



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

Export Control Reform Update: Enhancing Interoperability and Industrial Cooperation

Michael Vaccaro
Director

Office of Strategic Industries and Economic Security
Bureau of Industry and Security

Michael.Vaccaro@bis.doc.gov

202-482-8232

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

Topics



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- Our Defense Trade and Industrial Base Mission
- Export Control Reform Update
- Licensing Impact/Trends

Office of Strategic Industries and Economic Security



U.S. DEPARTMENT OF COMMERCE
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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

Primary U.S. 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
Control
Reform

A yellow oval containing the text 'Export Control Reform' is connected by a vertical line to the text 'defense articles' in the ITAR list. Two horizontal arrows originate from the oval: one points to the right towards the EAR list, and another points to the right towards a large, light-blue arrow shape that spans the gap between the two main content boxes.

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**

Primary U.S. Export Control Regulations



International Traffic in Arms Regulations (ITAR)

- U.S. Munitions List (USML)
 - Describes, as specifically as possible, those items providing a critical military or intelligence capability
- Applies to exports, reexports, and retransfers, as well as temporary imports into the U.S.
- “See-through” rule for most U.S.-origin ITAR content incorporated in non-U.S. made item
- License generally always required, regardless of type of item or destination

Export Administration Regulations (EAR)

- Commerce Control List (CCL)
 - Describes dual-use items (including 9x515 spacecraft items)
 - Describes less-sensitive military items (600 series items)
- Applies to exports and reexports, as well as some in-country transfers; does not apply to temporary imports into the U.S.
- Application of *de minimis* for most U.S.-origin EAR content incorporated in non-U.S. made item
- License required based on four factors: type of item, country of destination, end use, end users

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

Status



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USML Category	ECCNs	Status
XII: Sensors/Infrared/Lasers	7x611	Second proposed rule Feb. 19, 2016
XIII: Miscellaneous	0x617	Final rule July 8, 2013; Effective Jan. 6, 2014
XIV: Toxicological Agents	1x607	Final rule July 28, 2016; Effective Dec. 31, 2016
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	Final rule July 28, 2016; Effective Dec. 31, 2016
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

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 (**including South Korea**)

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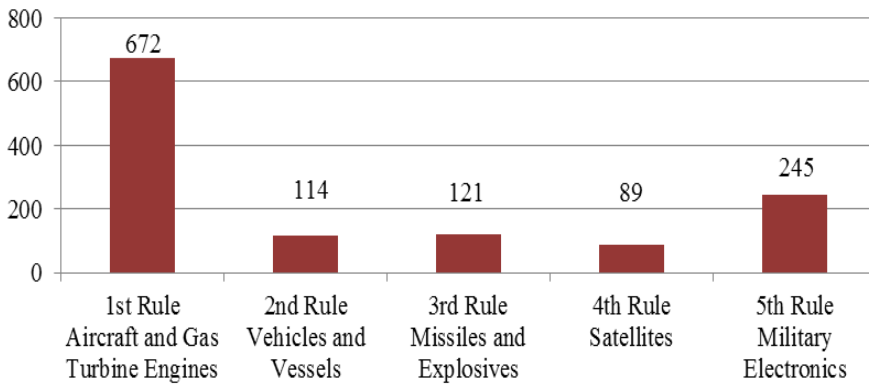
- Free online submission system (SNAP-R); no cost associated with license application
- Default four-year validity period
- May export or reexport to *and* among end users listed on license
- No purchase order required
- No large agreements to draft or lengthy agreement guidelines to follow
- May pre-position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

ECR License Trend Comparison

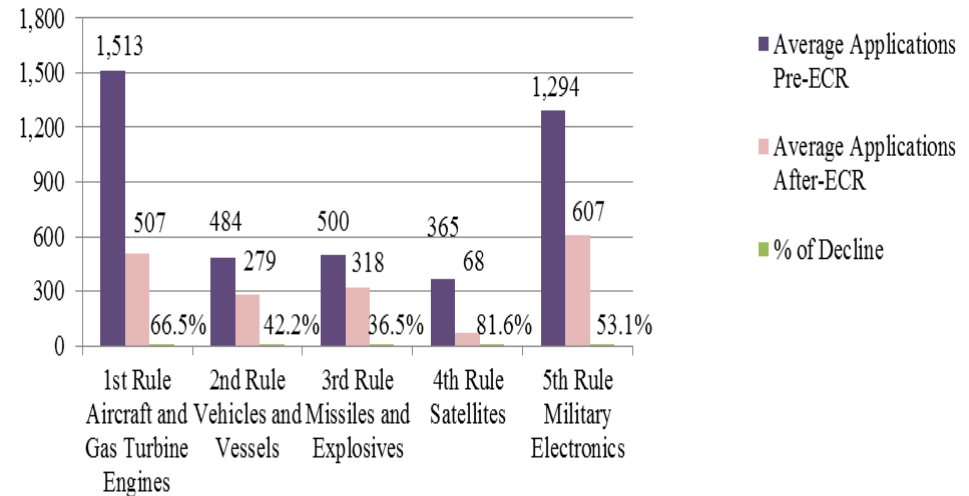


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BIS Average Monthly Applications by ECR Transition Rules
October 15, 2013 to July 31, 2016



DDTC License Trends by ECR Transition Rules
October 15, 2013 to July 31, 2016
Average Monthly Applications

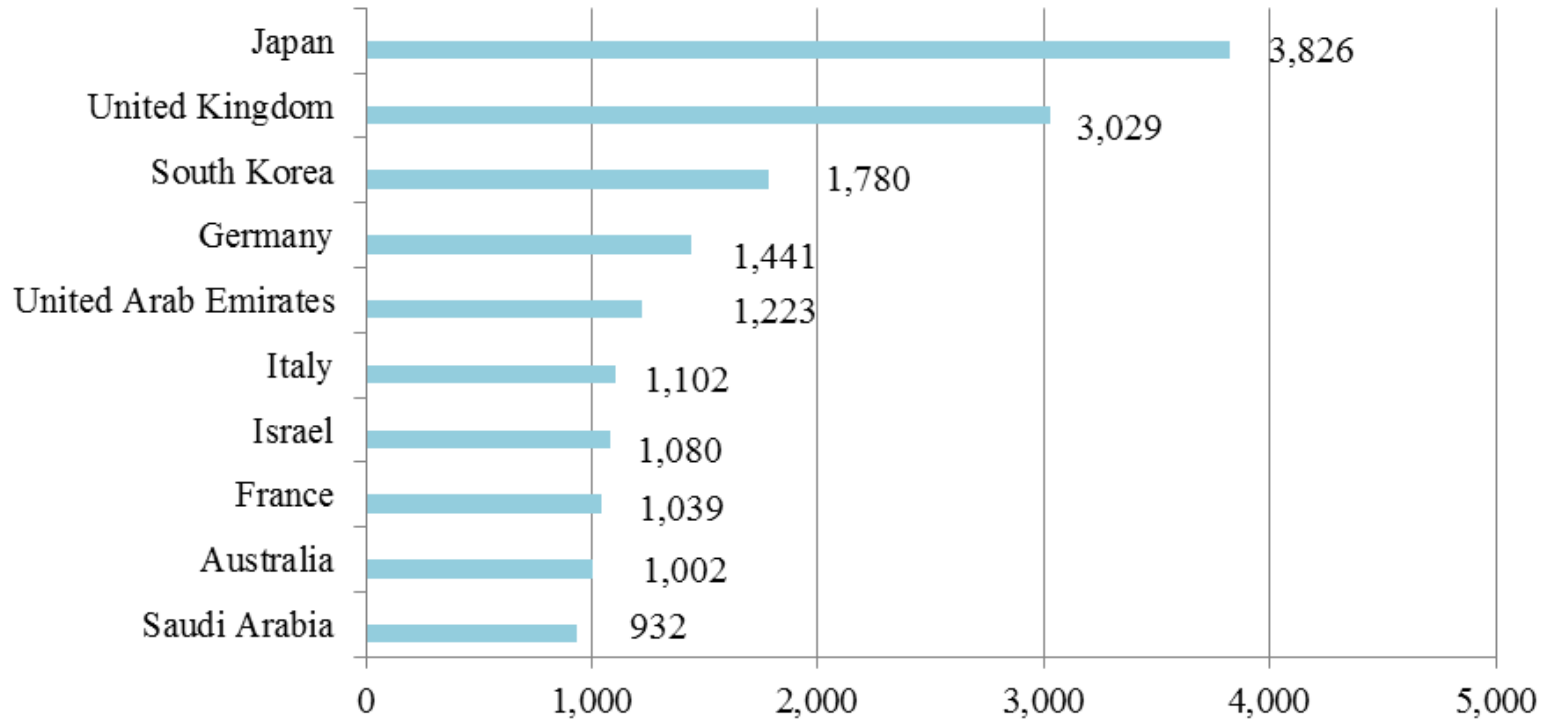


Leading Destinations



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**Top Ten Destinations of BIS Approved Licenses for 600-Series and 9x515 Items by Count
October 15, 2013 - July 31, 2016**



Top Destinations of ECR Exports



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600 Series and 9x515 Items (10/2013-7/2016)

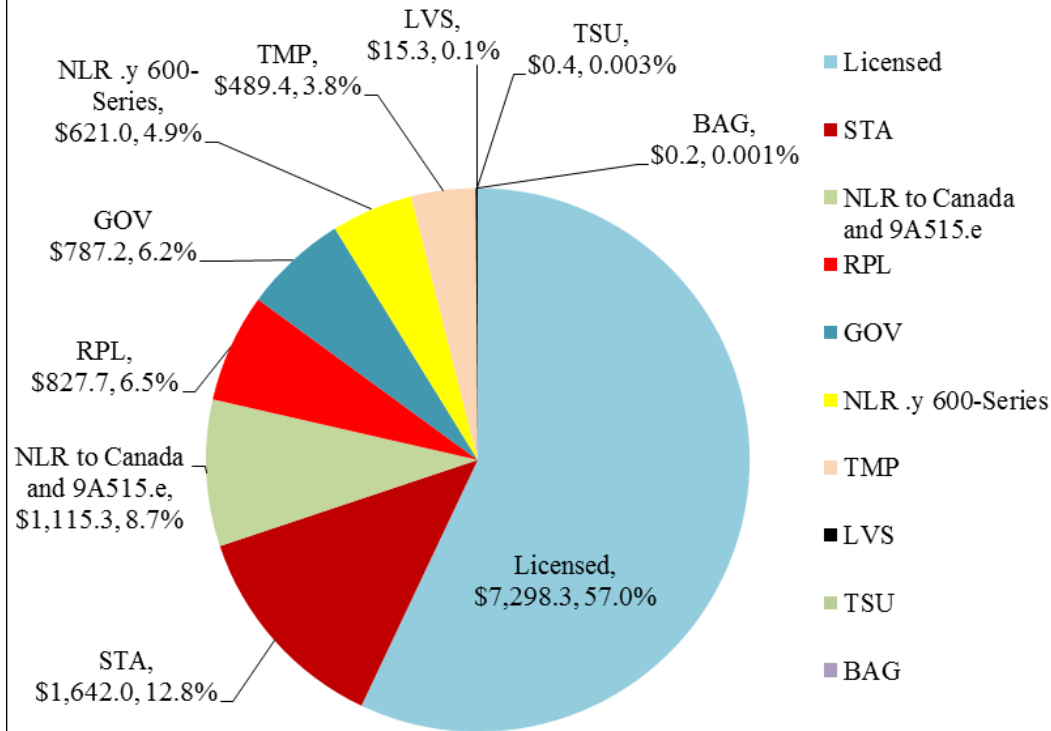
<u>Country</u>	<u>% of Total Count</u>	<u>% of Total Value</u>
Japan	10.2%	14.8%
French Guiana	0.0%	10.0%
Canada	9.1%	9.2%
United Kingdom	11.0%	7.1%
South Korea	7.7%	6.4%
Mexico	4.3%	4.1%
France	2.3%	3.7%
Israel	4.2%	3.2%
Germany	4.4%	3.1%
United Arab Emirates	4.0%	2.8%
<i>Top Ten/Total</i>	<i>57.2%</i>	<i>64.6%</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 July 31, 2016
\$million



Resources



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- Online Web Tools
 - Order of Review Decision Tree: Is your item controlled under ITAR or EAR?
 - Is your item “Specially Designed”?
 - License Exception STA
 - De Minimis and Direct Product Rule
- Webinars

<http://www.bis.doc.gov>

Resources



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- Export Control Reform Resources
Sign up for e-mail notifications
<http://www.bis.doc.gov>
- Monthly public reports on Export Control Reform licensing and export trends/Strategic Trade Authorization use
<http://www.bis.doc.gov/index.php/ecr-analysis>
- Export Control Reform Frequently Asked Questions
<http://www.bis.doc.gov/index.php/2012-03-30-17-54-11/ecr-faqs>