

Export Control Program Description and Licensing Policy

These controls reflect U.S. opposition to acts of international terrorism supported by a foreign government.

Pursuant to Section 6(j) of the Export Administration Act, the Secretary of State has designated seven countries -- Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria -- as nations whose governments have repeatedly provided support for acts of international terrorism. As noted below, Commerce controls multilateral list items destined to military or other sensitive end-users in designated terrorist countries for anti-terrorism reasons under Section 6(j) of the Act.

Commerce also controls additional items to Iran, Sudan and Syria for anti-terrorism reasons under the general authority of Section 6(a) of the Act.

The Department of the Treasury maintains comprehensive trade embargoes against Cuba, Libya, Iran, Iraq, North Korea and Sudan under other provisions of law. To avoid duplicate licensing requirements, Commerce and Treasury have allocated licensing responsibilities for exports and reexports to these countries. Broadly speaking, Commerce has licensing responsibility for exports and reexports to Cuba and North Korea and for reexports to Libya; Treasury has licensing responsibilities for exports and reexports to Iran and Iraq. Both Treasury and Commerce maintain license requirements for exports and reexports to Sudan. This report does not describe the restrictions administered by Treasury against Iran, Iraq and Sudan. See chapter 5 for a more complete discussion of controls on Cuba and North Korea and chapter 6 for a description of controls on Libya.

This chapter describes the anti-terrorism controls that apply to all designated terrorist countries, but focuses on the additional anti-terrorism controls maintained against Iran, Syria and Sudan under the EAR. This chapter also summarizes briefly a revision of the EAR which prohibits exports and certain reexports to Specially Designated Terrorists and Foreign Terrorist Organizations, wherever located.

On December 15, 1998, Commerce notified Congress, via a Foreign Policy Report, on revisions to the Export Administration Regulations to strengthen controls on exports and reexports to Specially Designated Terrorists (STDs) and Foreign Terrorist Organizations (FTOs). A license is required for all exports and reexports to STDs and FTOs by any person of items on the Commerce Control List (CCL) and for all exports and reexports by a U.S. person of an item subject to the EAR. License applications will be reviewed under a general policy of denial. The interim rule was published in the *Federal Register* on January 8, 1999.

EAA Section 6(j) determinations: The Secretary of State has determined that Libya (in 1979), Syria (1979), Cuba (1982), Iran (1984)¹, North Korea (1988), Iraq (1990) and Sudan (1993)² are countries whose governments have repeatedly provided support for acts of international terrorism.

Effective December 28, 1993, the Acting Secretary of State determined the United States would control five categories of dual-use items subject to multilateral controls to certain sensitive government end-users under Section 6(j) of the Act, 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, police or intelligence organizations or to other sensitive end-users in a designated terrorist 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 designated terrorist-list countries.

The Acting Secretary also advised that the United States should continue to control other items not specifically controlled under Section 6(j) for general foreign policy purposes under Section 6(a) to terrorist-list countries, and that the United States will continue to review the export of such items 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.

Paragraph A below reflects the Section 6(j) controls; paragraphs (B), (C) and (D) reflect 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 thirty 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, Commerce requires a license for the export of the following items to military or other sensitive end-users in designated terrorist countries:

- 1) All items subject to national security controls, except computers with a performance level of less than 500 million theoretical operations per second (MTOPS) (Wassenaar Arrangement);³
- 2) All items subject to chemical and biological weapons proliferation controls

- (Australia Group);
- 3) All dual-use items subject to missile-proliferation controls (Missile Technology Control Regime);
 - 4) All items subject to nuclear weapons-proliferation controls (Nuclear Referral List); and
 - 5) All military-related items (items controlled by Commerce Control List (CCL) entries ending with the number 18).

B. Pursuant to Section 6(a) of the Act, the Commerce requires a license for the categories of items listed below for Iran, Sudan, and Syria to promote U.S. foreign policy goals. Sudan (as of November 4, 1997) and Iran (as of May 7, 1995) are also subject to comprehensive trade and investment embargoes administered by the Department of the Treasury under the authority granted by the President under IEEPA.³ The Department of State reviews license applications for items controlled under Section 6(a) of the Act before approval to determine whether the requirements of Section 6(j) apply. If the Secretary of State determines that the particular 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," Commerce and State will notify the appropriate congressional committees thirty days before issuing a license. The categories of items controlled under Section 6(a) are as follows:

- o Categories of items listed in paragraph A to non-military or non-sensitive end-users
- o Aircraft, Including Helicopters, Engines and Parts
- o Heavy Duty On-Highway Tractors
- o Off-Highway Wheel Tractors (>10 tons)
- o Cryptographic, Cryptanalytic and Cryptologic Equipment
- o Navigation, Direction Finding and Radar Equipment
- o Electronic Test Equipment
- o Mobile Communications Equipment
- o Acoustic Underwater Detection Equipment
- o Vessels and Boats (Including Inflatable Boats)
- o Marine and Submarine Engines
- o Underwater Photographic Equipment
- o Submersible Systems
- o CNC Machine Tools
- o Vibration Test Equipment
- o Certain Digital Computers (CTP\$6)
- o Certain Telecommunications Transmission Equipment
- o Certain Microprocessors (Clock Speed >25 Mhz)
- o Certain Semiconductor Manufacturing Equipment
- o Software Specially Designed for CAD/CAM IC Production
- o Packet Switches
- o Software Specially Designed for Air Traffic Control Applications

- o Gravity Meters (Static Accuracy <100 Microgal or with Quartz Element)
- o Certain Magnetometers with Sensitivity <1.0 nt rms per root Hertz
- o Certain Fluorocarbon Compounds for Cooling Fluids for Radar and Supercomputers
- o High-Strength Organic and Inorganic Fibers
- o Certain Machines for Gear-Cutting (Up to 1.25 Meters)
- o Certain Aircraft Skin and Spar Milling Machines
- o Certain Manual Dimensional Inspection Machines (Linear Positioning Accuracy $\pm 3+L/300$)
- o Robots Employing Feedback Information in Real Time
- o Explosive device detectors, used in airports

C. Exports of the following additional items to Iran and Sudan are subject to a license requirement under the Export Administration Regulations (EAR) for foreign policy reasons:

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

D. Exports of the following additional items to Iran are subject to a license requirement under the EAR for foreign policy reasons:

- o Portable Electric Power Generators

E. Licensing Policy

1. The Commerce has a policy of denial for all items controlled for national security or foreign policy reasons that require a license for export to Iran. All exports and certain specified reexports are also subject to the comprehensive trade and investment embargo, which the Department of the Treasury administers.

2. Pursuant to Executive Order 13067 of November 3, 1997 (effective November 4, 1997), exports and reexports to Sudan are subject to comprehensive trade restrictions administered by the Department of the Treasury. The Commerce maintains a general policy of denial for items requiring a license to Sudan.

3. Commerce will generally deny items subject to chemical and biological weapons proliferation controls proposed for export to Sudan.

4. Commerce will general deny military-related items controlled for national security reasons proposed for export to Sudan.

5. Commerce will generally deny items controlled for missile proliferation reasons

proposed for export to Sudan.

- 6. Commerce will generally deny all aircraft, helicopters, engines and related spare parts and components proposed for export to Sudan.**
- 7. The Commerce will generally deny cryptographic, cryptanalytic and cryptologic items proposed for export to Sudan.**
- 8. Commerce will generally deny explosive device detectors controlled under ECCN 2A993 proposed for export to Sudan.**
- 9. Commerce will generally deny all other controlled items destined for military end-users or end-use proposed for export to Sudan.**
- 10. Commerce will generally deny applications for export to Syria of national security-controlled items if the export is destined to a military or other sensitive end-user or end-use. Commerce will consider applications for other end-users or end-uses in Syria on a case-by-case basis.**
- 11. Commerce will generally deny all items subject to chemical and biological weapons (CBW) proliferation controls proposed for export to Syria.**
- 12. Commerce will generally deny applications for export to Syria of all items subject to missile technology controls..**
- 13. Commerce will generally deny applications for export to Syria of military-related items (CCL entries ending in the number 18).**
- 14. Commerce will generally deny applications to export Nuclear Referral List items to military end-users in Syria. Commerce will consider applications for export of such items to civilian end-users on a case-by-case basis.**
- 15. There is a presumption of denial for applications for export to military end-users and end-uses in Syria of other items. For other end-users and end-uses in Syria, Commerce will review license applications on a case-by-case basis.**
- 16. Commerce will consider applications for export and reexport to Syria on a case-by-case basis if they meet the following conditions:**
 - a. the transaction involves the reexport to Syria of items where 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 U.S. content value of foreign-produced commodities is 20 percent or less; or
- c. the commodities are medical equipment.

17. Applicants wishing to have contract sanctity considered in reviewing their applications must submit adequate documentation demonstrating the existence of a contract that predates 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 effectively distance the United States from nations that have repeatedly supported acts of international terrorism. Further, the controls demonstrate the firm resolve of the United States not to conduct unrestricted export trade with nations or entities that do not adhere to acceptable norms of international behavior. The licensing mechanism provides the United States with the means to control any U.S. goods or services that might contribute to the military potential of designated countries and to limit the availability of such goods for use in support of international terrorism.

Iran. These controls respond to continued Iranian sponsorship of terrorism. The purposes of the controls are to restrict equipment that would be useful in enhancing Iran's military or terrorist-supporting capabilities, and to 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. By restricting items with military use, the controls demonstrate the resolve of the United States not to provide any direct or indirect military support for Iran and to support 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 that 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, Palestinian Islamic Jihad and components of the Usama bin Ladin organization. Safe houses and other facilities used to support radical groups exist in Sudan with the apparent approval of the Sudanese Government's leadership. Further, some extremists who commit acts of sabotage in neighboring countries receive training in Sudan. The embargo and the export controls demonstrate U.S. 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.

Specially Designated Terrorists (SDT) and Foreign Terrorist Organizations (FTO): The purpose of the new regulation is to further the general counterterrorism policy of the United States by expanding restrictions on exports and reexports of dual-use items to SDT and FTO, wherever located. These new controls will enable Commerce to use its enforcement mechanisms to investigate supplies to such entities of U.S.-origin goods and technology and to use its resources to increase public awareness of U.S. counterterrorism measures.

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

1. Probability of Achieving the Intended Foreign Policy Purpose. Although widespread availability of comparable goods from foreign sources greatly limits the economic effect of these controls, they do restrict access by these countries and persons to U.S.-origin commodities, technology and software, and demonstrate the determination of the United States to oppose and distance itself from acts of 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.

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 U.S.-origin items in support of terrorist or military activity. These controls send a clear message to Sudan of strong U.S. opposition to its support for terrorist groups.

Syria. These controls are an important means of demonstrating U.S. resolve by limiting Syria's ability to obtain U.S.-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 U.S. anti-terrorism controls, this does not obviate the need to send a strong signal to the Syrian Government of U.S. disapproval of its support for groups

involved in terrorism.

Specially Designated Terrorists (SDT) and Foreign Terrorist Organizations (FTO): The Secretary of Commerce has determined that the SDT and FTO controls are likely to achieve their intended foreign policy objectives of the United States. Imposing a license requirement under the EAR on both exports and reexports to SDT and FTO and enabling the Commerce Department to enforce these controls will further the policy of counterterrorism of the United States.

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 and persons who support terrorism. They are also compatible with overall U.S. policy toward Iran, Sudan, Syria, FTOs and SDTs. In addition, the controls are consistent with U.S. efforts to restrict the flow of items that these countries could use for military or terrorist purposes.

3. **Reaction of Other Countries.** Most other countries are generally supportive of U.S. efforts to fight terrorism and the stop proliferation of weapons of mass destruction in countries of concern. However, almost none have imposed embargoes similar to those imposed by the U.S. for civil goods. One aspect of U.S. controls - their extraterritorial application - has excited opposition in many of our major trading partners, including some close allies and has become a point of contention with EU countries. This reaction to extraterritorial application has had a counterproductive effect as foreign firms design out U.S. components or cite the lack of their own national sanctions as a marketing tool. In some instances, foreign firms are instructed by their governments to ignore U.S. re-export controls as extraterritorial.

Iran. Regarding the controls on specific product categories, other countries share the U.S. concern over Iran's support of terrorism, human rights abuses, and attempts to acquire weapons of mass destruction. The thirty-three members of the Wassenaar Arrangement on Conventional Arms and Dual-Use Goods and Technologies (including the United States) have recognized Iran as a country whose behavior is a cause of concern. Most other nations, however, do not have as stringent a policy of denial for commercial goods as does the United States and Iran's trade partners include Germany, Japan, the United Kingdom and many other OECD nations.

Sudan. The United States imposed these controls (and the subsequent embargo) in response to credible evidence that Sudan assists international terrorist groups. The President imposed the embargo after finding that Sudan has continued to support international terrorism, destabilized neighboring governments and violated human rights. The United States has consulted with key allies and urged them to take all possible measures to convince Sudan to halt its support for terrorism. Some countries have shown their disapproval of Sudan's support for terrorism. 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, calling on Sudan to desist from supporting terrorism, and imposing diplomatic and travel sanctions.

Syria. The United States maintains controls 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.

Specially Designated Terrorists (SDT) and Foreign Terrorist Organizations (FTO): The Secretary has determined that the reaction of other countries to these controls is not likely to render the controls ineffective in achieving their intended foreign policy purpose or be counterproductive to U.S. foreign policy interests. A number of other countries recognize the need to restrict exports and reexports of items that could contribute to terrorist activities.

4. Economic Impact on United States Industry.

Iran. The U.S. policy to deny dual-use licenses for Iran, as mandated by the National Defense Authorization Act (NDAA) of FY 1993 and the U.S. embargo of 1995, has caused U.S. exports to Iran to drop sharply. Prior to the enactment of the NDAA and the imposition of the embargo, U.S. exports to Iran rose sharply in the early 1990s, largely in response to Iran's removal of certain import restrictions. From a total of only \$166 million in 1990, U.S. exports to Iran increased to \$527 million in 1991 and rose to \$747 million in 1992. U.S. exports to Iran during 1993 dropped slightly to \$616 million. From 1991 through 1994, U.S. exports to Iran totaled close to \$2.2 billion (total derived from U.S. Census data), making the United States the sixth largest exporter (by dollar value) to Iran during this period. Those exports, however, amounted to only 5 percent of Iran's total imports and less than one percent of U.S. exports.

The denial policy of the NDAA of FY 1993 appears to have reduced U.S. exports to Iran by \$200 million to \$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. In FY 1995 and 1996, Commerce approved no applications for exports to Iran. Even the five applications for Iran that Commerce approved in FY 1997 and the six applications it approved in FY 1998 were not for actual exports to Iran, but involved "deemed exports" (i.e., transfers of controlled U.S. technology to Iranian nationals working in the United States). In contrast, during the four fiscal years prior to FY 1995 (i.e., FY 1991-94), Commerce approved an average of \$177 million in applications to Iran each year. Table 1 shows the impact of the NDAA of FY 1993.

Table 1: Approved Applications to Iran (FY 1991-98)

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
1994	10	\$ 16,774,377
1995	0	\$0
1996	0	\$0
1997	5	\$19
1998	6	\$10,012

The 1995 U.S. trade embargo radically transformed the nature, as well as the volume, of U.S. trade with Iran. Since 1996, the first full year of the embargo, the top U.S. exports to Iran have been completely different from the top export categories of previous years. Most of the items the United States exported to Iran in 1996 and 1997 (see Table 2) were humanitarian goods that closely resembled those exported to other embargoed countries such as Cuba and North Korea.

The impact on U.S. industry which is most damaging is the reaction of foreign firms to re-export requirements. U.S. industry reports that their products are often designed out of foreign end items, to ensure that the foreign export does not fall within the scope of U.S. controls. This “designing out” function costs U.S. firms markets not only in embargoed countries but in non-embargoed countries as well.

Table 2: Top U.S. Exports to Iran (1996-1997): FAS Value (in U.S. Dollars)

S.I.C. Number	Description of Goods	1996	1997	Total (1996-97)
2731	Books and pamphlets	\$271,571	\$1,091,002	\$1,362,573
3652	Phonograph records & tapes	\$0	\$27,900	\$27,900
2834	Pharmaceutical preparations	\$19,250	\$0	\$19,250
3XXX	Manufactured commodities, n.e.s.	\$0	\$18,753	\$18,753

S.I.C. Number	Description of Goods	1996	1997	Total (1996-97)
3089	Plastics products	\$14,236	\$0	\$14,236
3523	Farm machinery and equipment	\$12,523	\$0	\$12,523
2752	Printed matter, lithographic	\$11,529	\$0	\$11,529
2835	Prepared diagnostic substances	\$10,730	\$0	\$10,730

The humanitarian items listed in Table 2 (above) also constituted nearly 100% of total U.S. exports to Iran during 1996 and 1997. This lack of diversity sharply contrasts with previous U.S. trade with Iran, where in the years from 1991 through 1995 the leading U.S. export categories represented 61.3% of total U.S. exports to Iran (see Table 3).

Table 3: Top U.S. Exports to Iran (1991-1995): FAS Value (in U.S. Dollars)

S.I.C. Number	Description of Goods	Total Value
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
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

A comparison of Tables 2 and 3 clearly shows the enormous change in both the nature and quantity of U.S. exports to Iran that occurred following the imposition of the 1995 embargo. The data in Table 3 indicate that the agricultural and oil industry sectors were among those most directly affected by the embargo. The U.S. aerospace industry was significantly affected by both the NDAA of FY 1993 and the imposition of the trade embargo on Iran in 1995. From 1991 through 1994, U.S. exports of aircraft engine parts to Iran totaled almost \$9.4 million, averaging \$2.3 million per year and peaking at more than \$7.5 million in 1994. Exports of aircraft engine parts to Iran declined sharply in 1995, to only \$6,001, as the license denial policy mandated by the NDAA of 1993 began to fully affect U.S. exports to Iran and the U.S. trade embargo on Iran went into effect. Of the \$72,374 in total U.S. aerospace exports to Iran during 1995, almost 92 percent (\$66,373) consisted of miscellaneous aircraft parts and equipment (a category that does not include aircraft engines and parts or avionics equipment). By 1996, the first full year that the trade embargo was in effect, total U.S. aerospace exports to Iran, which had reached a peak of more than \$7.5 million in 1994, had declined to virtually zero.

Prior to the U.S. embargo on Iran, the United States directly competed 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, electronic computers, plastics and resins, transportation equipment, and industrial organic chemicals. By 1996, the first full year of the U.S. trade embargo on Iran, U.S. exports to Iran in nearly all of these categories had fallen to virtually zero.

Syria. U.S. controls on exports to Syria have had only a limited effect on U.S. industry because the United States does not require a license for the export of most items in Syria's leading import sectors. Despite recent setbacks to Syria's economy, including reduced oil revenues, a heavy public debt burden, and domestic financial and economic difficulties, the government's limited economic reforms and infrastructure improvements of the early 1990s have enhanced the country's potential as a market for U.S. exports. The leading exports to Syria are agricultural products, various goods and services related to the development of Syria's oil fields, capital goods to rehabilitate its public utilities and state enterprises, light industrial equipment, transportation equipment, and computers.

Most of the leading U.S. exports to Syria (by dollar value) are concentrated in certain low technology areas (e.g., agricultural products, cigarettes, and certain oil and gas field equipment) 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 has historically dominated the world market (e.g., aircraft parts and components). Table 5 lists the U.S. exports to Syria that exceeded \$10 million during the period from 1992 through 1997.

Table 5: Top U.S. Exports to Syria (1992-1997)

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
3533	Oil & gas field equipment	\$224.9 million
0115	Corn	\$134.5 million
2111	Cigarettes	\$89.5 million
3443	Fabricated plate work	\$35.9 million
2044	Milled rice & byproducts	\$35.3 million
3711	Motor vehicles & passenger car bodies	\$31.2 million
2284	Thread & handwork yarns	\$25.5 million
2075	Soybean oil & byproducts	\$24.9 million

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
3511	Turbines & turbine generator sets	\$23.0 million
3569	General industrial machinery & equipment	\$22.6 million
2824	Manmade fibers (noncellulosic)	\$22.1 million
0181	Ornamental floriculture & nursery products	\$16.7 million
3312	Blast furnace, steel works, & rolling mill products	\$15.9 million
3561	Pumps & pumping equipment	\$15.8 million
3531	Construction machinery and parts therefor	\$14.0 million
3714	Motor vehicle parts & accessories	\$13.6 million
3585	Refrigeration & heating equipment	\$13.2 million
3357	Nonferrous metal wire & cable (drawn & insulated)	\$12.9 million
3728	Aircraft equipment	\$12.1 million
3829	Measuring & controlling devices	\$11.7 million
3532	Mining machinery & equipment	\$10.5 million

From 1992 through 1997, U.S. exports to Syria totaled just under \$1.2 billion (total derived from U.S. Census data), averaging roughly \$195 million per year and falling within a range between \$166 million (1992) and \$224 million per year (1996). The volume (in U.S. dollars) of total annual U.S. exports to Syria has remained relatively stable in recent years, with incremental increases for every year from 1992 through 1996. In 1997, the most recent year for which U.S. Census data are available, total U.S. exports to Syria fell to \$180.5 million, a 20 percent decline from the previous years' total. However, the average annual

value of export licenses that Commerce has issued for Syria has increased significantly since FY 1991, when Commerce only approved eight licenses with a total value of \$1,041,504. From an annual average of just under \$45 million per year in FY 1992 and FY 1993, the value of items that Commerce has licensed for export to Syria has risen to more than \$82 million per year during the last five years (i.e., FY 1994 through FY 1998). In FY 1998, Commerce approved 81 licenses for Syria, totaling \$80,707,010. These figures were down more than 20 percent from FY 1997, when Commerce approved 100 export licenses to Syria, valued at \$107,003,346.

Table 6: Approved Licenses for Syria (FY 1991 to FY 1998)

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
1997	100	\$107,003,346
1998	81	\$80,707,010

The majority of controlled items that Commerce has approved for export to Syria during the period covered by Table 6 fall within the categories of aircraft parts and components, digital computers, and certain electronic devices controlled only for foreign policy reasons. Commerce denied 52 applications for Syria from FY 1991 through FY 1998; these applications had a total value of \$30.07 million.

The U.S. Government decision to grant licenses for the export of aircraft parts and components, including engine parts and components, to Syria for air safety and humanitarian reasons has led to an increase in U.S. aerospace exports to Syria. Aerospace exports from the United States to Syria to repair an aging fleet of American planes sold prior to the export restrictions rose steadily from 1991 through 1995 (from \$834,351 in 1991 to more than \$3.7 million in 1995), dropped slightly to \$2.35 million in 1996, and recovered to top \$4.3 million in 1997.

Sudan. Given the desperate state of Sudan’s economy, U.S. unilateral export sanctions on Sudan will have minor effects on U.S. industry. Sudan’s poor economic performance over the past decade, resulting from civil war, adverse weather and a ban on International Monetary Fund assistance, prevented the country from importing a significant amount of goods from any supplier, including the United States. U.S. exports to Sudan did not change significantly with the designation of Sudan as a terrorist state in 1996 because U.S. exports to Sudan were generally low technology items not covered by that level of control. The imposition of the 1997 embargo, however, extended controls to low technology items. From 1992 through 1997, U.S. exports to Sudan totaled \$290.6 million. Total U.S. exports to Sudan remained fairly stable from 1992 through 1996, averaging a little over \$50 million per year. The U.S. aerospace industry sector appears to have been impacted most by the U.S. anti-terrorism controls on Sudan. In 1992, U.S. aircraft exports to Sudan totaled more than \$6.4 million, but no exports of aircraft from the U.S. to Sudan have been reported since 1994. Exports of aircraft engines and aircraft engine parts from the U.S. to Sudan show a similar decline, falling from \$845,142 in 1992 to barely \$10,000 in 1997, with zero exports reported from January through August of 1998.

The U.S. trade embargo on Sudan, as anticipated, had an immediate impact on both the volume and kinds of U.S. exports to Sudan. In 1997, U.S. exports to Sudan fell to only \$37.3 million, a 26 percent drop from the previous year’s total of \$50.4 million. U.S. Census data shows that U.S. exports to Sudan continued to fall sharply in 1998. Total U.S. exports to Sudan through August of 1998 totaled less than \$1.9 million, compared with \$28.4 million for the same period in 1997, a decline of more than 93 percent. More importantly, U.S. exports to Sudan began to conform to the kinds of humanitarian goods that comprise the bulk of U.S. exports to Cuba, Iran, and North Korea. Nearly 89 percent of all U.S. exports to Sudan from January through August of 1998 consisted of foodstuffs (i.e., cash grains, soybean oil and byproducts, and corn). In contrast, foodstuffs made up only 47 percent of the top U.S. exports to Sudan from 1992 through 1997.

Table 7, below, lists the top categories of U.S. exports to Sudan (those exceeding \$5 million during the period from 1992 through 1997). Most leading U.S. exports to Sudan (by dollar value) were low technology items, such as agricultural products, which U.S. foreign policy controls do not cover, and thus did not require a license for export or reexport to Sudan until the embargo was imposed in 1997.

Table 7: Top U.S. Exports to Sudan (1992-1997)

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
0119	Cash grains (unspecified)	\$35.1 million
0111	Wheat	\$24.8 million

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
2041	Flour & other grain mill products	\$23.8 million
3523	Farm machinery & equipment	\$18.6 million
3533	Oil & gas field equipment	\$16.9 million
3531	Construction machinery	\$14.8 million
2079	Shortening, table oils, etc.	\$13.9 million
3585	Refrigeration & heating equipment	\$10.6 million
3711	Motor vehicles & passenger car bodies	\$8.9 million
3661	Telephone & telegraph apparatus & parts	\$7.3 million
3663	Radio, television, broadcast & studio equipment	\$7.0 million
3743	Railroad equipment	\$6.9 million
3571	Electronic computers	\$6.5 million
3519	Internal combustion engines	\$5.9 million
3621	Electric motors, generators, generator sets	\$5.8 million

The total number of export licenses that Commerce has approved for export to Sudan has been practically negligible during the past several years, since low technology items, which did not require export licenses prior to the issuance of Executive Order 13067 on November 3, 1997, constituted the bulk of U.S. exports to Sudan. Commerce issued as many export licenses for Sudan during FY 1997 (10 licenses, worth \$7,095,973) as it did during the previous five fiscal years (FY 1992 through 1996), when it approved ten licenses, worth \$5,976,017.

Table 8: Approved Licenses for Sudan (FY 1992 to FY 1998)

Fiscal Year	Total Applications Approved	Total Value (in U.S. dollars)
1992	1	\$25
1993	2	\$5,404,000
1994	0	\$0
1995	0	\$0
1996	7	\$571,992
1997	10	\$7,095,973
1998	0	\$0

Of the twenty export licenses (worth \$13,071,990) that Commerce issued for Sudan from FY 1992 through FY 1997, the majority were for computers, computer software, mobile communications equipment, and diesel engines. During the same period, Commerce rejected 13 export license applications for Sudan, worth more than \$4.3 million. Most of these denials occurred in FY 1997, when Commerce rejected nine export license applications for Sudan, having a total value of almost \$3.2 million. The majority of the denied items were oil well perforators, computers, mobile communications equipment, or diesel engines.

Commerce did not approve any export licenses for Sudan in FY 1998, because of the U.S. trade embargo on Sudan that took effect on November 4, 1997. In FY 1998, Commerce denied one export license application for aircraft parts and components (valued at \$500,000), and ten applications (valued at \$23,364,082) were returned without action.

Specially Designated Terrorists (SDT) and Foreign Terrorist Organizations (FTO): The Secretary has determined that the economic impact of these controls is likely to be minimal. The Department of Treasury already prohibits the U.S. persons from engaging in transactions involving SDT, which include the making or receiving of any contribution of funds, goods or services to or for the benefit of such persons. Treasury also requires U.S. financial institutions to block all financial transactions involving the assets of FTO within the possession or control of U.S. financial institutions. This new rule imposes license requirements on exports and reexports by U.S. persons to designated FTO, and new license requirements on non-U.S. persons who wish to export from third countries items subject to the EAR on the Commerce Control List to SDT or FTO. Commerce anticipates that the additional burden this regulation will impose on U.S. industry will be negligible.

5. **Enforcement of Control.** In general, unauthorized reexports of unilaterally

controlled goods to these destinations is a continuing enforcement concern in this area and one which the U.S. is very hard pressed to prevent, absent an embargo imposed by our major trading partners in the European Union and Asia. The large number of items exported in normal trade to other countries - including some aircraft items and consumer goods that have many producers and end-users around the world -- create procurement opportunities for brokers, agents, and front companies working for these countries. In addition, differences in export laws and standards of evidence for violations also complicate law enforcement cooperation between countries. Control over direct exports to Iran are aided by the general negative public perception of the country. In the case of Sudan, the United States has a limited number of direct exports and reexports of controlled items to track which eases any enforcement problems. In regard to SDT and FTO, Commerce recognizes that enforcement of these controls will require special coordination with other countries to help identify certain items subject to the EAR that may be reexported to SDT and FTO. Because certain persons on the SDT FTO lists are well-known and because the U.S. public generally supports U.S. counterterrorism policies, Commerce expects that the majority of U.S. industry will cooperate with enforcement efforts.

Commerce views these controls as a key enforcement target, using regular outreach efforts to keep businesses informed of concerns. Visits to verify end-use and end-users of U.S. commodities and other programs to maintain a strong enforcement effort. Commerce is also moving aggressively to develop a strong program to deal with procurement by or for terrorist groups. This program includes enhanced agent training, development of a targeted outreach program to familiarize U.S. business with concerns, and close cooperation with lead agencies working terrorism issues.

C. Consultation with Industry

On October 13, 1998, the Department of Commerce, via the *Federal Register*, solicited comments from Industry on the effectiveness of export policy. In general, the comments indicated that Industry does not feel that unilateral sanctions are effective. A more detailed review of the comments is available in Appendix I.

Commerce has also received comments from the President's Export Council and the Regulations and Procedures Technical Advisory Committee regarding streamlining the Commerce Control List unilateral anti-terrorism entries.

D. Consultation with Other Countries

The United States has also consulted with other nations regarding Iran and Sudan's support for terrorism, as well as their dismal human rights record. The United States has provided specific information to interested countries on the justification for designating Sudan a state sponsor of terrorism and urged them to do what they can to influence Sudan's behavior favorably.

E. Alternative Means

The United States has taken a wide range of diplomatic, political, and security-related steps, in addition to economic measures such as export controls, in an effort to persuade countries supporting terrorism to drop their backing for terrorist activities. The exact combination has varied according to circumstances and judgments as to the best approaches at a particular time. International fora, G-7/8 meetings and summits are all used as opportunities to multi-lateralize export controls on states which support terrorism.

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.⁵ 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. However, the Department has considered the foreign availability of the items controlled to terrorist-designated countries under Section 6(a). For Syria and Iran, there are numerous foreign sources for commodities similar to those subject to these controls. While most of Sudan's imports are low-technology items for which foreign sources exist, the poor health of Sudan's economy--and thus its inability to import these goods--makes foreign availability less of an issue.

ENDNOTES

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1. *On August 19, 1997, the President issued Executive Order 13059 to confirm that the embargo on Iran prohibits all trade and investment activities by United States persons, wherever located, and to consolidate in one Order the various prohibitions previously imposed to deal with the national emergency declared on March 15, 1995. Executive Order 12957 of March 5, 1995, prohibits U.S. persons from entering into contracts for the financing or the overall management or supervision of the development of petroleum resources located in Iran or over which Iran claims jurisdiction. Executive Order 12959 of May 6, 1995, imposed a comprehensive trade and investment embargo on Iran.*
2. *On November 3, 1997, the President issued Executive Order 13067, which imposed an embargo on Sudan, effective November 4, 1997. The President delegated to the Treasury Department the authority to promulgate regulations to administer the embargo on Sudan.*

3. *The Department of Commerce requires a license under Section 6(a) of the Act for all computers going to Iran, Sudan or Syria with a CTP of 6 MTOPS or above.*
3. *Ibid.*
5. *Provisions pertaining to foreign availability do not apply to export controls in effect before July 12, 1985, under sections 6(1) (International Obligations), 6(j) (Countries Supporting International Terrorism), and 6(n) (Crime Control Instruments). See the Export Administration Amendments Act of 1985, Public law 99-64, section 108(g)(2), 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.*