



Highlights of [GAO-06-638](#), a report to the Chairman, Committee on International Relations, House of Representatives

Why GAO Did This Study

In regulating exports of dual-use items, which have both commercial and military applications, the Department of Commerce's Bureau of Industry and Security (BIS) seeks to allow U.S. companies to compete globally while minimizing the risk of items falling into the wrong hands. In so doing, BIS faces the challenge of weighing U.S. national security and economic interests, which at times can be divergent or even competing.

In light of the September 2001 terror attacks, GAO was asked to examine BIS's dual-use export control system. In response, GAO is reporting on BIS's (1) evaluations of and changes to the system, (2) screening of export license applications against its watchlist, and (3) actions to correct weaknesses previously identified by GAO.

What GAO Recommends

GAO recommends that the Secretary of Commerce systematically evaluate the dual-use export control system; correct omissions in BIS's watchlist and weaknesses in the screening process; and take action to address GAO's prior unimplemented recommendations. Commerce disagreed with the report's findings and characterizations of its system but did not address GAO's recommendations. GAO maintains that the report fairly represents BIS's actions and the need for an overall evaluation framework.

www.gao.gov/cgi-bin/getrpt?GAO-06-638.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Ann Calvaresi-Barr at (202) 512-4841 or calvaresibarra@gao.gov.

EXPORT CONTROLS

Improvements to Commerce's Dual-Use System Needed to Ensure Protection of U.S. Interests in the Post-9/11 Environment

What GAO Found

Lack of systematic evaluations. Although BIS made some regulatory and operational changes to the dual-use export control system, it has not systematically evaluated the system to determine whether it is meeting its stated goal of protecting U.S. national security and economic interests. Specifically, BIS has not comprehensively analyzed available data to determine what dual-use items have actually been exported. Further, contrary to government management standards, BIS has not established performance measures that would provide an objective basis for assessing how well the system is protecting U.S. interests. Instead, BIS relies on limited measures of efficiency that focus only on narrow aspects of the license application review process to assess the system's performance. BIS officials use intelligence reports and meetings with industry to gauge how the system is operating. Absent systematic evaluations, BIS conducted an ad hoc review of the system to determine if changes were needed after the events of September 2001. BIS officials determined that no fundamental changes were needed but opted to make some adjustments primarily related to controls on chemical and biological agents. GAO was unable to assess the sufficiency of the review and resulting changes because BIS officials did not document their review.

Omissions in BIS's watchlist. GAO found omissions in the watchlist BIS uses to screen export license applications. This screening, which is part of the license application review process, is intended to identify ineligible parties or parties warranting more scrutiny. The omissions undermine the list's utility, which increases the risk of dual-use exports falling into the wrong hands. GAO identified 147 parties that had violated U.S. export control requirements, had been determined by BIS to be suspicious end users, or had been reported by the State Department as committing acts of terror, but these parties were not on the watchlist of approximately 50,000 names. Reasons for the omissions include a lack of specific criteria as to who should be on the watchlist and BIS's failure to regularly review the list. In addition, a technical limitation in BIS's computerized screening system results in some parties on license applications not being automatically screened against the watchlist.

Some prior GAO recommendations left unaddressed. BIS has implemented several but not all of GAO's recommendations for ensuring that export controls on sensitive items protect U.S. interests. Among weaknesses identified in prior GAO reports is the lack of clarity on whether certain items are under BIS's control, which increases the risk of defense-related items being improperly exported. BIS has yet to take corrective action on this matter.