

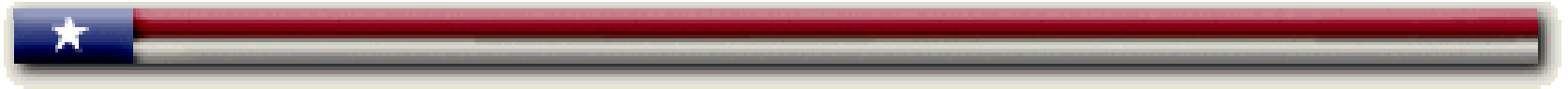
A photograph of the U.S. Department of Commerce building, a large neoclassical structure with many columns. An American flag flies on a pole in front of the building. The sky is blue with some clouds. There are some trees and bushes in the foreground.

U.S. Department of Commerce Bureau of Industry and Security

Final Revisions to Export Controls for the People's Republic of China (PRC)

**Matt Borman
Deputy Assistant Secretary
for Export Administration**

June 20, 2007



"This new rule strikes the right balance in our complex relationship with China."

**Carlos M. Gutierrez, Secretary of
Commerce**

Proposed Rule: Published July 6, 2006

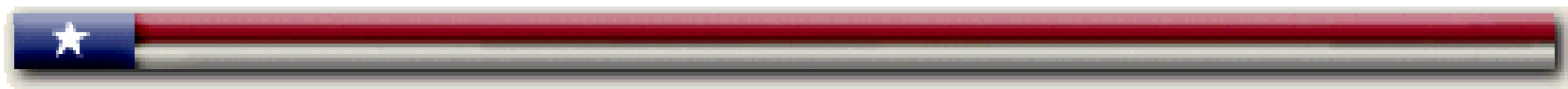


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- In July 2006, BIS published a Federal Register Notice (71 FR 38313) with a request for public comment.
 - BIS received 57 public comments, amounting to more than 1000 pages.
 - Summaries of those comments and BIS responses appear in the final rule.



Final Rule

Published June 19, 2007



- This rule clarifies and updates U.S. dual-use export licensing policy for the PRC.
- Strengthens current U.S. policy of:
 - facilitating commercial exports for appropriate civilian end-uses, and
 - denying the PRC access to U.S. technologies that would contribute to its military modernization.

Final Rule

Published June 19, 2007



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- Three major elements of Final Rule:
 - Validated End-User Authorization
 - End-Use Statements
 - Military End-Use control

Authorization Validated End-User (VEU) New EAR Section 748.15



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- Creates a new authorization for “validated end-users” (VEU), initially in the PRC.
 - Allows specified exports to specified end-users without individual licenses.
 - Purpose is to facilitate trade with end-users in the PRC who have an established record of engaging only in civil activities.

Authorization Validated End-User (VEU) New EAR Section 748.15



- Benefits:
 - Eliminates submission of individual license applications
 - Allows certain and prompt delivery of items
 - Could free approximately \$100 million dollars worth of exports annually from individual license requirements



Authorization VEU

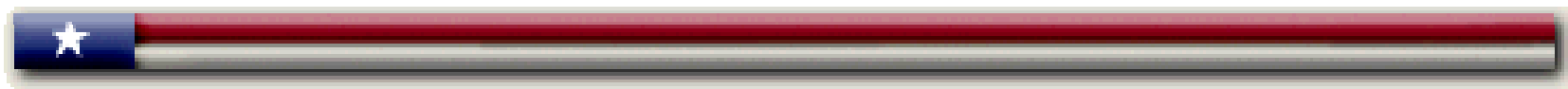
New EAR Section 748.15

- VEU Process
 - Submit advisory opinion request addressing information described in §748.3(c)(2) -
 - Information to be provided should demonstrate civilian end-use only, ability to keep records demonstrating civilian end-use only, agreement to host USG on-site reviews, and certification to comply with VEU terms.
 - 30 day interagency review



Authorization VEU

New EAR Section 748.15

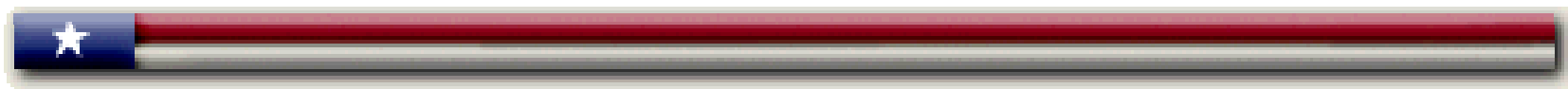


- Eligible end-users and corresponding items will be listed in the new Supplement 7 to Part 748.
 - Any exporter will be able to ship eligible items to these validated end-users.



Authorization VEU

New EAR Section 748.15



- Requirements
 - Validated End-Users
 - Recordkeeping
 - Host on-site reviews to verify adherence to VEU terms
 - Exporters
 - Recordkeeping and reporting requirements

End-User Statement and Import Certificate Requirements

EAR Sections 748.9 and 748.10



- Expands the requirement for exporters to obtain End-User Statements (EUSs) from the PRC Ministry of Commerce.

End-User Statement and Import Certificate Requirements

EAR Sections 748.9 and 748.10



- Raises the threshold dollar amount for required EUSs for China (and for items controlled for national security reasons to any destination listed in section 748.9(b)(2)) from \$5,000 to \$50,000.
- Removes the requirement to submit End-User Statements and Import Certificates with the license application.

End-User Statement and Import Certificate Requirements

EAR Sections 748.9 and 748.10

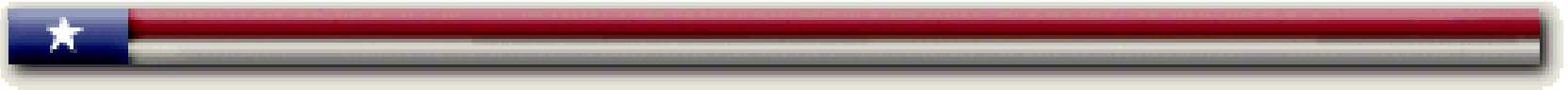


- Impact
 - End-User Statements facilitate the ability to conduct end-use visits, which in turn facilitate exports of controlled goods to the PRC.
 - Raising dollar threshold to \$50,000 keeps level the overall number of EUSs required.



Military End-Use Control

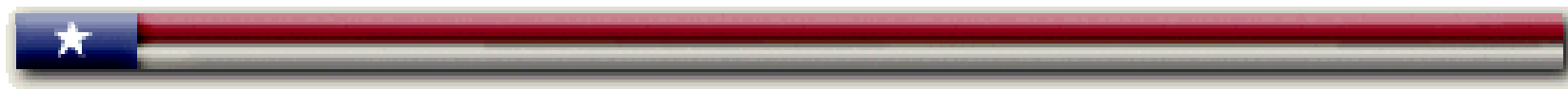
New EAR Section 744.21

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- The rule adds a license requirement for 31 ECCNs *when the exporter knows that the export is destined for a military end-use* in the PRC.
 - The review policy: Will the export make a material contribution to PRC military capabilities contrary to U.S. national security concerns?
 - All exports to the PRC must continue to be screened for weapons of mass destruction (WMD) use and denied persons.



Military End-Use Control

New EAR Section 744.21



- 31 whole or partial ECCNs, generally end-products or items not exported in high volumes.
- Reduced from 47 in the proposed rule based in large part on public comments.



Military End-Use Control

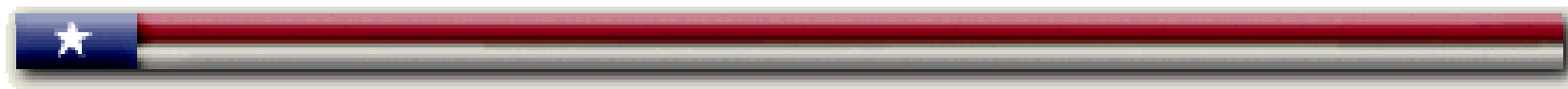
New EAR Section 744.21

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- Definition of military end-use:
 - Incorporation into an item described on the U.S. Munitions List (USML), the International Munitions List (IML), or the “A018” ECCNs on the Commerce Control List (CCL), or
 - for the “use”, “development”, “production”, or deployment of such items.
 - “Deployment” only applies to items classified under ECCN 9A991 as set forth in Supplement No. 2 to part 744.

All terms are already defined in the EAR or in Section 744.21(f)



BIS Contact Information



- Website: www.bis.doc.gov
- Exporter Services Offices:
 - Washington, D.C. (202) 482-4811
 - Northern California (408) 291-4212
 - Southern California (949) 660-0144
- Export Enforcement Offices
 - Nationwide (800) 424-2980