

Statement of Senator Daniel K. Akaka

Beyond Control: Reforming Export Licensing Agencies for National Security and Economic Interests

**Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia**

April 24, 2008

This is the first in a series of hearings that the Subcommittee is holding to explore the effectiveness and efficiency of government management in various aspects of national security. Today's hearing focuses on the management of export controls for licensing military, as well as commercial and military use, or dual-use, technology for export.

Our export controls regime struggles against the challenges of a globalized world. Too often dual-use technology falls into the wrong hands. We do stop some of it. For example, Commerce Department enforcement officers recently arrested two men boarding a plane bound for China. These men possessed sensitive thermal imaging equipment that was not, and would not have been, licensed to them. On the other hand, much gets through. At bazaars in the United Arab Emirates (UAE), sensitive dual-use technology is counted among the many items for sale. Three aircraft, protected as dual-use technology, were diverted illegally by a British company to Iran.

Today's hearing will examine key Federal government agencies responsible for licensing exports, how their processes help or hinder the licensing process, and the role of the Federal workforce. My goal is to identify possible recommendations for improving the export controls process. If our export control systems are not supported by adequate bureaucratic structures, processes, and people, our national interests will be harmed.

Export controls are critical to achieving the right balance in America's national and economic security. In fiscal year 2006 dual-use technology licensing covered approximately 36 billion dollars in exports, or one point four percent of total U.S. exports. Nearly 19,000 dual-use export license applications were reviewed in 2006. This was more than any other year in the past decade.

The Departments of State and Commerce have the lead in managing the export control system. The Department of Commerce's Bureau of Industry and Security (BIS) manages dual-use export licensing. The State Department's Directorate of Defense and Trade Controls (DDTC) handles arms export licensing.

In several reports, the Governmental Accountability Office (GAO) has expressed

its concern about export licensing delays, an absence of systematic analysis, unclear jurisdiction over controlled exports, and the lack of efficiency gained from automated licensing systems. I would also like to examine some recommendations to address these, and other, export control system problems.

Some of the reforms I want to explore are:

- **Revising the multilateral coordination and enforcement aspects of export controls.** The Wassenaar Arrangement, the successor organization to the Coordinating Committee on Multilateral Export Controls (CoCom) which was disbanded in 1994, has been ineffective. We need a system that works based on a common consensus among major defense and dual-use exporting countries concerning monitoring and enforcement mechanisms.
- **Addressing weaknesses in the interagency process for coordinating and approving licenses.** The export control system involves many agencies that may disagree about whether or not an item should qualify for a license. Resolving disagreements should be prompt enough to allow U.S. defense and technology firms to thrive in international markets while being rigorous enough to prevent our enemies from improving their capabilities relative to our own.
- **Reviewing alternative bureaucratic structures or processes that may eliminate exploitable seams in our export control system.** Under the current export control system, there are different statutes, regulations, automated systems, and bureaucracies that may make compliance more complicated and more open to fraud.
- **Ensuring that there are enough qualified licensing officers to review license applications in an efficient manner.** DDTC has a much smaller staff than BIS. Yet in fiscal year 2006, DDTC closed more than twice the number of licensing cases. We face a crisis in our Federal workforce as increasing numbers of employees reach retirement age. Licensing officers are among our most skilled workers. We need a strategy to recruit, train, and mentor the next generation. I am convinced that not enough is being done.

It is difficult for our national security, foreign policy, and economic interests to be met if they are weighed down by an inefficient export control system. I hope that today's hearing will help us identify ways that the agencies responsible for this system can work together to provide the economic and national security we need.