



# EIB World Trade Headlines

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## CBP Announces Agreement with Korea on C-TPAT and AEO Mutual Recognition

U.S. Customs and Border Protection (CBP) signed a mutual recognition arrangement with the Korean Customs Service on 6/25/10 at the 115th/116th Session of the World Customs Organization Council in Brussels, Belgium. The arrangement aligns security standards in international trade partnership programs, also known as Authorized Economic Operator (AEO) programs. AEO is critical to both countries. The Commissioner of the Korean Customs Service (KCS), Young sun Yoon, and CBP Commissioner Alan Bersin agreed to mutual standards in Korea's AEO program and the U.S.' Customs-Trade Partnership Against Terrorism program (C-TPAT). The arrangement recognizes compatibility between the Korean and U.S. cargo security programs and acknowledges that KCS and CBP will accept the security status of members of the other program. Additionally, it will allow for closer collaboration between agencies and greater benefits and common standards to the trade community.

CBP reports that this marks the fifth mutual recognition arrangement signed by the U.S., with previous arrangements signed with New Zealand, Canada, Jordan and Japan.

KCS – C-TPAT AEO agreement:

[http://www.cbp.gov/xp/cgov/newsroom/news\\_releases/national/06252010.xml](http://www.cbp.gov/xp/cgov/newsroom/news_releases/national/06252010.xml)

### Newsletter Notes:

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## NSA Advisor Discusses Progress on Export Control Reform Program

The Aerospace Industries Association (AIA) posted remarks by National Security Advisor (NSA) General Jones on the Administration's plans and progress to-date on export control reform. General Jones notes that his remarks build on Defense Secretary Gates' April 2010 comments in which he announced the three-phased plan the Administration has developed to reform U.S. export controls. According to the General, the Administration has made the following progress under Phases I and II of its export control reform initiative:

1. Tiered criteria– The development of independent objective criteria to create a tiered control list structure, with the "crown jewels" and weapons of mass destruction in the top tier and then cascading down the tiers as the technology or product life cycle matures. This criteria, will help prioritize controls, how license applications are processed, etc. and
2. "Bright line" process for distinguishing lists. Development of a jurisdictional "bright line process" for identifying whether items are on the Munitions List (ML) or on the Commerce Control List (CCL).

With the basic criteria for the tiers and the bright line process now in place, they have moved into Phase II for the control lists. Now technical experts are applying both the criteria and bright line process to an entire category on the ML, together with the related entries on the CCL. At the end of this work, they will have a positive list for that category. They will use the results of this first category to make adjustments as necessary and then move more aggressively to the rest of the lists. According to General Jones, they are resolving one of the core issues in current interagency jurisdictional disputes by creating "holding" entries on the CCL. This way, they will be able to place items into these control entries if they decide they should be controlled but are not munitions items and do not otherwise fit into an existing entry on the CCL. The Administration is in the process of creating the Export Enforcement Fusion Center, a permanent standing office staffed by employees from all of the export enforcement entities and the intelligence community. This center will coordinate and de-conflict investigations, serve as a central point of contact for coordinating export control enforcement with Intelligence Community activities, and synchronize overlapping outreach programs. As the single licensing IT system comes on-line, it will also screen all license

applications. The Bureau of Industry and Security (BIS) published a significant encryption reform interim final rule which allows a focus of resources on the more sensitive encryption items, while eliminating the review of readily available encryption items, like cell phones and household appliances. In addition, regulatory changes on dual-and third-country nationals will be published soon. As part of Phase I, they have already completed an initial review to migrate the licensing agencies to USXPorts, a Department of Defense system. As a first step, the State Department's munitions licensing organization is already in the process of migrating. Follow-on steps will migrate Commerce and Treasury and the other departments and agencies that participate in the interagency review of license applications. By the end of Phase II, General Jones reported USXPorts should be a fundamentally new system in place based on the current interagency structure – two mirrored control lists that are more tightly focused on those key items and technologies that should be protected, with harmonized business practices, policies, and definitions across our licensing and enforcement agencies, with stronger enforcement authorities, and a single IT licensing system structure. In Phase III the Administration's goal is to:

- merge the two mirrored control lists into one;
- merge the licensing agencies, with harmonized business practices and policies, into a single licensing agency;
- combine Commerce's Export Enforcement office and DHS/ICE Counter-Proliferation Program into a single dedicated export enforcement unit; and
- deploy an enterprise-wide IT system, so that exports can be tracked from the filing of a license application until the item leaves the port.

NSA report: [http://www.aia-aerospace.org/assets/speech\\_jones\\_06302010.pdf](http://www.aia-aerospace.org/assets/speech_jones_06302010.pdf)



## Administration Moving to Streamline Export Controls

National Security Director James Jones recently reported that the Obama administration is taking the first steps toward streamlining all aspects of export control under "four singularities." Speaking at the Senate Aerospace Caucus Luncheon, Jones commented that the administration's goal is to have a single control list that incorporates both military and commercial goods that require licensing, a single agency to issue licenses, a single enforcement agency, and a single computer system to manage the control list. The "singularities" will emerge in the third phase of the administration's control program.

Currently workers are evaluating items from the State department munitions list and Commerce Department control list. The objective is to prioritize items by the degrees of control and licensing they require, starting with weapons of mass destruction and the most sensitive technologies. The system will allow regulators to add new items, and more importantly remove items that no longer require export licensing. Jones noted that the completion of the administration's third phase will require congressional action. In particular lawmakers will have to find a way create a single agency from the three that are now involved in export licensing. Congress also should harmonize civil and criminal penalties for export violations.

[www.joc.com](http://www.joc.com) (7/1/10)

## DDTC Posts Working Group Proposals for Changes to ITAR

The Directorate of Defense Trade Controls (DDTC) posted its July 2010 Defense Trade Advisory Group (D-TAG) Plenary Session Working Group presentations, which includes a proposal to create an exemption under the International Traffic in Arms Regulations (ITAR) for the export of components and spare parts in support of previous exports of U.S. origin end items. The Working Group notes that the proposed new exemption would help facilitate a streamlined flow of parts and components to the inventories of foreign government end users of U.S. end items by reducing a significant licensing workload for DDTC and industry; supporting repair of U.S. end items abroad; and enabling real time customer support for previously exported U.S. end items. The DTAG provides the Bureau of Political-Military Affairs with a formal channel for regular consultation and coordination with U.S. private sector defense exporters and defense trade specialists on issues involving U.S. laws, policies, and regulations for munitions exports. DDTC Working Group presentation: [here](#) (hyperlinked)

Other Working Group reports include review of a proposed change to the definition of "defense services" under 22 CFR 120.9, [here](#) (hyperlinked); and a discussion of proposed ITAR treatment of QRS11 quartz MEMS solid-state gyroscope: D-TAG notice: I <http://www.pmdtcc.state.gov/DTAG/index.html>

## BIS Issues Final Rule Amending EAR CCL

The Bureau of Industry and Security (BIS) issued a final rule which amends the Export Administration Regulations (EAR) to revise the Commerce Control List (CCL). The revisions to the CCL in this final rule include clarifications to existing controls; eliminating redundant or outdated controls; and establishing more focused and rationalized controls. This rule also makes CCL related changes to other parts of the Export Administration Regulations, including related definitions and license exceptions. Effective 6/28/10.

BIS contact – Timothy Mooney (202) 482-2440

BIS notice (FR Pub 6/28/10) <http://edocket.access.gpo.gov/2010/pdf/2010-15444.pdf>

## GAO Posts Report on Foreign Export Control Systems and Risk-Based Approach to Licensing

The Government Accountability Office (GAO) issued a report to the House Committee on Foreign Affairs entitled "Export Controls: Observations on Selected Countries' Systems and Proposed Treaties," which reviews certain allies' export control systems and how two proposed treaties would change controls on arms exports. GAO selected six countries for examination: Australia, Canada, France, Germany, Japan, and the United Kingdom. According to the GAO, significant structural and other differences exist between the six ally countries' export control systems and the U.S. system, including the following:

- Most have single agency for export regulation, enforcement;
- Licensing system differences;
- Risk-Based Arms licensing possible under proposed treaties with UK, Australia;
- Could reduce licenses by two-thirds;
- Case-by-case review would not be required;
- Safeguards would be expanded.

GAO notes that several implementation issues with the proposed treaties have yet to be resolved regarding enforcement, congressional oversight, and participation by small- and medium-sized businesses in the United Kingdom and Australia.

GAO also notes that four countries – Australia, France, Japan, and the United Kingdom – have conducted performance assessments of their export control systems that resulted in significant changes, and the U.S. has made several changes to improve certain aspects of its control system.

GAO notice (GAO-10-557) (May 2010)

<http://www.gao.gov/new.items/d10557.pdf>

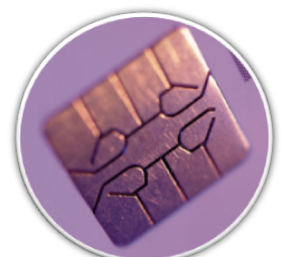
## THOUSANDS of Office Photocopiers Containing Secret or Personal Information Are Being Unwittingly Flogged Off to Potential Crooks

The News of the World today exposes how Britain's businesses are carelessly throwing away YOUR personal and financial information left stored on used office equipment. And we show just how easy it is to retrieve, buying a cheap second-hand copier from a dealer and finding it crammed with records from a Government-linked defense firm. Worse still, like thousands of other office copiers, it was destined for export abroad to FRAUD hotspots in West Africa.

Our investigation began after we learned modern multi-purpose photocopiers that double up as printers, scanners and fax machines, use computer-style hard drives to store data. But very few businesses - or customers - are aware of the risk, so disks are rarely wiped.

**SECRETS NOT SAFE:** Computer-style hard drives are used to store data on modern photocopiers

Our machine contained data from companies owned by Cobham PLC, a defense firm supporting military aircraft and training helicopter pilots. And simply removing the disk and scanning it with free software readily available on the internet. We were able to read page after page of documents and faxes scanned as recently as April. One showed a purchase order dated April 9 from aerospace giant BAE Systems worth £644,890, while another bundle included briefing notes from military alliance NATO. Another included a direct debit instruction complete with bank details and the signature of an authorizing staff member. HR records showed a request from FR Aviation to the Defense Vetting Agency to check the National Security Clearance status of a new contractor, giving his name, date of birth, and previous employment. One sheet gave medical details and appointment times for a member of staff, while another showed computer information.





## White House Posts President's Comments on National Export Initiative and Lists Member of Export Council

Recently President Obama provided a progress report on the National Export Initiative (NEI) and announced that he has appointed members of the President's Export Council. According to the President's progress report, the NEI has five objectives:

- improved advocacy efforts on behalf of U.S. exporters,
- increased access to export financing,
- reinforced efforts to remove barriers to trade,
- enforcement of trade rules, and
- the international promotion of policies leading to strong, sustainable and balanced economic growth.

The progress report notes that the Administration has made progress on all five objectives since the NEI was announced.

Highlights of the Administration's progress in achieving the NEI objectives include:

- Efforts to remove trade barriers,
- Market opening efforts,
- Advocacy efforts,
- Increased Ex-Im Bank export financing, and
- Enforcement of trade rules.

As a result of the progress outlined above, and a global economic rebound, exports in the first four months of 2010 grew almost 17% from the same period last year. This puts the U.S. on track to reach the President's goal of doubling exports and supporting several million new jobs over five years. The President announced plans to hold his Export Promotion Cabinet meetings quarterly to ensure the NEI is properly implemented and pursued.

The Export Promotion Cabinet will be providing its 180 day report to the President in September.

President Obama's remark on NEI <http://www.whitehouse.gov/the-press-office/remarks-president-announcing-presidents-export-council> President' NEI [progress report](#) (hyperlink)

White House press release on NEI: <http://www.whitehouse.gov/the-press-office/president-obama-provides-progress-report-national-export-initiative-announces-membe>

## House Subcommittee Approves FY 2011 Commerce Bill, Including Funds for National Export Initiative

Recently the House Appropriations Committee's Commerce, Justice, Science, and Related Agencies Subcommittee held a mark-up of the fiscal year 2011 appropriations bill for the Department of Commerce (DOC), the International Trade Commission (ITC), the Office of the U.S. Trade Representative (USTR), and a number of related agencies. During the mark up, the Subcommittee approved the bill for full Committee action. The Subcommittee's bill contains \$505 million for the International Trade Administration (ITA), an increase of \$58 million from what was enacted in FY 2010. The Subcommittee included \$58 million in its bill for the National Export Initiative (NEI) to enhance trade opportunities for U.S. firms and to ensure trade compliance and enforcement at home and abroad.

The bill also contains \$110 million for the Bureau of Industry and Security (BIS), an increase of \$9.6 million over what was enacted in FY 2010. Additional mark-ups include:

- \$2.3 billion for the U.S. Patent and Trademark Office, which includes a one-year, 15% surcharge on patent fees as requested by the Administration.
- \$86.1 million for the ITC, an increase of just over \$4 million from what was enacted in FY 2010.
- \$48.1 million for the office of USTR, an increase of just over \$331,000 from what was enacted in FY 2010.
- \$8.9 billion for the DOC, over \$5 billion less than what was enacted in FY 2010, most of which is a reduction in Census' budget (due to the winding down of the 2010 Census).

The FY 2011 Commerce appropriations bill has not yet been introduced. The bill is expected to be introduced after the full Appropriations Committee has conducted its own mark up.

## Cleaning for a Reason

If you know any woman currently undergoing chemo, please pass the word to her that there is a cleaning service that provides FREE housecleaning - 1 time per month for 4 months while she is in treatment. All she has to do is sign up and have her doctor fax a note confirming the treatment. Cleaning for a Reason will have a participating maid service in her zip code area arrange for the service. This organization serves the entire USA and currently has 547 partners to help these women. It's our job to pass the word and let them know that there are people out there that care. Be a blessing to someone and pass this information along.

<http://www.cleaningforareason.org/>