

4. Anti-Terrorism Controls (Section 742.8, 742.9, 742.10, 744.10)

Export Control Program Description and Licensing Policy

These controls reflect U.S. opposition to acts of international terrorism supported by a foreign government, as well as terrorist acts carried out by designated terrorist groups.

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, the United States 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. The United States also controls additional items to Iran, Sudan, and Syria for anti-terrorism reasons under the general authority of Section 6(a) of the Act. With regard to other countries listed as state sponsors of terrorism, specifically Cuba, Iraq, Libya and North Korea, comprehensive trade embargoes have applied to these countries for many years.

The United States maintains comprehensive trade embargoes against Cuba, Libya, Iran, Iraq, North Korea and Sudan. Both Commerce and Treasury's Office of Foreign Assets Control (OFAC) have export licensing authority for these countries. To avoid duplicate licensing requirements, the Departments of Commerce and the Treasury have allocated licensing responsibilities for exports and reexports to these countries. Broadly speaking, Commerce has licensing responsibility for exports and reexports to Cuba, Syria, 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; Chapter 5 contains a more complete discussion of controls on Cuba, Libya, and North Korea.

In addition to specific discussions in regard to designated terrorist states, this chapter summarizes briefly a revision of the Export Administration Regulations (EAR), which prohibits exports and certain reexports to Specially Designated Terrorists and Foreign Terrorist Organizations, wherever located.

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 should 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, and 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 would notify Congress 30 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) (The Wassenaar Arrangement)³;
- 2) All items subject to chemical and biological weapons proliferation controls (The 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 United States 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. 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 30 days before issuing a license. The categories of items controlled under Section 6(a) include, but are not limited to:

- C Categories of items listed in Paragraph A to non-military or non-sensitive end-users
- C Aircraft, including helicopters, and engines
- C Heavy duty on-highway tractors
- C Off-highway wheel tractors (>10 tons)
- C Cryptographic, cryptanalytic and cryptologic equipment
- C Navigation, direction finding and radar equipment
- C Electronic test equipment
- C Mobile communications equipment
- C Acoustic underwater detection equipment
- C Vessels and boats (including inflatable boats)
- C Marine and submarine engines
- C Underwater photographic equipment
- C Submersible systems
- C CNC machine tools
- C Vibration test equipment
- C Certain digital computers (CTP\$6)
- C Certain telecommunications transmission equipment
- C Certain microprocessors (clock speed >25 Mhz)
- C Certain semiconductor manufacturing equipment
- C Software specially designed for CAD/CAM IC production
- C Packet switches
- C Software specially designed for air traffic control applications
- C Gravity meters (static accuracy <100 microgal or with quartz element)
- C Certain magnetometers with sensitivity <1.0 nt rms
per root hertz
- C Certain fluorocarbon compounds for cooling fluids for radar and supercomputers
- C High-strength organic and inorganic fibers
- C Certain machines for gear-cutting (up to 1.25 meters)
- C Certain aircraft skin and spar milling machines
- C Certain manual dimensional inspection machines (linear positioning accuracy

±3+L/300)

- C Robots employing feedback information in real time
- C 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:
 - C Large diesel engines (>400 hp)
 - C Scuba gear
 - C Pressurized aircraft breathing equipment

- D. Exports of the following additional item to Iran is subject to a license requirement under the EAR for foreign policy reasons:
 - C Portable electric power generators

- E. **Licensing Policy**

Iran: The United States 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.

Sudan: The United States has policy of denial to all end-users in Sudan of all items controlled for chemical, biological, missile, and nuclear proliferation reasons, military-related items controlled for national security reasons (CCL entries ending in the number 18); and certain items controlled for national security or foreign policy reasons for export and reexport, such as aircraft, cryptologic items, and explosive device detectors. Other items controlled to Sudan for national security or foreign policy reasons are subject to policy of denial for military end-users or end-uses and are reviewed on a case-by-case bases for non-military end-users or end-uses. Pursuant to Executive Order No. 13067 of November 3, 1997, the Department of the Treasury also maintains comprehensive trade restrictions on exports and reexports to Sudan.

Syria: The United States has a policy of generally denying exports and reexports to all end-users in Syria of chemical and biological, and missile items controlled for proliferation reasons, military-related items controlled for national security reasons (CCL entries ending in the number 18), and certain other national security or foreign policy controlled items, such as aircraft, cryptologic items, and explosive device detectors. Other national security and foreign policy controlled items are reviewed under a policy of denial to military end-user and end-uses and on a case-by-case basis to non-military end-users and end-uses.

The United States 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.

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.

Specially Designated Terrorists/Foreign Terrorist Organizations: On January 8, 1999, Commerce published a regulation revising the Export Administration Regulations to strengthen controls on exports and reexports to Specially Designated Terrorists (SDTs) and Foreign Terrorist Organizations (FTOs). As a result of this change, U.S. persons need a Commerce license to export or reexport any item subject to the EAR to a designated SDT or FTO. Non-U.S. persons need a Commerce license to export any item subject to the EAR or to reexport any item subject to the EAR on the Commerce Control List to an SDT or FTO. Lists of designated SDTs and FTOs are available in the Appendices to 31 CFR Chapter V. In general, applications for licenses to export or reexport to FTOs will be denied consistent with the provisions of the 1996 Anti-Terrorism and Effective Death Penalty Act. License applications for export or reexport to SDTs will be reviewed under a general policy of denial.

On September 16, 1999, Commerce published a regulation clarifying that the United States will review applications to export or reexport to Syria aircraft parts and components necessary to maintain the safety of civil aviation and the safe operation of commercial passenger aircraft on a case-by-case basis.

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 and from individuals and organizations that commit the same. Further, the controls demonstrate the firm resolve of the United States not to trade with nations or entities that do not adhere to acceptable norms of international behavior. The policy 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 the 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, nonproliferation, and regional stability.

The controls allow the United States to prevent shipments of U.S.-origin equipment to Iran for uses that could pose a direct threat to U.S. interests in the Middle East. Iran actively 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 has been no evidence of direct involvement by the Syrian Government in the planning or implementation of terrorist acts since 1986, Syria continues to provide sanctuary and support to groups that engage in terrorism. The trade controls reflect U.S. opposition to Syria's support of terrorist groups and prevent significant U.S. contribution to Syria's military capabilities and ability to support international terrorism.

Sudan: Evidence indicates that Sudan allows the use of its territory as sanctuary for terrorists including the Abu Nidal Organization, Hizballah, Hamas, and Palestinian Islamic Jihad. Safe houses and other facilities used to support radical groups exist in Sudan with the apparent approval of the Sudanese Government. Further, military 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, and restrict access to items that could make a significant contribution to Sudan's military capability and ability to support international terrorism.

SDTs/FTOs: The purpose of controls is to allow the Department of Commerce to use its enforcement mechanisms and resources to support U.S. counterterrorism efforts.

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 effectiveness 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 U.S.-origin items 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 activities. 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.

SDT/FTOs: These controls affirm U.S. opposition to international terrorism by limiting the ability of terrorist organizations and specified individuals to obtain and use U.S.-origin items in terrorist operations. The controls send a strong message of U.S. opposition to terrorism not only to the specified individuals and organizations, but also to other countries.

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, and Syria and against terrorist groups and organizations. In addition, the controls are consistent with U.S. efforts to restrict the flow of items and other forms of material support to countries, individuals or groups for military or terrorist purposes.

3. Reaction of Other Countries. Most other countries are generally supportive of U.S. efforts to fight terrorism and stop the proliferation of weapons of mass destruction in countries of concern. However, almost none have imposed embargoes as comprehensive as those the United States has imposed. Certain U.S. controls have been challenged by other countries as extraterritorial and have prompted opposition among many of our major trading partners, including some close allies, and have become a point of contention with European Union countries. This reaction to perceived extraterritorial application has led some foreign firms to design out U.S. components or to 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. reexport controls.

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 33 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 the United States has; Iran's trade partners include Germany, Japan, the United Kingdom, and many other nations that are members of the Organization for Economic Cooperation and Development.

Sudan: The United States imposed these controls (and the subsequent embargo) in response to credible evidence that Sudan assists international terrorist groups, has destabilized neighboring governments, and violates 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, and, in fact, some countries have shown their disapproval. For example, the Organization of African Unity (OAU) 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, including the restriction of arms supplies, against international terrorist groups that maintain a presence in Syria and Syrian-controlled areas of Lebanon.

SDT/FTO: Most countries are supportive of U.S. efforts to fight terrorism and to block efforts by terrorist organizations and individuals to obtain commodities with potential use in terrorist operations. However, while some countries are considering restrictive legislation, very few other countries have implemented regulations similar to those imposed by the United States.

4. *Economic Impact on United States Industry.*

Iran: The U.S. policy is to deny dual-use licenses for Iran, consistent with the Iran-Iraq Arms Nonproliferation Act of 1992 contained in the National Defense Authorization Act of Fiscal Year 1993 (NDAA), and the U.S. trade and investment embargo of 1995. Prior to the enactment of the NDAA and the imposition of the embargo, U.S. exports to Iran rose sharply in the early 1990s 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. From 1991 through 1994, U.S. exports to Iran totaled close to \$2.2 billion (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 five percent of Iran's total imports and less than one percent of U.S. exports.

Following the denial policy mandated by Fiscal Year 1993 NDAA and the 1995 U.S. trade and investment embargo, U.S. exports to Iran fell \$200 million-\$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 Fiscal Year 1995 and 1996, Commerce approved no applications for exports to Iran. Although Commerce approved five applications for Iran in Fiscal Year 1997 and the six applications in Fiscal Year 1998, the applications were not for actual exports to Iran, but involved "deemed exports" (i.e., transfers of controlled U.S. technology to Iranian nationals legally residing in and working in the United States). All of the licenses that Commerce approved in Fiscal Year 1999 were also for deemed exports. In contrast, during the four fiscal years prior

to Fiscal Year 1995 (i.e., Fiscal Year 1991-94), Commerce approved an average of \$177 million in applications to Iran each year. Table 1 shows the impact of the NDAA of Fiscal Year 1993.

Table 1: Approved Applications to Iran (Fiscal Year 1991-99)

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*
1999	10	\$20,408*

The 1995 U.S. trade and investment 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.

Table 2: Top U.S. Exports to Iran, 1996-1998 (FAS Value, in U.S. Dollars)

S.I.C. Number	Description of Goods	1996	1997	1998	Total (1996-98)
2731	Books and pamphlets	\$271,571	\$1,091,002	\$28,763	\$1,391,336
3652	Phonograph records & tapes	\$0	\$27,900	\$0	\$27,900
2834	Pharmaceutical preparations	\$19,250	\$0	\$0	\$19,250
3XXX	Manufactured commodities, n.e.s.	\$0	\$18,753	\$0	\$18,753
3089	Plastics products	\$14,236	\$0	\$0	\$14,236

S.I.C. Number	Description of Goods	1996	1997	1998	Total (1996-98)
3523	Farm machinery and equipment	\$12,523	\$0	\$0	\$12,523
2752	Printed matter, lithographic	\$11,529	\$0	\$0	\$11,529
2835	Prepared diagnostic substances	\$10,730	\$0	\$0	\$10,730

The humanitarian items listed in Table 2 (above) also constituted nearly 100 percent of total U.S. exports to Iran during 1997 and 1998. This lack of diversity sharply contrasts with previous U.S. trade with Iran: during the period from 1991-1995, the leading U.S. export categories represented 61.3 percent of 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

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 indicates that the agricultural and oil industry sectors were among those directly affected by the embargo. Additionally, the U.S. aerospace industry was significantly affected by both the National Defense Authorization Act (NDAA) of Fiscal Year 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 as the license denial policy mandated by the NDAA of Fiscal Year 1993 and the U.S. trade embargo 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 year that the trade embargo was fully in effect, total U.S. aerospace exports to Iran declined to virtually zero.

Table 4: 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

Prior to the U.S. embargo on Iran, the United States competed with Iran's other major trading partners in areas including 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, U.S. exports to Iran in nearly all of these categories had fallen to virtually zero.

The most damaging effect of the embargo on Iran on U.S. industry is the reaction of foreign firms to U.S. re-export requirements. U.S. exporters report that their products are often designed out of foreign manufactured goods to ensure that foreign exports do not fall within the scope of U.S. controls. This “designing out” effect damages U.S. exports both for sales to embargoed countries and to non-embargoed countries as well.

Syria: U.S. controls on exports to Syria have had a lesser effect on U.S. industry, because the United States does not require a license for the export of most items in the leading export sectors to Syria. Despite recent setbacks to Syria’s economy, including reduced oil revenues, a heavy public debt burden, and domestic financial and economic difficulties, the limited economic reforms and infrastructure improvements undertaken by the government in the early 1990s enhanced the country’s potential as a market for U.S. exports. Agricultural items and EAR99 level petroleum industry items, however, do not usually require a license to Syria. U.S. industry reports the top U.S. exports to Syria during the period from 1992-98 (Table 5):

Table 5: Top U.S. Exports to Syria (1992-1998)

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
3533	Oil and gas field equipment	\$238.3 million
0115	Corn	\$151.9 million
2111	Cigarettes	\$93.7 million
3443	Fabricated plate work	\$38.8 million
2044	Milled rice and byproducts	\$37.6 million
2075	Soybean oil and byproducts	\$37.3 million
3711	Motor vehicles and passenger car bodies	\$33.7 million
2284	Thread and handwork yarns	\$28.3 million
2824	Manmade fibers (noncellulosic)	\$25.5 million
3511	Turbines and turbine generator sets	\$24.9 million
3561	Pumps and pumping equipment	\$24.3 million
3569	General industrial machinery and equipment	\$23.9 million

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
0181	Ornamental floriculture and nursery products	\$20.7 million
3312	Blast furnace, steel works, and rolling mill products	\$18.0 million
0116	Soybeans	\$15.8 million
3585	Refrigeration and heating equipment	\$15.7 million
3531	Construction machinery and parts therefor	\$15.1 million
3714	Motor vehicle parts and accessories	\$14.7 million
3448	Prefabricated metal buildings and components	\$14.7 million
3728	Aircraft equipment	\$13.5 million
3357	Nonferrous metal wire and cable (drawn and insulated)	\$13.0 million
3829	Measuring and controlling devices	\$12.4 million
3532	Mining machinery and equipment	\$11.3 million

From 1992-98, U.S. exports to Syria totaled just over \$1.3 billion (total derived from U.S. Census data), averaging roughly \$191.9 million per year and falling within a range between \$161 million (1998) and \$226 million per year (1996). The volume (in U.S. dollars) of total annual U.S. exports to Syria has remained relatively stable, with incremental increases every year from 1992-96. However, total U.S. exports to Syria have declined in each of the last two years, falling to \$180.5 million in 1997 (a 20 percent decline from 1996) and \$161.4 million in 1998 (a 10.6 percent decline from 1997).

The average annual value of export licenses that Commerce has issued for Syria has increased significantly in the last ten years. In Fiscal Year 1991, the United States approved only eight licenses with a total value of \$1,041,504. From an annual average of just under \$45 million per year in Fiscal Year 1992 and Fiscal Year 1993, the value of items that Commerce has licensed

for export to Syria has risen to more than \$83 million per year during the last six years (i.e., Fiscal Year 1994 through Fiscal Year 1999). In Fiscal Year 1999, Commerce approved 100 licenses for Syria, totaling \$86,534,591. These figures represent a slight increase from Fiscal Year 1998, when Commerce approved 81 export licenses to Syria, valued at \$80,707,010.

The majority of items that the United States has licensed 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 59 applications for Syria from Fiscal Year 1991 through Fiscal Year 1999; these applications had a total value of \$30.14 million.

Table 6: Approved Licenses for Syria (Fiscal Year 1991-99)

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
1999	100	\$86,534,591

The U.S. policy of reviewing export licenses for the export of aircraft parts and components and aircraft engine parts and components to Syria for air safety on a case-by-case basis has led to an increase in U.S. aerospace exports to Syria. U.S. exports of aircraft engine parts to Syria from 1991-98 totaled \$3.1 million, or slightly more than 17.4 percent of total U.S. aerospace exports to Syria during this period, while exports of avionics equipment totaled only \$355,596 (just 1.9 percent of total U.S. aerospace exports to Syria). In 1998, miscellaneous aircraft parts and equipment accounted for 71.4 percent (\$1.39 million) of total U.S. aerospace exports to Syria, while exports of avionics equipment totaled \$52,139 (2.7 percent of total U.S. aerospace exports to Syria). Exports of aircraft engine parts to Syria, which had fallen to virtually zero in 1997, increased to \$503,991 in 1998 (25.9 percent of total 1998 U.S. aerospace exports to Syria). The

September 1999 change in the Export Administration Regulations to review export licenses for aircraft and aircraft engine parts and components to Syria for air safety was discussed at length among agencies prior to its publication.

The U.S. policy to not approve the sale of new aircraft to Syria is resulting in a gradual shift away from the export of aircraft parts and components for U.S.-origin planes to Syria and toward the export of parts for non-U.S.-origin planes. Although Syrian Arab Airlines (SAA) currently operates several Boeing aircraft, which, because they are all 20-25 years old, require large amounts of spare and maintenance parts to continue operating safely, their recent purchase of six Airbus aircraft indicate that the Boeings may be retired. Many of the components currently required by SAA for use on the Boeing aircraft are provided by U.S. exporters. Although the impact of retiring the Boeing aircraft on U.S. exporters has not yet been determined, U.S. exporters are also providing parts and components for the Airbus aircraft, albeit at lower levels.

Sudan: Given the desperate state of Sudan's economy, U.S. unilateral export sanctions on Sudan will have a minor effect on U.S. industry. Sudan's poor economic performance over the past decade, a result of the ongoing civil war, adverse weather, and a ban on International Monetary Fund assistance, prevents the country from importing a significant amount of goods from any supplier, including the United States. Before the U.S. embargo on Sudan went into effect on November 4, 1997, the small amount that Sudan imported from the United States generally did not require export licenses and thus was hardly affected by the export controls. Table 7, below, lists the top categories of U.S. exports to Sudan (those exceeding \$5 million during the period from 1992-98).

Table 7: Top U.S. Exports to Sudan (1992-1998)

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
0119	Cash grains (unspecified)	\$38.5 million
0111	Wheat	\$25.4 million
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

S.I.C. Number	Description of Goods	Total Value (U.S. dollars)
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

Although the United States was the fifth largest exporter to Sudan in the first half of the 1990s, exports to Sudan represented only a small percentage of total U.S. exports. From 1992-98, for instance, U.S. exports to Sudan totaled \$297.4 million, accounting for less than 0.01 percent of total U.S. exports. Total U.S. exports to Sudan remained fairly stable from 1992-96, averaging a little over \$50 million per year and remaining within a range of \$43 million to \$54 million per year. The U.S. aerospace industry sector appears to have been affected most by the U.S. anti-terrorism controls on Sudan. Aircraft exports from the United States to Sudan totaled more than \$6.4 million in 1992, but no exports of aircraft from the United States to Sudan have been reported since 1994. Exports of aircraft engines and aircraft engine parts from the United States to Sudan show a similar decline, falling from \$845,142 in 1992 to barely \$10,000 in 1997. In fact, nearly all U.S. aerospace exports to Sudan in 1997 (\$71,578) consisted of miscellaneous aircraft parts and equipment. By 1998, total U.S. aerospace exports to Sudan had fallen to virtually zero.

Although the embargo against Sudan did not take effect until November 1997, U.S. exports to Sudan in 1997 fell to only \$37.3 million, a 26 percent drop from the previous year's total of \$50.4 million. In 1998, U.S. exports to Sudan continued to fall sharply, declining to less than \$6.8 million (down nearly 82 percent from 1997).

The total number of export licenses that the United States issued for Sudan was negligible before the implementation of sanctions, since, as discussed above, low technology items (which did not require export licenses prior to the implementation) constituted the bulk of U.S. exports to

Sudan. Commerce issued as many export licenses for Sudan during Fiscal Year 1997 (10 licenses, worth \$7,095,973) as it did during the previous five fiscal years (Fiscal Year 1992 through 1996), when it approved 10 licenses, worth \$5,976,017. After the United States implemented sanctions on Sudan in 1997, the Office of Foreign Assets Control (OFAC) at the Department of the Treasury acquired export control authority for Sudan. Since then, Commerce has only processed license applications with Sudanese end-users when the application is for a deemed export. This accounts for the one license issued in 1999.

Table 8: Approved Licenses for Sudan (Fiscal Year 1992 to Fiscal Year 1999)

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
1999	1	\$1

Of the 20 export licenses (worth \$13,071,990) that the United States issued for Sudan from Fiscal Year 1992-97, 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 Fiscal Year 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 Fiscal Year 1998, due in large part to the U.S. trade embargo on Sudan that took effect on November 4, 1997. One export license application for aircraft parts and components (valued at \$500,000) was denied in Fiscal Year 1998, while 10 applications (valued at \$23,364,082) were returned without action to the applicants. Commerce approved only one export license application, for a deemed export, for Sudan in Fiscal Year 1999, did not deny any applications, and returned two applications (valued at only \$1,140) without action.

FTO/SDTs: Commerce did not review any licenses destined for FTOs or SDTs in Fiscal Year 1999. The economic impact of these controls is minimal. The Office of Foreign Assets Control maintains restrictions on activities of U.S. persons involving SDT and FTOs. This control augments those restrictions.

5. *Enforcement of Control.* In general, unauthorized reexports of unilaterally controlled goods to these destinations and entities is a continuing enforcement concern.

Commerce

C. Consultation with Industry

On November 30, 1999, 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 unilateral anti-terrorism entries on the Commerce Control List.

D. Consultation with Other Countries

The United States has also consulted with other nations regarding Iran's 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. The United States has also consulted with other countries regarding Syria's allowing of terrorist organizations to operate and be supported within its territory. The United States has also consulted with other countries regarding the SDTs and FTOs. In general, most countries are supportive of U.S. anti-terrorism efforts but will not implement strict export control programs like those of the United States.

The United States has taken a wide range of bilateral and multilateral diplomatic means to counter the terrorist activities of SDTs and FTOs. Publication of the list of entities of concern helps other countries and individuals to identify these entities and to be more sensitive when trading with them.

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. For Syria, maintaining these controls is an appropriate way to remind Syria of its obligations to act against terrorist elements whenever it has the capability to do so.

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 Act⁴. 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. Although Sudan's imports are low-technology items for which numerous foreign sources exist, the poor health of Sudan's economy -- thus its inability to import these goods -- makes foreign availability less of an issue. The development of Sudan's oil resources would change this perception radically, as would an end to the civil war, because either event is expected to have a positive impact on the health of Sudan's economy.

ENDNOTES

1. *On August 19, 1997, the President issued Executive Order No.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 No.12959 of May 6, 1995, imposed a comprehensive trade and investment embargo on Iran.*

2. *On November 3, 1997, the President issued Executive Order No. 13067, which imposed an embargo on Sudan, effective November 4, 1997. The President delegated to the Department of Treasury the authority to promulgate regulations to administer the embargo on Sudan.*
3. *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.*
4. *Provisions pertaining to foreign availability do not apply to export controls in effect before July 12, 1985, under sections 6(i) (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.*