

BUREAU OF INDUSTRY AND SECURITY

ANNUAL REPORT

FISCAL YEAR 2002

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



BUREAU OF INDUSTRY AND SECURITY

ANNUAL REPORT FISCAL YEAR 2002





**BUREAU OF
INDUSTRY AND SECURITY
ANNUAL REPORT
FISCAL YEAR 2002**



Donald L. Evans
Secretary of Commerce



Kenneth I. Juster
Under Secretary for Industry and Security



STATEMENT OF THE SECRETARY AND THE UNDER SECRETARY

It is our privilege to present this report on the activities of the Department of Commerce's Bureau of Industry and Security (BIS) during Fiscal Year 2002.

This report is the first submitted under the Bureau's new name. The former name – the Bureau of Export Administration – reflected the Bureau's principal charge when it was created in 1987 to administer the U.S. dual-use export control system that had resided, until that time, in the Department's International Trade Administration. While a core mission of the Bureau continues to be the administration and enforcement of dual-use export controls, the Bureau also discharges a broad range of responsibilities for matters at the intersection of industry and security that do not relate to exports. For example, the Bureau is charged with investigating the effects of certain imports on national security, awarding "priorities" to certain domestic contracts necessary to fulfill national security needs, coordinating with industry on critical infrastructure protection and cyber security activities, monitoring the viability of the nation's defense industrial base, ensuring that U.S. industry complies with the inspection and reporting requirements imposed by the Chemical Weapons Convention, representing industry on issues relating to the Biological Weapons Convention, and coordinating the Commerce Department's homeland security activities. The new name – the Bureau of Industry and Security – more accurately reflects the full scope of these various activities.

Fiscal Year 2002 was a very productive one for the Bureau. In the area of export control policy, the Bureau published several important regulations dealing with export licensing, led certain U.S. Government efforts to strengthen the multilateral export control regimes, conducted extensive outreach to U.S. and foreign companies to heighten awareness and compliance with U.S. export controls, notified exporters of the identities of certain "unverified" foreign entities for which heightened due diligence is required, vigorously engaged China, India, and Russia on bilateral export control and high-technology issues, and developed and launched the Transshipment Country Export Control Initiative – a multi-pronged cooperative initiative to counter diversion of controlled items through the world's major transshipment hubs. While doing all of this, the Bureau also processed nearly 11,000 license applications with an average processing time of 39 days per completed application (one day faster than in Fiscal Year 2001), and, on a daily basis, advised and assisted countless representatives of industry and the public on export control issues.

In the realm of enforcement, BIS conducted a comprehensive new agent training program and closed several important cases that established significant legal precedents and resulted in some of the largest civil penalties ever imposed by BIS. Export enforcement attachés will shortly be placed in Abu Dhabi, United Arab Emirates, and Cairo, Egypt. In addition, BIS established a new internal advisory board to ensure that enforcement cases are processed consistently and in accordance with best legal practices.

BIS also had significant accomplishments with respect to activities not related to export controls. It completed a nine-month investigation into the effect of imports of iron ore and semi-finished steel on U.S. national security, coordinated private sector input to the National Strategy to Secure Cyberspace, assisted U.S. companies in obtaining contracts to supply foreign governments with defense articles valued at nearly \$8 billion, launched a number of significant assessments of sectors of the U.S. defense industrial base, resolved disputes regarding international inspections of U.S. chemical facilities, and required preferential acceptance and performance of contracts concerning items that support the war on terrorism and U.S. homeland security efforts.

In addition, in Fiscal Year 2002 the Bureau published, for the first time ever, a statement of "Guiding Principles." These eight principles represent the Bureau's guiding philosophy in approaching its activities and fulfilling its responsibilities. A copy of the Guiding Principles is included in the Annual Report.

Fiscal Year 2002's major piece of unfinished business is the enactment of a new Export Administration Act. In the absence of an Export Administration Act, the U.S. dual-use export control system continues to be dependent on the President's invocation of emergency powers under the International Emergency Economic Powers Act. As demonstrated by recent events, having a modern, coherent, and effective system of dual-use export controls – to prevent terrorists, rogue states, and proliferators of weapons of mass destruction from accessing sensitive U.S.-origin goods and technology – is now more important than ever. The Administration supports legislation to create a streamlined and strengthened export control system that effectively promotes both U.S. national security and U.S. economic interests. We urge the Congress to enact such legislation early in 2003.

Those who have read previous Bureau annual reports may notice some changes in this year's report. Rather than organizing the report on an office-by-office basis, this report is organized along functional lines – for example, regulations and policy, licensing, industry outreach – often unifying in single chapters activities that might have been undertaken by different Bureau offices. We feel that this structure not only makes the full scope of the Bureau's activities easier to comprehend, it also is consistent with our strong emphasis on unifying and leveraging related initiatives and activities. In addition, the report provides not just statements of accomplishments, but also statements of goals and objectives for the upcoming year. We believe that this information will be of interest to the public.



Donald L. Evans
Secretary of Commerce



Kenneth I. Juster
Under Secretary of Commerce
for Industry and Security