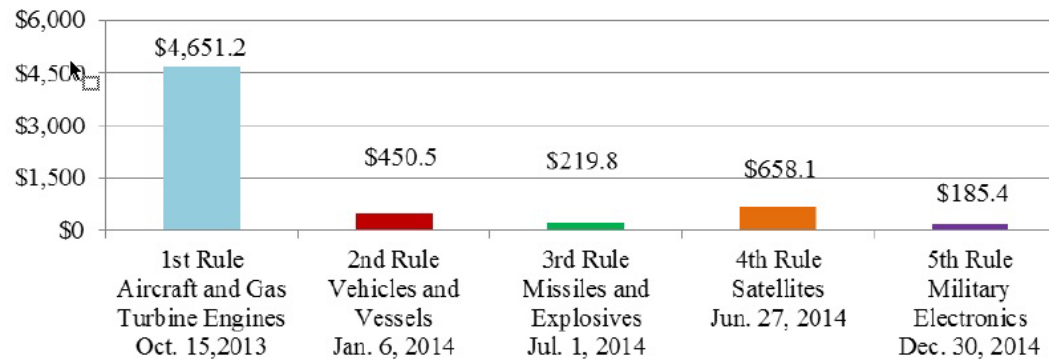
<u>Country</u>	<u>Processed Licenses</u>
Japan	2,251
United Kingdom	1,852
South Korea	1,126
Germany	848
United Arab Emirates	754
Italy	655
Saudi Arabia	622
Israel	607
France	605
Brazil	601

Statistics of U.S. ECR Exports

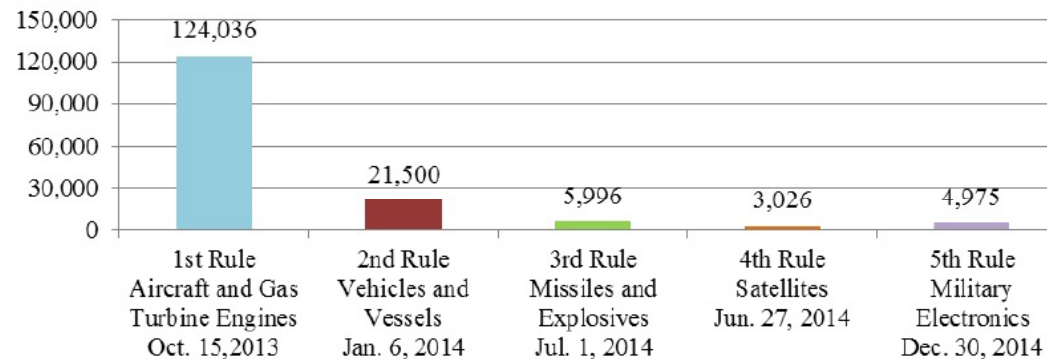


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**The U.S. Exports of 600-Series and 9x515 Items by ECR Rules
under BIS Jurisdiction
Effective Date to September 30, 2015
Smillion**



**The U.S. Exports of 600-Series and 9x515 Items by ECR Rules
under BIS Jurisdiction
Effective date to september 30, 2015
Transaction Counts**



Top Destinations of ECR Exports



600 Series and 9x515 Items (10/2013-9/2015)

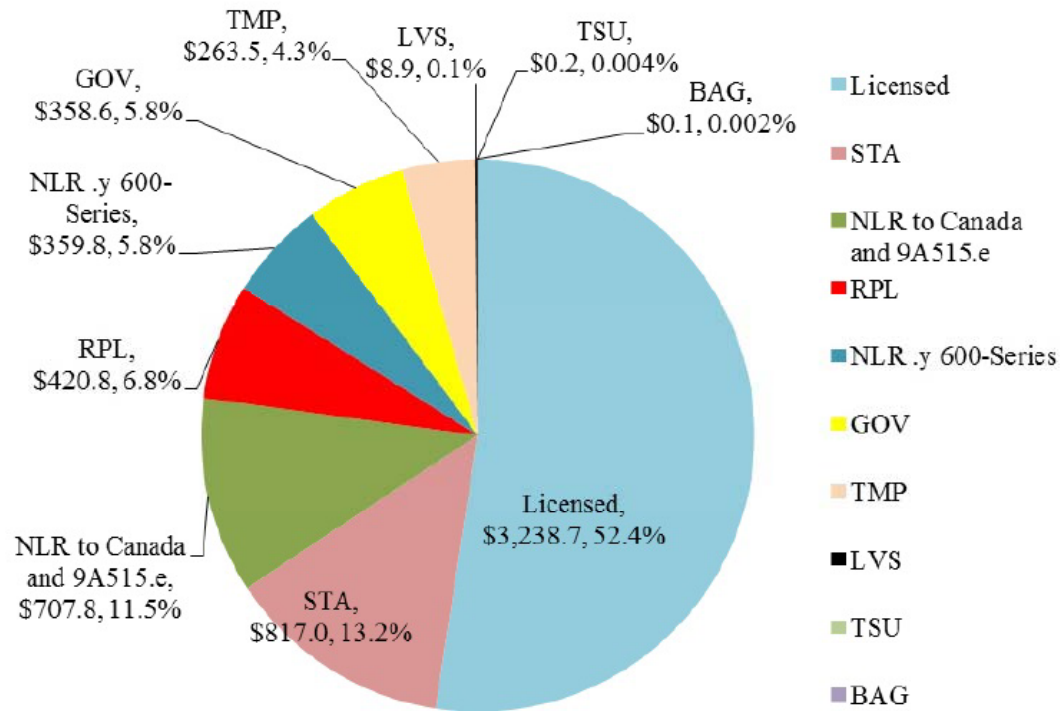
<u>Country</u>	<u>% of Total Count</u>	<u>% of Total Value</u>
Japan	9%	16.60%
Canada	7.20%	10.70%
South Korea	7.30%	8.30%
United Kingdom	10.90%	7.20%
French Guiana	0.00%	5.60%
Israel	4.90%	4.70%
Germany	3.70%	3.50%
Singapore	3.80%	3.00%
Italy	3.00%	2.90%
United Arab Emirates	3.30%	2.50%
<i>Top Ten/Total</i>	<i>53.10%</i>	<i>65.10%</i>

Exports by Authorization Type



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The U.S. Exports of 600-Series and 9x515 Items
by BIS License Type
October 15, 2013 to September 30, 2015
Smillion



Top Destinations of ECR Items



Exported Under STA License Exception

(10/2013-9/2015)

<u>Country</u>	<u># of Shipments</u>	<u>Value \$ Million</u>
Japan	3,038	\$358.00
South Korea	1,947	\$128.60
United Kingdom	968	\$55.60
Turkey	754	\$20.50
Netherlands	639	\$14.10
Australia	475	\$57.60
Italy	467	\$18.20

Contact Information



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