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## 5. Embargoed Countries and Entities (Part 746)

### Export Control Program Description and Licensing Policy

The United States maintains comprehensive economic embargoes against Cuba, Iran, Iraq, Libya, North Korea and Sudan (these are six of the seven countries designated by the Secretary of State as state sponsors of international terrorism). There is also a comprehensive economic embargo of Serbia, implemented in May 1999, and of the Taliban regime in Afghanistan, implemented in July 1999. The United States also maintains arms embargoes on Liberia, Rwanda, Somalia and the Federal Republic of Yugoslavia (Serbia and Montenegro) and an embargo on arms and other commodities on UNITA (in Angola).

On January 5, 1999, the President announced a number of new initiatives intended to further aid the Cuban people in their transition to democracy. One initiative is intended to allow the export of food and certain agricultural commodities for sale to independent non-governmental entities on the island. This step was taken with the hope that it would invigorate a small private sector that could form the backbone of a free market system in Cuba. As a part of this initiative, the Treasury Department is granting travel licenses for exploratory visits to Cuba by American companies interested in pursuing this new opportunity. The President also called for the expansion of people-to-people contacts between the United States and Cuba by facilitating travel of persons between the two countries. Commerce now reviews license applications to use private aircraft for temporary travel to Cuba related to educational, cultural, journalistic, religious, or athletic exchanges and other approved people-to-people contacts.

Following actions taken in 1999, the United States maintains comprehensive export and reexport controls on Serbia. On April 30, 1999, the President issued Executive Order 13121, imposing a comprehensive economic embargo of the Federal Republic of Yugoslavia (Serbia and Montenegro) in reaction to the continuing human rights and humanitarian crisis in Kosovo. The Treasury Department administers this Executive Order and has issued a general license authorizing transactions ordinarily incident to exports or reexports licensed by Commerce, with certain exceptions. On May 4, 1999, Commerce revised the EAR to impose comprehensive export and reexport controls on Serbia. On November 4, Commerce amended the EAR to remove the Serbian province of Kosovo from the special controls imposed in May on all of Serbia. As a result of these measures, all items subject to the EAR require a license from Commerce for export or reexport to Serbia (excluding Kosovo). Exports and reexports to Montenegro and Kosovo are subject to the Commerce export licensing requirements that existed prior to the mid-1999 measures (e.g., licenses are required for multilaterally controlled items, as well as certain unilaterally controlled items and arms-related items prohibited consistent with the U.N. mandated arms embargo on all the Federal Republic of Yugoslavia). A Treasury license may be required for certain export related transactions in the Federal Republic of Yugoslavia, such as for transactions involving financing by a blocked entity.

On July 4, 1999, the President signed Executive Order 13129, imposing sanctions on the Taliban in Afghanistan as a result of the Taliban's support of Usama bin Ladin and his terrorist network. The Executive Order prohibits the export, reexport, supply or sale by U.S. persons of any U.S.-origin goods, software, technology (including technological data) or services to the territory of Afghanistan controlled by the Taliban. The United Nations also passed resolution 1267 which banned the state airline Ariana from landing, taking off, or being serviced in member countries. The resolution also froze the financial assets of the Taliban. These measures were adopted because the Taliban refused to turn over bin Laden to a country where he could be brought to justice. The Office of Foreign Assets Control (OFAC) at the Department of Treasury has licensing authority for transactions by U.S. persons involving Taliban-controlled areas and products within Afghanistan; the Department of Commerce has licensing authority for all items subject to the EAR to Afghanistan and exercises sole licensing responsibility for exports subject to the EAR to non-Taliban controlled areas and exports by non-U.S. persons to Afghanistan.

On August 2, 1999, OFAC published a notice in the *Federal Register* implementing a Presidential decision to provide case-by-case review for sales of agricultural commodities and products, medicine and medical equipment to Iran, Libya, and Sudan. Exports of these commodities to Cuba, North Korea and Iraq could already be authorized under other regulations or programs. Since Commerce has licensing responsibility over reexports to Libya, we review reexport license applications for items requiring a license to Libya (e.g., medical equipment, certain vaccines, etc.).

On September 13, 1999, the United States published notification in the *Federal Register* of a change under license exception AVS, allowing the temporary reexport to Libya of foreign-registered aircraft subject to the EAR. This change allows foreign-registered aircraft meeting all the temporary sojourn requirements of License Exception AVS to fly from foreign countries to Libya without obtaining prior written authorization from the United States. The action is limited in scope and in no way affects the remaining U.S. sanctions against Libya. Flights of U.S.-registered aircraft to Libya and of foreign-registered aircraft directly from the United States to Libya remain prohibited. This action was taken in response to the suspension of United Nations sanctions against Libya after the Libyan Government turned over two Libyan nationals suspected in the bombing of Pan Am flight 103. Since the United States believes that Libya has met only one of four conditions originally mandated by the United Nations for sanctions to be lifted, U.S. sanctions remain in effect.

**Licensing Agencies for Embargoed Countries**

The Department of Commerce has export control authority for dual-use items subject to its jurisdiction to all countries, including countries subject to comprehensive trade embargoes administered by the Treasury Department's Office of Foreign Assets Control. Commerce and Treasury often consult and exchange information on cases and issues within their concurrent export control authority. Commerce and Treasury avoid duplicate licensing requirements by allocating most export licensing responsibilities for certain countries to one agency (e.g., Cuba, North Korea, Iran, Iraq, Libya). In cases in which Commerce has licensing responsibility, Commerce notes potential applicability of Treasury restrictions on U.S. person activities. In cases in which Treasury has export licensing responsibility, Treasury, on occasion, requests commodity classifications and other technical advice from Commerce.

In instances in which two licenses are required (e.g., exports/reexports to Sudan, the Taliban, UNITA), Commerce encourages applicants for exports to such destinations to first seek Treasury authorization because the U.S. policy is one of denial for embargoed items.

The following summarizes the licensing agency responsibilities for items subject to the EAR:

***Cuba, North Korea, and Serbia:*** Treasury has created general licenses authorizing incidental transactions related to Commerce authorized exports to Cuba or North Korea or exports or reexports to the Federal Republic of Yugoslavia. In most instances, only a Commerce license is needed for exports to these destinations. Treasury authorization would be required for activities related to certain export transactions licensed by Commerce (e.g., financing from blocked accounts or travel by U.S. persons to Cuba).

***Libya:*** Treasury is responsible for licensing exports from the United States and transshipments to Libya; Commerce licenses exports and reexports of items subject to the EAR from third countries to Libya.

***Iran and Iraq:*** Commerce's Export Administration Regulations provide that an authorization from Treasury for an export or reexport to Iran or Iraq of an item subject to both Treasury regulations and the EAR constitutes authorization under the EAR. Thus, most exports or reexports to Iran or Iraq require only Treasury authorization.

***Sudan, the Taliban, and UNITA:*** Although two licenses are required for items and/or geographic areas that fall within both agencies' export control authority, Commerce requests any applicants to first seek Treasury authorization. Commerce then reviews any transaction requiring an export license under the EAR that has been authorized by Treasury.

***Arms embargoes against the Federal Republic of Yugoslavia (FRY) and Rwanda:*** Commerce and State are responsible for implementing the embargo on arms, arms-related items and certain other commodities under their respective export control jurisdiction.

The United States maintains an embargo, administered by the Department of Commerce (Bureau of Export Administration) and the Department of State (Office of Defense Trade Controls) under the United Nations Participation Act and other authorities, on the sale or supply to Rwanda by U.S. persons or from the United States (including the use of U.S.- registered vessels or aircraft) of arms and related materiel of all types, including weapons and ammunition, military vehicles and equipment, paramilitary police equipment, and spare parts for the aforementioned, regardless of origin. (See 15 CFR 746.8 and 22 CFR 126.1(c).)

The United Nations Security Council imposed an arms embargo on Rwanda on May 17, 1994. In 1995, the Security Council suspended the application of the embargo to the Government of Rwanda through specified points of entry and later terminated, effective September 1, 1996, the application of restrictions on sales or supplies to the government of Rwanda. The sale or supply of such arms and related materiel to non-governmental forces for use in Rwanda remains prohibited.

In 1992, the United Nations imposed an embargo "on all deliveries of weapons and military equipment" to Liberia. The Department of State implements this embargo under the authority of the Arms Export Control Act. (See Department of State regulations, 22 CFR 126.1(c).) In 1992 the United Nations Security Council imposed an embargo on all deliveries of weapons and military equipment to Somalia. The Department of State implements this embargo under the Arms Export Control Act. (See Department of State regulations, 22 CFR 126.1(c).) These arms embargoes are not further discussed in this report.

The following paragraphs outline existing licensing policies for Cuba and North Korea:

**A.** The Department of Commerce requires a license for export to Cuba and North Korea of virtually all commodities, technology and software, except[1]:

- technology generally available to the public and informational materials;
- some types of personal baggage, crew baggage, vessels and certain aircraft on temporary sojourn, ship stores (except as prohibited by the CDA to Cuba) and plane stores under certain circumstances;
- certain foreign-origin items in transit through the United States;
- shipments for U.S. Government personnel and agencies;
- gift parcels not exceeding $400 for North Korea of commodities such as food, clothing (non-military), medicines, and other items normally given as gifts by an individual; and
- gift parcels not exceeding $200 for Cuba limited to food, clothing (non-military), vitamins, seeds, medicines, medical supplies and devices, hospital supplies and equipment, equipment for the handicapped, personal hygiene items, veterinary medicines and supplies, fishing equipment and supplies, soap-making equipment, certain radio equipment, and batteries for such equipment. There are no frequency or dollar value limits on food contained in gift parcels to Cuba.

**B.** The United States generally denies export license applications for exports to Cuba and North Korea; however, Commerce will consider applications for the following on a case-by-case basis:

- exports to meet basic human needs;
- exports to Cuba from foreign countries of non-strategic foreign-made products containing 20 percent or less United States-origin parts, components or materials, provided the exporter is not a United States-owned or controlled subsidiary in a third country;
- exports to Cuba of telecommunications equipment, to the extent permitted as part of a telecommunications project approved by the Federal Communications Commission, necessary to deliver a signal to an international telecommunications gateway in Cuba;
- exports to support projects under the U.S.-North Korea Agreed Framework of 1994 (including Korean Energy Development Organization initiatives).

**C.** The United States reviews applications for exports of donated and commercially supplied medicine or medical items to Cuba on a case-by-case basis. The United States will not restrict exports of these items, except in the following cases:

- to the extent Section 5(m) of the Export Administration Act of 1979 or Section 203(b)(2) of the IEEPA would permit such restrictions;
- in a case in which there is a reasonable likelihood that the item to be exported will be used for purposes of torture or other human rights abuses;
- in a case in which there is a reasonable likelihood that the item to be exported will be reexported;
- in a case in which the item to be exported could be used in the production of any biotechnological product; or
- in a case where the U.S. Government determines that it would be unable to verify, by on-site inspection and other appropriate means, that the item to be exported will be used for the purpose for which it was intended and only for the use and benefit of the Cuban people. This exception does not apply to donations of medicine for humanitarian purposes to a nongovernmental organization in Cuba.

The following paragraphs outline licensing policy for Libya:

**A.** Reexport authorization is required from Commerce for foreign policy purposes for export from third countries to Libya of all U.S.-origin goods, technology or software, except for the following:

- medicine and medical supplies;
- food and agricultural commodities;
- items permitted under certain license exceptions; and
- foreign non-strategic products of U.S.-origin technology or software; or
- foreign strategic products of U.S.-origin technology or software exported from the United States before March 12, 1982.

**B.** Applications for reexport authorization will generally be denied for the following:

- off-highway wheel tractors with carriage capacity of 10 tons or more, except for exports of such tractors in reasonable quantities for civil use;
- aircraft (including helicopters), and specified parts and accessories;
- other commodities and related technology and software controlled for national security purposes, including controlled foreign-produced products of United States technology and software exported from the United States after March 12, 1982, and oil and gas equipment and related technology and software not readily available from non-United States sources;
- commodities, software, and technology destined for the Ras Lanuf Petrochemical Processing Complex, except for (a) exports or reexports pursuant to a contractual arrangement in effect prior to December 20, 1983; and (b) the reexport of goods or technology already outside the United States on December 20, 1983, for which license applications will be reviewed on a case by case basis; and
- items subject to UNSC Resolution 748 of March 30, 1992 (effective April 5, 1992) and of November 11, 1993 (effective December 1, 1993) [2];

**C.** Exceptions are considered on a case-by-case basis for the following:

- reexports of commodities or technology and software involving a contract in effect prior to March 12, 1982, where failure to obtain an authorization would not excuse performance of the contract;
- the reexport of goods or technology subject to national security controls already outside the United States on March 12, 1982, or the export of foreign products incorporating such items as components; or
- the use of U.S.-origin components incorporated in foreign origin equipment and constituting 20 percent or less by value of that equipment.

**D.** All other reexports will generally be denied.

The following paragraphs outline the licensing policy for Federal Republic of Yugoslavia (FRY) (including Montenegro and Serbia):

Since July 1998, the United States has implemented an international arms embargo on the FRY, requiring a license for the export of arms-related items and certain other items on the CCL that one could use for terrorist activities or to repress the civilian population in the FRY. Items requiring licences include shotguns, ammunition, military vehicles, equipment for the production of military explosives, bulletproof vests, night mission equipment, crime and crowd control equipment (e.g., water cannons) and items that may be used to arm and train individuals for terrorists activities. Many of these items were already subject to export controls to the FRY. However, this action imposed export license requirements on additional items, including water cannons, bomb detection equipment and explosives. These controls apply to all of the FRY

(Serbia, including Kosovo, and Montenegro).

In response to the Serbian government's continued ethnic cleansing in Kosovo and its rejection of the proposed peace agreement accepted by the Kosovars, President Clinton announced on March 24, 1999, that the United States had joined with NATO allies in air strikes against Serbian forces. This action was intended to deter the mass killing and dislocation of ethnic Albanians in Kosovo and to prevent a widening of the conflict. In an effort to buttress the military actions and protect human rights, on April 30, 1999, President Clinton signed Executive Order 13121 which, among other things, banned exports and reexports of all items to the Federal Republic of Yugoslavia (Serbia--including Kosovo--and Montenegro). Treasury is implementing this Executive Order.

Among other things, the Executive Order bans:

- the exportation, reexportation, sale, or supply of any goods (including petroleum and petroleum products), software, technology (including technical data), or services to the FRY by a U.S. person;
- any transaction or dealing by a United States person, wherever located, in goods, software, technology (including technical data), or services to FRY, regardless of country of origin. This prohibition includes, without limitation, purchase, sale, transport, swap, or brokerage transactions, as well as approving, financing, insuring, facilitating, or guaranteeing any such transactions.

Treasury's General License Number 3 designates that Commerce implement the export restrictions on the FRY.

On May 5, 1999, the Department of Treasury issued General License Number 2 exempting Montenegro from most of the export sanctions set forth in Executive Order 13121 (a previous general license exempted Montenegro from restrictions on financial transactions). As a result, Commerce exercises sole licensing responsibility for most exports and reexports to Montenegro. As a result, Montenegro has the same export control status that existed prior to May 1999 (e.g., items controlled for chemical, biological, missile, and nuclear nonproliferation reasons require a license).

On November 5, 1999, Commerce published a regulatory change exempting Kosovo from the broad sanctions on the rest of Serbia. This action was taken upon the completion of the NATO military campaign in Kosovo to allow U.S. and allied forces to aid in the reconstruction of Kosovo. In most instances, U.S. exporters may ship EAR 99 goods to end-users in Kosovo without a license. As is the case with Montenegro, the export control restrictions that applied to Kosovo prior to May 1999 apply. As a result of the various Treasury and Commerce measures, in most instances, U.S. exporters may ship EAR99 items to Montenegro and Kosovo without a license. These cumulative actions leave only Serbia subject to comprehensive export sanctions (as set forth above, all of the FRY is subject to the UN-mandated arms embargo).

**B.** The United States reviews all license applications to export or reexport the items listed above to Serbia under a presumption of denial.

**C.** Exceptions to this denial policy include:

- humanitarian shipments (e.g., food, medicine and medical products and equipment, clothing);

**D.** License Exceptions are available for:

- shipments to accredited news media operating in Serbia/Kosovo;
- shipments to U.S. Government end-users operating in Serbia/Kosovo;
- gift parcels not exceeding $400 of commodities such as food and clothing.

The following paragraphs outline the licensing policy for Rwanda:

**A.** The United States requires a license for foreign policy purposes for export to Rwanda of all arms and related materiel of all types, regardless of origin, including weapons and ammunition, military vehicles and equipment, paramilitary police equipment, and spare parts for these items. This requirement applies to the export by any person from U.S. territory or by any U.S. person in any foreign country or other location to Rwanda. The United States also requires a license for the use of any U.S. aircraft or vessel to supply or transport any such items to Rwanda.

**B.** The United States generally denies applications for export or reexport to Rwanda of crime control and detection commodities.

- The United States generally denies applications for export or reexport to Rwanda of any item with an Export Control Classification Number (ECCN) ending in “18.”[3]
- The United States generally denies the export of other listed items.[4]

**Analysis of Control as Required by Section 6(f) of The Act**

The United States has administered the embargoes on exports to Cuba and North Korea under the Act and other statutes, in a manner consistent with Treasury sanctions adopted under the Trading with the Enemy Act (TWEA), as amended. The United States administers the controls on Libya, Rwanda, and the FRY under the International Emergency Economic Powers Act and other statutes. The TWEA continues in effect by virtue of Sections 101(b) and (c), and 207, of Public Law 95-223, which the President has extended annually, pursuant to national interest determinations.

**A. The Purpose of the Control**

Originally, the United States imposed embargoes on each of these countries for foreign policy purposes. Although the circumstances that prompted the United States to impose controls have changed, these controls continue. These embargoes demonstrate the determination of the United States to refrain from normal trade with these countries until they take steps to conform to recognized international standards.

***Cuba:*** This embargo was imposed several decades ago when Cuban actions posed a serious threat to the stability of the Western Hemisphere, and the Cuban Government had expropriated property from U.S. citizens without compensation. In March 1982, as a result of Cuba's support for insurgent groups that engaged in terrorism, the Secretary of State designated it as a state sponsor of terrorism under Section 6(j) of the Act.

***Libya:*** The purpose of export and reexport controls toward Libya is to demonstrate U.S. opposition to, and to distance the United States from, Libya's intervention in the affairs of neighboring states and support for acts of international terrorism and international subversive activities.

***North Korea:*** North Korea continues to maintain an offensive military capability and to suppress human rights. The planting of a bomb aboard a South Korean airliner by North Korean agents in November 1987 prompted the Secretary of State to designate North Korea as a state sponsor of international terrorism, under Section 6(j) of the Act, in January 1988. This designation has not been revoked.

***The Federal Republic of Yugoslavia (Serbia--including Kosovo--and Montenegro):*** The purpose of the 1999 comprehensive trade controls on the FRY was to further the United States general policy of upholding multilateral and international commitments to stop Serbian sponsored aggression in Kosovo. The United States wanted to take additional steps to stop the continuing human rights abuses and humanitarian crisis in Kosovo. The 1998 controls on certain related arms items and crime control items remain in place. These controls prevent U.S. contribution to potential conflicts and the repression of the civilian population in that country and conform with United Nations-mandated sanctions.

***Rwanda:*** The controls on arms-related items remain in place to prevent any U.S. contribution to potential conflict in that country and to conform to United Nations-mandated sanctions.

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

***1. Probability of Achieving Intended Foreign Policy Purpose.*** The embargoes have denied these nations the substantial benefits of normal trade relations with the United States. The controls continue to put pressure on the governments of these countries to modify their policies, since the United States will not lift these embargoes without a general improvement in relations. For Rwanda, the applicable controls may serve to reduce the potential for conflict.

In regard to Yugoslavia, the embargo supported international efforts to stop the Serbian government's genocide activities in Kosovo. The controls act as a continuing constraint on Serbian authorities and put pressure for fundamental change in the government to one that respects all of its citizens' human rights. The controls allowed the United States to meet its commitments to support NATO's operations. The controls denied the Serbian government a wide range of commodities, software, and technology. The retention of the controls continues the pressure on the Serbian government and will directly advance U.S. foreign policy, military, and economic goals in the Balkans

In regard to Libya, the United States maintains reexport prohibitions for commodities controlled for national security reasons; for certain types of oil terminal and refining equipment; for items used to service or maintain Libyan aircraft and airfields; and for all other items subject to the EAR. The intent of these restrictions is to prevent U.S. contributions to Libya's involvement in activities detrimental to United States national security and foreign policy; in military activities; and in efforts to destabilize nations friendly to the United States. The controls send a clear signal that the United States is unwilling to permit trade in light of Libya's behavior.

***2. Compatibility with Foreign Policy Objectives.*** The controls complement U.S. foreign policy in other aspects of U.S. relations with these countries. They encourage the governments to modify their policies, thereby improving their relations with the United States. For Rwanda, these controls are consistent with U.S. foreign policy goals of promoting peace and stability and preventing human rights abuses. In Yugoslavia, the United States strongly opposed the Serbian government's human rights abuses in Kosovo. The embargo demonstrated that opposition. In regard to Libya, because these controls are intended to prevent U.S. contributions to Libyan economic activities and to force Libya to abide by international law, they are consistent with U.S. foreign policy goals.

***3. Reaction of Other Countries.*** Although most countries recognize the right of the United States to determine its own foreign policy and security concerns, many countries, particularly Canada, Mexico, and the members of the European Union, opposed the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (Helms-Burton). Most countries respect U.S. unilateral controls toward North Korea in light of the unresolved situation on the Korean peninsula and the aggressive nature of North Korean support for the proliferation of weapons of mass destruction. The U.S. arms embargo to Rwanda is consistent with the objectives of the United Nations; the United States has received no significant objections to these controls. A number of NATO nations joined the United States in implementing unilateral sanctions against Serbia during the recent conflict. Unlike U.S. controls on Serbia, which remain in place, however, some of these allied sanctions are now at risk of being repealed. Many countries have expressed the view that in turning over the two Libyan nationals for trial, Libya fulfilled its obligations to the United Nations in regard to the Pan Am 103 bombing and, therefore, that the U.N. sanctions against Libya should be lifted. In line with this, the same countries have urged the United States to repeal ILSA and to remove sanctions that the United States maintains under IEEPA on items such as aircraft parts and components.

***4. Economic Impact on United States Industry.***

***Cuba:*** Commerce requires a license for the export and reexport of virtually all U.S.-origin commodities, technology, and software to Cuba. From FY 1994-98 (see totals in Table 1), Commerce approved 482 licenses (valued at more than $2.8 billion) for exports to Cuba, averaging roughly 96 license approvals (valued at nearly $570.8 million) per annum. In FY 1999, the total number and value of license applications that Commerce approved for exports to Cuba increased significantly for the second year in a row, rising to 183 applications (175 exports and 8 reexports) worth more than $10.7 billion. This represents a 43 percent increase over the total number of applications that Commerce approved for Cuba in FY 1998 (i.e., 128 license applications, worth over $544 million) and is more than double the number of applications approved in FY 1997 (87 export licenses, valued at $493.4 million). The total value of the FY 1999 approvals (i.e., $10.7 billion) was skewed by the approval of applications for the temporary export of two vessels (valued at $5 billion each). If we excluded these two vessels, the value of FY 1999 approvals would have totaled slightly more than $758 million, a 39 percent increase over FY 1998 and more than 53 percent above FY 1997. Much of the increase in the number and value of export license applications that were approved for Cuba in FY 1998-99 can be attributed to recent changes in U.S. export policies, including the resumption of direct humanitarian cargo flights to Cuba, and expedited processing for applications to export medicines and medical supplies and equipment to Cuba. Commerce denied four export license applications (valued at $14.7 million) in FY 1999 and returned twenty license applications (worth $61.6 million) without action. No licenses for sales of food have been approved.

**Table 1: Export License Applications Approved for Cuba (FY 1994-1999)**

| Fiscal Year | Number of Applications | Total Value in U.S. Dollars |
|---|---|---|
| **1994** | 73 | $618,991,550 |
| **1995** | 111 | $604,004,985 |
| **1996** | 83 | $592,738,313 |
| **1997** | 87 | $493,414,819 |
| **1998** | 128 | $544,659,988 |
| **1999** | 183 | $10,758,488,615* |
| **TOTAL (1994-99)** | 665 | $13,612,298,270 |

Virtually all of the export licenses that Commerce approved for Cuba in FY 1999 (i.e., 182 out of 183 licenses) fell into one of seven major categories listed in Table 2: (i) medicines and medical supplies, instruments, and equipment, (ii) gift parcels, (iii) aircraft on temporary sojourn in Cuba, (iv) items for promoting independent activities to strengthen civil society in Cuba, (v) telecommunications commodities for services between the U.S. and Cuba, (vi) commodities and software for U.S. news bureaus in Cuba, and (vii) items needed to guarantee flight safety. Altogether, Commerce approved 157 licenses (valued at more than $542 million) for shipments to Cuba of some form of humanitarian aid in the form of food and other staples, medicine and medical supplies, and consolidated shipments of gift parcels. This represents a 74 percent increase over FY 1998, when Commerce approved 90 such licenses, valued at more than $421 million. This increase is largely the result of Commerce's May 13, 1998, implementation of streamlined procedures for processing license applications to export medicines and medical equipment to Cuba. In addition, Commerce approved 23 license applications (valued at more than $211 million) in FY 1999 for aircraft on temporary sojourn to Cuba. Commerce approved 26 such licenses, valued at over $122 million in FY 1998, a much higher number than in FY 1997 (i.e., 1 license, valued at $10.6 million). Much of this increase can be attributed to the President's announcement, on March 20, 1998, directing that the 1996 ban on certain direct humanitarian flights to Cuba be lifted and a resumption by Commerce of licensing aircraft on temporary sojourn to Cuba.

**Table 2: Types of Export License Applications Approved for Cuba (FY 1999)**

| Type of Export | Number of Licenses | Dollar Value |
|---|---|---|
| **Medicines and medical supplies, instruments, & equipment** | 63 | $121,979,482 |
| **Gift parcels** | 95 | $420,707,869 |
| **Food Sales** | 0 | $0 |
| **Aircraft on temporary sojourn to Cuba** | 23 | $211,569,000 |
| **Items for promoting independent activities to strengthen civil society in Cuba** | 2 | $161,100 |
| **Telecommunications commodities for service between the U.S. & Cuba** | 1 | $347,000 |
| **Commodities & software for U.S. news bureaus in Cuba** | 3 | $367,760 |

| Type of Export | Number of Licenses | Dollar Value |
|---|---|---|
| **Items needed to guarantee flight safety** | 2 | $221,292 |
| **Other items** | 6 | $10,003,135,112 |
| **FY 1999 TOTALS** | 183 * | $10,758,488,615 * |

**NOTE:** The total number of export licenses that Commerce approved for Cuba in FY 1999 is shown as 183 in Table 2, instead of 195. This is because twelve licenses are counted under more than one export category in Table 2 (e.g., six of the twenty-three licenses for aircraft on temporary sojourn to Cuba also contain items that are counted under either the medical or gift categories). The total value of export licenses approved for Cuba in FY 1999 is somewhat misleading because $10 billion of the total is for two vessels that were used to transport baseball equipment for an exhibition game in Cuba (also see the category "Other items").

Cuba's economy continues to suffer the effects of the loss of economic aid from the former Soviet bloc. During the period from 1989 to 1993, GDP declined by about 35 percent and imports fell by about 80 percent. This slide appears to have ended in 1994, when Cuban officials reported 0.7 percent growth. Cuban officials reported that GDP increased by 2.5 percent in 1995 and by 7.8 percent in 1996, but growth slowed again in 1997 and 1998, falling to 2.5 percent and 1.2 percent, respectively.[5]

The Cuban government has initiated a number of reforms in recent years to address the problem of excess liquidity, provide labor incentives, and alleviate severe shortages of food and consumer goods. Cuba's leaders have pinned their hopes for economic growth on generating foreign investment, which Cuba actively courts, with the goal of developing indigenous production of as many import-substituting products as possible. As such, Cuba liberalized foreign investment laws in September 1995 and has signed investment guarantee treaties with a number of countries, including Mexico, Canada, Spain, Italy, Britain, and Russia. Cuba plans to sign agreements with France and the 13-member Caribbean Community (Caricom). According to Cuban government figures, there are 212 joint ventures underway, worth about $2 billion. U.S. sources estimate that Cuba has announced $4.9 billion in foreign investment, of which $556 million has been formally committed.[6] Much of this investment is in long-term infrastructure projects that commit Cuba to import supporting equipment and supplies from the foreign partners for years to come.

Cuba's imports and exports appeared to be recovering in 1996, when Cuban government officials reported that export earnings rose an estimated 40 percent to $2.1 billion -- this was based largely on increased sugar shipments to Russia and higher levels of nickel production through a joint venture with a Canadian firm. In 1998, however, export earnings fell 22 percent, to $1.4 billion, mostly as the result of a decline in sugar exports and lower world prices for sugar and nickel. Cuba's leading export partners in 1998 were: Russia (27%), Canada (18%), and Spain (8%).[7]

Cuban imports from most major exporting nations declined sharply in the early 1990's, because of the Cuban economy's declining ability to produce goods for export and generate foreign exchange reserves. Among major trading partners, only Mexico, Spain and France exported more to Cuba in 1994 than in 1989. Although imports rose briefly, in 1995 and 1996 (in 1996 imports rose by an estimated 26 percent to $3.5 billion), 1998 saw a 15 percent decline in import expenditures to $3.0 billion -- this decline was due in part to lower world oil prices. Cuba's leading sources for imports in 1998 were: Spain (17%), France (9%), and Canada (9%).[8] United Nations trade statistics for 1997 (the most recent year for which data are available) indicate that at least five countries exported more than $100 million in goods to Cuba: Mexico ($326.7 million), Canada ($259.7 million), France ($215.5 million), China ($156.2 million), and Italy ($121.7 million). United Nations data for Spain are not yet available for either 1996 or 1997, but Spain's exports to Cuba are expected to be close to its 1995 total of $395.9 million. There are no data available for Russia, because it does not report its trade statistics to the United Nations. Cuba's market inefficiencies, coupled with limited currency reserves and a limited capacity to generate hard currency, continue to curtail its ability to import foreign products.

In general, the U.S. regions and economic sectors affected most by the trade embargo are southern Florida (particularly the port area of Tampa), producers of agricultural products and exports of other products that benefit from the cost advantages of U.S.-Cuba proximity (e.g., perishable agricultural products).

***Libya:*** In FY1999, Commerce approved two license applications and denied two. Consequently, FY 1999 continued a pattern in which U.S.-origin products comprised a negligible percentage of Libyan imports; this pattern stands in stark contrast to the volume of U.S. exports to Libya as recently as the mid-1980's, when the volume of U.S. exports reached as high as $310.2 million (FY 1985).

U.S. exports to Libya have declined steadily since 1979, when export controls were first tightened. Since then, export authorizations generally have been issued only for shipments required to fulfill pre-1982 contractual obligations. Annual U.S. exports and reexports to Libya fell from $860 million in 1979 to less than $1 million annually from 1987 through 1994. According to U.S. Census data, total U.S. exports to Libya have been virtually zero for every year from 1992 through 1998, except for 1993 and 1994 when exports totaled $241,010 and $6,500, respectively.

The Libyan economy depends primarily upon revenues from the oil sector, which contributes practically all export earnings and about one-third of GDP.[9] Oil revenues decreased sharply in 1998 due to low oil prices and GDP growth fell by 1 percent. The non-oil manufacturing and construction sectors, which account for about 20 percent of GDP, have expanded from processing mostly agricultural products to include petrochemicals, iron, steel, and aluminum. Although agriculture accounts for only five percent of GDP, it employs about 18 percent of the labor force. Climatic conditions and poor soils severely limit farm output, and Libya imports about 75 percent of its food requirements.

The UN sanctions did not have a major impact on the economy because Libya's oil revenues, combined with large currency reserves, generated sufficient foreign exchange to support imports of food and consumer goods as well as equipment for use in the oil industry and in ongoing development projects. In 1998, Libyan imports totaled $6.9 billion, while exports reached $6.8 billion. Both of these figures were down slightly from 1995, when imports and exports totaled $7.3 billion and $8.4 billion, respectively.

Germany and Italy have been Libya's leading trading partners over the past several years, serving as Libya's largest suppliers of imported goods as well as Libya's leading export markets. Crude oil accounts for nearly all of Libya's exports to these two countries. Both Germany and Italy have invested heavily in Libyan oil production and German firms plan major new investments.

In addition to Italy ($1 billion) and Germany ($530 million), Libya's major sources for imports, based on United Nations trade statistics for 1997 (the most recent year for which data are available), include the United Kingdom ($441 million), France ($356 million), Japan ($267 million), Belgium/Luxembourg ($221 million), Turkey ($187 million), Canada ($142 million), the Netherlands ($121 million), and Sweden ($106 million). As indicated in Table 1, Spain and South Korea are also among the leading exporters to Libya, with Spain reporting total exports of more than $169 million in 1995 and South Korea reporting total exports of more than $438 million in 1996, the most recent years for which data are available for these countries. Libya's principal imports from all major industrialized nations (ranked by value, in U.S. dollars, for the period from 1991-97) include cereals and cereal products, iron and steel, road vehicles, machinery and equipment (general industrial, specialized, electrical, and power generating), chemical materials and products, animal feed, and medicinal and pharmaceutical products.

**Table 1: Libyan Imports from Selected Countries, 1991-97 ($U.S., thousands)**

| Country | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | Total (91-97) |
|---|---|---|---|---|---|---|---|---|
| **Italy** | $1,363,762 | $1,074,238 | $1,189,302 | $754,481 | $956,544 | $1,016,073 | $1,010,882 | $7,365,282 |
| **Germany** | $691,438 | $609,229 | $761,855 | $647,828 | $608,285 | $646,749 | $529,910 | $4,495,294 |
| **United Kingdom** | $451,472 | $400,726 | $411,429 | $298,898 | $358,857 | $388,723 | $440,567 | $2,750,672 |
| **France** | $334,010 | $322,288 | $362,263 | $254,560 | $287,063 | $315,873 | $356,099 | $2,232,156 |
| **Turkey** | $237,467 | $246,502 | $246,267 | $179,427 | $238,245 | $243,636 | $186,714 | $1,578,258 |
| **South Korea** | $173,300 | $162,258 | $173,586 | $150,406 | $206,618 | $437,875 | N/A | $1,304,043 |
| **Japan** | $138,531 | $140,153 | $152,064 | $165,939 | $190,410 | $137,864 | $267,018 | $1,191,979 |
| **Netherlands** | $188,374 | $171,363 | $211,079 | $135,380 | $152,752 | $151,732 | $120,546 | $1,131,226 |
| **Belgium and Luxembourg** | $153,054 | $96,583 | $151,909 | $91,861 | $169,595 | $164,379 | $220,616 | $1,047,997 |
| **Sweden** | $77,855 | $46,955 | $42,311 | $88,271 | $78,654 | $123,433 | $106,159 | $563,638 |
| **Canada** | $49,609 | $66,981 | $69,652 | $48,733 | $48,758 | $100,771 | $142,405 | $526,909 |

| Country | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | Total (91-97) |
|---|---|---|---|---|---|---|---|---|
| **Spain** | $69,031 | $38,872 | $76,514 | $118,804 | $169,458 | N/A | N/A | $472,679 |
| **Switzerland** | $79,614 | $64,384 | $97,237 | $83,387 | $69,926 | N/A | $69,988 | $464,536 |
| **China** | N/A | $86,628 | $45,243 | $29,513 | $33,316 | $56,977 | $79,706 | $331,383 |
| **Greece** | $68,491 | $62,091 | $64,875 | $49,840 | $35,192 | N/A | $39,705 | $320,194 |
| **Portugal** | $1,054 | $4,165 | $2,538 | $873 | $2,423 | $3,551 | $2,976 | $17,580 |
| **United States** | $90 | $0 | $241 | $7 | $0 | $0 | $0 | $338 |

**Source:** The data in Table 1 are compiled from United Nations Trade Statistics, as reported by exporting countries.

***North Korea:*** U.S. export sanctions on North Korea have had a minimal effect on U.S. industry. North Korea remains a rigid socialized economy, with a strong emphasis on self-reliance. The agricultural land is collectivized, and state-owned industry produces 95% of the manufactured goods. North Korea emphasizes the manufacture of heavy industry, including arms production, at the expense of consumer goods. Total economic output has declined steadily since 1991 (falling by as much as 50 percent), when economic ties to the Soviet Union and Eastern Bloc collapsed. North Korea is not self-sufficient in food production; indeed, various factors (e.g., an unproductive system of collectivized agriculture, a politicized and ineffective model for resource allocation, an inefficient distribution system, and extensive flooding in 1995-96) have resulted in an ongoing food crisis, with hundreds of thousands of North Koreans perishing from famine and disease between 1994-98. Increasing shortages of fuels and electric power have resulted in idle factories, fewer exportable items, and less hard currency to buy food and other critical items.

The political ideology of national self-reliance and independence has resulted in an international trade share (exports plus imports) of only 10 percent of the GDP, well below the figure of 50-55 percent observed in neighboring South Korea. North Korean exports totaled roughly $743 million in 1997, with Japan, South Korea, China, Germany, and Russia serving as the major markets for North Korean goods. Raw materials (e.g., various minerals and agricultural and fishery products) metallurgical products, textiles, and a limited range of manufactured goods (e.g., armaments) formed the bulk of North Korean exports in 1997.[10]
Traditionally, North Korea has conducted foreign trade mainly to obtain essential imports, not for economic gains in employment or income.[11]

North Korea’s total imports average about $1billion-$2 billion per year. North Korea’s primary imports include petroleum, grain, coking coal, machinery and equipment, and consumer goods. As reported by the Korea Trade Promotion Corporation (KOTRA), North Korea’s four major trading partners are China, Japan, Russia, South Korea, and Germany, which account for more than 60 percent of its total trade (exports plus imports). Other sources (1992 World Trade Database, Major Economic Indicators for North Korea, 1993) indicate Iran and Hong Kong are also major contributors in import trade. Russian imports, once a large portion of North Korean trade, have continued to decline as Russia focuses on its own economic difficulties, and China has supplanted Russia as North Korea's economic lifeline. China's importance in North Korea's trade is probably underestimated in available statistics, as observers note that a high volume of smuggling occurs between the two countries.[12]

Trade statistics from the United Nations provide detailed information on North Korean imports from many developed countries (unfortunately many countries, including Russia, do not report trade to the United Nations). In 1997, the most recent year for which U.N. trade data are available, the top four exporters to North Korea were China ($534.7 million), Japan ($178.8 million), Germany ($40.8 million), and the United Kingdom ($40.6 million). Other major exporters were Ireland ($33.2 million), Singapore ($31.7 million), Italy ($22.4 million), and the Netherlands ($20.8 million). India has also been a major exporter to North Korea ($61 million in 1993, $35 million in 1994, and $29 million in 1995, with no data yet available for 1996 and 1997). China supplies most of North Korea's needs for grains and petroleum, while North Korea's imports from European countries predominantly consist of chemicals and machinery, and, in the case of Germany, motor vehicles. From Japan, North Korea imported mostly textile goods and vehicles; many of the textiles were apparently re-exported back to Japan in the form of finished goods. Many Japanese companies maintain a presence in North Korea awaiting the possibility of a normalization in North Korean-Japanese relations, which is dependent on the payment of war reparations.

U.S. exports to North Korea, although remaining far below the export levels of other developed countries, increased significantly after the signing of the U.S.-North Korean Agreed Framework in October of 1994, rising from only $179,730 in 1994 to more than $4.4 million in 1998. From 1995-98, total U.S. exports to North Korea averaged more than $3.1 million per year. The total number of export license applications that Commerce approved for North Korea experienced a corresponding surge, increasing from only 6 licenses (valued at $66,443) in FY 1994 to an annual average of 40 licenses, valued at more than $574.5 million, since FY 1995 (see Table 3). In FY 1999, Commerce approved 32 license applications (totaling $407.9 million) for exports to North Korea. The total number of approvals represents a slight decline from FY 1997-98, when Commerce approved 47 licenses (totaling $393.3 million) and 43 licenses (totaling $129.1 million), respectively. In terms of total value, FY 1995 (31 licenses, valued at more than $1.5 billion) represents the highest volume of export licenses for North Korea in recent years. Most of the export licenses that Commerce approved in FY 1995 and FY 1996 were for large grain shipments to alleviate near famine conditions in North Korea and for various medicinal supplies to aid victims suffering from widespread flooding in that country. Well over 80 percent of the license applications that Commerce approved for North Korea in FY 1999 (27 applications, valued at more than $362 million) were for foodstuffs, medicines/medical supplies, and agricultural products. Commerce rejected two applications (totaling $18 million) in FY 1999 and returned four applications (valued at $134,000) without action.

**Table 3:**
**Export License Applications Approved for North Korea (FY 1994-99)**

| Fiscal Year | Number of Applications | Total Value in U.S. Dollars |
|---|---|---|
| **1994** | 6 | $66,443 |
| **1995** | 31 | $1,566,759,537 |
| **1996** | 39 | $209,134,369 |
| **1997** | 47 | $393,281,396 |
| **1998** | 43 | $129,113,580 |
| **1999** | 32 | $407,887,147 |
| **TOTAL (1994-1999)** | 198 | $2,706,242,472 |

North Korea's poverty and ideological emphasis on self-reliance means that U.S. sanctions have had a minimal effect on the volume of U.S. exports. Absent the embargo, some U.S. industries (vehicles, machinery, chemicals) could have potential exports of up to $50 million per year, judging from North Korea's current trade with European suppliers. The signing of the October 21, 1994, U.S.-North Korean Agreed Framework created limited opportunities for economic activity by some U.S. companies. Under the Agreed Framework, North Korea committed itself to freezing and eventually dismantling its existing graphite-moderated nuclear program. In return, the Korean Peninsula Energy Development Organization (KEDO), the international organization established in March 1995 to implement the Agreed Framework, agreed to provide North Korea with two light water reactors (LWRs) developed from U.S. technology and supplied by foreign sources. In addition, KEDO agreed to provide 500,000 metric tons of heavy fuel oil to North Korea annually until the first LWR plant became operational.

Full implementation of the Agreed Framework was viewed as a means of facilitating the broadening of bilateral relationship between the United States and North Korea, possibly leading to a reduction in current restrictions on U.S. trade. However, in 1996-97, provocative North Korean military activity and North Korea's reluctance to participate in Four-Power talks dampened any prospects for reducing U.S. trade restrictions. Nevertheless, the United States acted to liberalize restrictions on travel to North Korea and per diem expenditure limits. The United States also granted permission to import certain strategic minerals from North Korea and issued export licenses in connection with the light water reactor project, ranging from technology and equipment for the reactors to the sale and transportation of oil on an interim basis. The potential for some profit exists, but the sanctions regime and the inherent risks of doing business with a government in default to major creditors continue to discourage most U.S. firms from doing business in North Korea.

In a limited effort to tap world markets to satisfy critical economic needs, North Korea established the Rajin-Sonbong Free Trade Zone to promote trade with other countries. However, the trade zone has little infrastructure and remains in a high-security area, limiting its effectiveness. At present, the United States does not recognize this zone. However, if the trade zone ever becomes successful, U.S. firms could be at a disadvantage vis-a-vis other nations due to U.S. economic sanctions.

On September 17, 1999, the President announced his decision to ease some of the sanctions in place against North Korea that are administered under the Trading with the Enemy Act, the Defense Production Act, and the Department of Commerce's Export Administration Regulations. This action, which was taken as a result of U.S.-North Korean discussions held in Berlin on September 7-12, 1999, is intended to improve overall relations with North Korea and to support the Agreed Framework. The easing of U.S. sanctions is expected to make most consumer goods available for export to North Korea and allow imports of most North Korean-origin goods into the United States.

***Rwanda:*** The arms embargo has had very little impact on U.S. industry since its inception.

***Yugoslavia:*** The new foreign policy controls that the Commerce imposed on exports to Yugoslavia, effective July 14, 1998, have had very little impact on U.S. industry, at least in terms of the total volume of U.S. exports to Yugoslavia. These foreign policy controls involve new license requirements on virtually all exports to Yugoslavia and a policy of denial for Yugoslavia covering arms-related items and certain other items on the Commerce Control List (CCL) that could be used for terrorist activities or to repress the civilian population.

Most of the items subject to the new denial policy previously required a validated license for export to Yugoslavia. The fact that Commerce did not approve any licenses to export these items to Yugoslavia for the four year period from FY 1994-98 indicates that the new foreign policy controls are likely to have little effect on most U.S. industries. In fact, Commerce has approved only two export licenses to Yugoslavia since FY 1994 (one in FY 1998 and another in FY 1999). Both applications involved the transfer of technical data to Yugoslav nationals employed in the United States (transactions of this sort are referred to as "deemed exports"). Commerce did not reject any export license applications for Yugoslavia during FY 1999, nor did it return any without action.

Since most U.S. exports to Yugoslavia do not involve items that are subject to U.S. foreign policy controls, the total volume of exports has not been negatively affected. In fact, total U.S. exports to Yugoslavia have increased steadily over the last three years, rising from less than $2.2 million in 1995 to $46 million in 1996, $49 million in 1997, and nearly $74 million in 1998. U.S. exports of aircraft equipment to Yugoslavia do not appear to have been adversely affected by the new foreign policy controls, since they totaled more than $5.3 million in 1996, rose to $5.8 million in 1997, and exceeded $10 million in 1998.

***5.*** ***Enforcement of Control.*** Controls on exports to embargoed countries -- covering virtually all U.S.-origin goods, including consumer items that would not ordinarily attract enforcement attention -- raise a number of challenges. These include the need to concentrate limited resources on priority areas, developing new strategies to limit reexport violations, strengthening the cooperative relationship with other law enforcement agencies in the U.S. and overseas, and maintaining a consistent outreach effort to help limit U.S. business vulnerability. Overall, the embargoes are generally understood and supported by the U.S. public; we can count on voluntary cooperation from most U.S. exporters.

Controls on exports consistent with the provisions of the 1992 Cuban Democracy Act (CDA) of non-U.S.-origin goods from foreign subsidiaries of U.S. firms present enforcement difficulties. Foreign governments have shown little inclination to cooperate with U.S. controls, and indeed have gone beyond indifference to open hostility to U.S. controls and efforts to enforce them. The United States does have the authority to deny export privileges of firms and individuals overseas who violate U.S. controls. Although a denial order can prove very effective, use of that enforcement tool against a violator of controls may provoke strong reaction from the home country of the firm or individual who is the object of the order.

Initially, support was high from U.S. industry and other countries for the embargo on Serbia. With the end of the conflict, this support will erode over time. The Department of Commerce will need to have to strengthen its efforts to monitor reexports and transfers of U.S.-origin goods to Serbia. It must also be expected that U.S. industry support for U.S. controls will decline as our competitors re-initiate trade with Serbia.

U.S. trade with Rwanda was minimal and the Department of Commerce does not anticipate significant problems maintaining U.S. export controls on Rwanda.

**C. Consultation with Industry**

The Department of Commerce published a notice in the *Federal Register* on November 30, 1999 requesting public comments on its foreign policy-based export controls. In general, the comments from industry indicate that industry does not feel that unilateral sanctions are effective. A more detailed review of the comments is available in Appendix I.

Prior to implementing the liberalized policy on medical sales to Cuba, announced May 13, 1998, Commerce consulted with industry representatives from the pharmaceutical and medical sectors. While industry representatives showed little interest in the ability to expand exports to Cuba (given that country's financial circumstances) humanitarian organizations identified certain concerns with the licensing process. In response, Commerce posted a special page on its website explaining the process and providing guidance to industry. Commerce took similar actions regarding the early 1999 initiative on food sales to the private sector in Cuba. On July 15, Commerce and other agency representatives briefed over 75 company representatives on this new policy. In October, Commerce posted another special page on its website explaining the food sales program in detail.

The Department of Commerce also published a notice in the *Federal Register* on September 13, 1999, requesting public comment on the change in license exception AVS affecting temporary sojourns to Libya. To date, there has been no response to the request in regard to license exception AVS. In the November 30, 1999, *Federal Register* notice, several companies and trade associations commented on the Libya reexport sanctions. In general, the comments emphasized the following: U.S. sanctions against reexports to Libya have no discernible impact on Libya's economic or its policies but rather hurt U.S. companies because foreign firms simply "design out" U.S. components; U.S. reexport controls for Libya are even more stringent than those in force on North Korea and Iran and contrast sharply with European countries' moves to dismantle political barriers to normal commerce with Libya; U.S. reexport controls should be reduced to the level that would be directly related to non-proliferation and anti-terrorism concerns and eliminated for EAR99 items; U.S. reexport controls are resented by other governments as an extraterritorial sanction of products manufactured abroad containing U.S.-origin components; and monitoring compliance with the current reexport controls is extremely difficult.

There has been increased objections to the absolute embargo on North Korea. Humanitarian organizations have particularly objected to the cumbersome, time consuming licensing process and the difficulties of shipping goods to North Korea. However, the lack of any substantial economy or other financial resources limits the possible trade opportunities with North Korea. The proposed liberalizations for low level commercial trade will help to further reduce U.S. industry's objections to the controls on North Korea.

Given the nature of the human rights violations in Kosovo by the Serbian authorities and the NATO operations in the FRY, U.S. industry did not object to these controls. The conflict all but eliminated the market for many classes of goods. The exemptions for Montenegro and Kosovo have helped to reduce industry's objections to the control. As long as the bombing campaign continued and our NATO partners upheld their own trade restrictions, U.S. industry did not raise strong objections to the controls. Now that the bombings have stopped, the U.S. Government has received more negative responses to these controls from the U.S. business community.

U.S. exports to Rwanda were minimal and entities with which to trade there limited.

Possibly as a result of the low level of U.S. exports to both Afghanistan and Angola, Commerce has had few inquires from industry about exports and reexports to these destinations.

**D. Consultation with Other Countries**

The U.S. has consulted closely with a number of countries to resolve problems on the Korean peninsula, and in general, there is considerable support for U.S. policy vis-a-vis North Korea. The Administration has also worked hard to resolve disputes that arise from implementation of the Libertad Act with other countries. Friction between the United States and the European Union (EU) over policy toward Cuba has diminished substantially with adoption by the Europeans of a binding policy that links expanded ties to Cuba to improvements in human rights conditions and advances toward democracy by President Fidel Castro’s communist government. The United States viewed the announcement that EU members would evaluate future relations with Cuba according to the ratification and observance of international human rights conventions as an affirmation of the international community’s commitment to fostering human rights and democracy in Cuba.

In regard to the sanctions on Libya, extensive consultation with other nations continues to take place under UN auspices. The United States has also conducted numerous bilateral discussions on this topic.

The United States continues to consult with its allies on the controls on Serbia. There is general support to limiting trade with the Serbian authorities which would allow them to reinitiate the human rights abuses in Kosovo.

Most countries support U.S. and international efforts to stabilize Rwanda and prevent further ethnic conflict.

**E. Alternative Means**

The United States has imposed comprehensive embargoes in an effort to make the strongest possible statement against a particular country's policies. Restrictions on exports can supplement other actions that the United States has taken to change the behavior of the target countries. Among the more prominent other actions that the United States can and has taken include the severing of diplomatic relations, banning imports into the United States, seeking United Nations denunciations and curtailing or discouraging bilateral educational, scientific, or cultural exchanges. U.S. controls complement diplomatic measures that we have used and will continue to use to influence behavior of these countries.

**F. Foreign Availability**

Since Cuba, Libya and North Korea are designated terrorism-supporting countries, as well as embargoed destinations, 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.[13] 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. The foreign availability of items controlled under Section 6(a) has been considered by the Department of Commerce. In general, numerous foreign sources of commodities similar to those subject to these controls are known, especially for items controlled by the United States. For Rwanda, the U.S. human rights policies and concerns about the situation in that country outweigh foreign availability considerations. Many of the items are available from many suppliers. The United States knows that these controls will not prevent the shipment of items from other countries to Serbia, but we do anticipate that all the NATO members will approach trade with Serbia with caution as long as the existing government remains in power.

***Endnotes***

1. *The Department of the Treasury licenses cash donations from U.S. citizens for humanitarian assistance, channeled through U.N. agencies, the International Federation of the Red Cross (IFRC) and U.S. non-governmental organizations; and humanitarian related commodities obtained from sources in third countries and donated to North Korea through the above organizations.*

2. *See 15 CFR 746(c)(2)(vi and vii)*

3. *Items on the Commerce Control List with Export Control Classification Numbers (ECCNs) ending in "18" are those items on the International Munitions List that the Department of State previously controlled on the U.S. Munitions List, but now fall under the licensing jurisdiction of the Department of Commerce.*

4. *Section 746.8(b)(1)(ii) of the Export Administration Regulations lists these items as those on the Commerce Control List with the following ECCNs: 1A988; 2B985; 5A980; 6A002.a1, .a2, .a3 and c; 6A002.a.1, a.2, a.3 and c; 6A003.b3 and b.4; 6D102; 6E001; 6E002; 9A115; 9A991.a; 0A984; 0A986; and 0A988.*

5. 1999 World Factbook, *U.S. Central Intelligence Agency*.

6. *"Foreign Investors Finding Cuba More Comfortable--with U.S. Away"*, The Washington Post, September 12, 1995.

7. 1999 World Factbook, *U.S. Central Intelligence Agency*.

8. *Ibid*.

9. *Ibid.*

10. *Ibid.*

11. *Hohn, Y.T. Kuark, "A Comparative Study of Foreign Trade in North and South Korea," University of Denver, March 1992, p. 21.*

12. *Noland, Marcus, "The North Korean Economy," Institute for International Economics, July 1995, p. 26.*

13. *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 No. 99-64, section 108(g)(2), 99 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.*