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WITHDRAWAL SHEET

Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	fom Lou Paugliaresi to Danzansky re: NSDD on export controls, with attachment and near copy (7pp)	3/26/87	P-1
2. NSC/S profile	from R. Perle to Powell (1p)	3/6/87	P-1
3. memo	to Chairman, Technology Transfer Steering Group re: export cases to Iran (3pp)	3/6/87	P-1
4. memo	form Pugliaresi to Carlucci re: NSSD 7-87 draft study, with cooversheet (6pp)	3/2/87	P-1
5. copy	of item # 4 (6pp)	3/2/87	P-1 <i>Folder</i>
6. memo	from Carlucci to Sec. of State et al. re: approval of outline for NSSd 7-87 (c) (6pp)	2/13/87	P-1 <i>Folder 2</i>
7. memo	from Nicholas Platt to F. Carlucci re: NSSD on national and multinational export control, with coversheet (6pp)	2/6/87	P-1
COLLECTION: DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER: International Trade XV. (E) Tech. Trans Export Controls [1 of 9] <i>16 RAC Box 8</i> Box 90976-			12/5/94

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

Freedom of Information Act - [5 U.S.C. 552(b)]

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

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XV (2)

STATEMENT BY

SECRETARY OF COMMERCE
MALCOLM BALDRIGE

BEFORE THE

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
U.S. SENATE

MARCH 12, 1987

MR. CHAIRMAN:

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE AND TO TALK ABOUT U.S. EXPORT CONTROLS AND COMPETITIVENESS.

WE HAVE MADE SIGNIFICANT STRIDES OVER THE PAST SIX YEARS IN STEMMING THE FLOW OF WESTERN TECHNOLOGY TO THE SOVIETS. IN ACHIEVING THIS, EXPORT CONTROLS MAY HAVE RESULTED IN EXCESSIVE AND UNNECESSARY COSTS ON U.S. BUSINESS. WE ARE TAKING STEPS TO CORRECT THIS. THE REGULATORY CHANGES I HAVE PROPOSED, COUPLED WITH THE LEGISLATIVE PROPOSALS IN THE PRESIDENT'S COMPETITIVENESS INITIATIVE, WILL BRING ABOUT THE BALANCE WE HAVE ALL BEEN SEEKING TO PROTECTING NATIONAL SECURITY WITHOUT IMPEDING LEGITIMATE TRADE.

NATIONAL SECURITY DEMANDS A STRONG INDUSTRIAL BASE, AND THIS INDUSTRIAL BASE DEPENDS ON THE STRENGTH AND VIGOR OF OUR ECONOMY. AMERICAN COMPANIES MUST BE HEALTHY AND PRODUCTIVE IF WE ARE TO COUNT ON THEM FOR MANY OF THE TECHNOLOGICAL BREAKTHROUGHS THAT ARE SO VITAL TO OUR NATION'S DEFENSE. WE MUST NOT CONTINUE TO BITE THE HAND THAT FEEDS US. NATIONAL SECURITY IS COMPRISED OF BOTH ECONOMIC AND MILITARY SECURITY. WE MUST STOP SUBJECTING TO UNDUE CONTROLS THE VERY SAME PRIVATE SECTOR COMPANIES UPON WHICH WE RELY TO KEEP US TECHNOLOGICALLY SUPERIOR TO OUR ADVERSARIES. WE MUST LIMIT THE ROLE OF GOVERNMENT TO DOING ONLY THAT WHICH IS TRULY NECESSARY TO PROTECT NATIONAL SECURITY. AT THAT POINT, GOVERNMENT SHOULD GET OUT OF THE WAY AND LET AMERICAN BUSINESS GO ABOUT ITS BUSINESS OF SELLING QUALITY PRODUCTS AT COMPETITIVE

PRICES AND PROVIDING JOBS.

BEFORE DISCUSSING OUR INITIATIVES, LET ME REVIEW WITH YOU THE PRESIDENT'S COMPETITIVENESS PROGRAM. ON JANUARY 27, THE PRESIDENT ESTABLISHED THE GOAL OF ASSURING AMERICAN COMPETITIVE PREEMINENCE INTO THE 21ST CENTURY. HIS PROGRAM INCLUDES;

1. INCREASING INVESTMENT IN HUMAN AND INTELLECTUAL CAPITAL;
2. PROMOTING THE DEVELOPMENT OF SCIENCE AND TECHNOLOGY;
3. BETTER PROTECTING OF INTELLECTUAL PROPERTY;
4. ENACTING ESSENTIAL LEGAL AND REGULATORY REFORMS;
5. SHAPING THE INTERNATIONAL ECONOMIC ENVIRONMENT; AND,
6. ELIMINATING THE BUDGET DEFICIT.

THIS INITIATIVE REPRESENTS A GOVERNMENT PARTNERSHIP WITH OUR PRIVATE SECTOR TO RAISE U.S. COMPETITIVENESS IN THE INTERNATIONAL MARKETPLACE. THE PRESIDENT HAS ESTABLISHED A COMPREHENSIVE PROGRAM TO ENLIST THE BROAD RESOURCES OF THE FEDERAL GOVERNMENT IN ACHIEVING THESE GOALS. WE ARE UNDER NO ILLUSION THAT FURTHER GOVERNMENT INVOLVEMENT IN THE PRIVATE SECTOR IS A PANACEA FOR IMPROVING OUR COMPETITIVENESS. IN FACT, MANY OF OUR PROPOSALS ARE BASED ON THE NEED TO REDUCE FURTHER GOVERNMENT'S ROLE IN PRIVATE SECTOR AFFAIRS. BUT, ESSENTIALLY, IT IS A PARTNERSHIP WE ARE SEEKING.

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OUR BUSINESSES ARE NOW TAKING THE NECESSARY STEPS, SOMETIMES PAINFUL ONES, TO IMPROVE THEIR COMPETITIVE POSITION. THEY ARE CUTTING THEIR OVERHEAD AND OTHER COSTS, INCREASING THEIR INVESTMENT IN R&D, AND IMPROVING THE QUALITY OF THEIR PRODUCTS AND SERVICES.

THE BUSINESS COMMUNITY IS SHOULDERING ITS SHARE OF THE BURDEN, AND WE IN GOVERNMENT ARE SHOULDERING OURS. WITH REGARD TO EXPORT CONTROL REFORM, THE PRESIDENT HAS CALLED FOR A BETTER BALANCING OF OUR SECURITY AND COMMERCIAL INTERESTS. THUS, THE PRESIDENT'S COMPETITIVENESS PROGRAM WILL PURSUE;

1. DECONTROL OF THOSE TECHNOLOGIES THAT OFFER NO SERIOUS THREAT TO U.S. SECURITY. THE ADMINISTRATION BILL WOULD AMEND THE EXPORT ADMINISTRATION ACT (EAA) TO ESTABLISH AS ONE OF OUR NEGOTIATING OBJECTIVES TO SEEK AN AGREEMENT IN COCOM TO REMOVE ITEMS FROM THE INTERNATIONAL CONTROL LIST THAT ARE AVAILABLE TO CONTROLLED COUNTRIES OR THAT NO LONGER MEET THE STRATEGIC CRITERIA OF COCOM.
2. STRENGTHENING CONTROLS ON THOSE GOODS AND TECHNOLOGIES THAT ARE TRULY STRATEGIC. WHERE U.S. SECURITY WOULD BE SIGNIFICANTLY AFFECTED IF OUR ADVERSARIES WERE TO OBTAIN PARTICULAR CONTROLLED COMMODITIES, WE MUST ENSURE THAT CONTROLS ON SUCH COMMODITIES ARE

EFFECTIVELY IMPLEMENTED AND ENFORCED. THIS STEP GOES HAND-IN-HAND WITH DECONTROLLING THOSE GOODS AND TECHNOLOGIES THAT ARE NO LONGER TRULY STRATEGIC.

3. MAKING PROCEDURES UNIFORM AND ENFORCEMENT UNIFORMLY RIGOROUS. WE ARE PURSUING DISCUSSIONS WITH OUR COCOM ALLIES IN AN EFFORT TO REACH AGREEMENT ON ACTIONS THAT EACH MEMBER CAN TAKE TO MORE UNIFORMLY CARRY OUT EXPORT CONTROL PROCEDURES AND TO IMPROVE ENFORCEMENT. SUCH EFFORTS ARE A REQUISITE FOR MULTILATERAL SECURITY, FOR ACHIEVING A MORE LEVEL PLAYING FIELD, AND FOR THERE TO BE GREATER OPPORTUNITY FOR PARING THE CONTROL LIST.

4. STRENGTHENING MULTILATERAL CONTROLS OVER PRODUCTS AND TECHNOLOGIES THAT CAN CONTRIBUTE TO SOVIET MILITARY CAPABILITIES. THE ADMINISTRATION BILL WOULD ESTABLISH SPECIFIC GUIDELINES FOR U.S. PARTICIPATION IN COCOM NEGOTIATIONS. SUCH NEGOTIATIONS ARE ADVISABLE BECAUSE UNILATERAL U.S. CONTROLS ARE GENERALLY INEFFECTIVE AND ENFORCEMENT BY ALL COCOM MEMBERS IS ESSENTIAL TO EFFECTIVE MULTILATERAL CONTROLS.

THE BILL ALSO PROVIDES THAT THE U.S. SHOULD ENCOURAGE COCOM GOVERNMENTS TO REACH AND CARRY OUT AGREEMENTS WITH NON-COCOM COUNTRIES IN RESTRICTING EXPORTS TO CONTROLLED COUNTRIES. ADHERING TO THIS PRINCIPLE WILL

BE INCREASINGLY IMPORTANT AS INDIGENOUS CAPABILITIES OF THIRD COUNTRIES ALLOW FOR RAPID DIFFUSION OF GOODS AND TECHNOLOGY OUTSIDE THE COCOM COMMUNITY, AND AS COCOM WORKS TO PARE BACK THE LIST OF CONTROLLED ITEMS.

5. ELIMINATING UNILATERAL CONTROLS IN THOSE AREAS WHERE THERE IS WIDESPREAD FOREIGN AVAILABILITY. THE ADMINISTRATION BILL PROVIDES (1) SPECIFIC DEADLINES FOR FOREIGN AVAILABILITY DETERMINATIONS INVOLVING CONTROLLED COUNTRIES, (2) FOR A GRACE PERIOD TO ALLOW CONSULTATIONS REGARDING DECONTROL, AND (3) FOR A MORE PRECISE DEFINITION OF "FOREIGN AVAILABILITY." IN MAKING SUCH DETERMINATIONS, COMMERCE WILL CONSULT WITH OTHER AGENCIES, BUT THE CONCURRENCE OF THOSE OTHER AGENCIES WILL NOT BE REQUIRED.

THE BILL ALSO PROVIDES THAT WHEN A LICENSABLE PRODUCT IS AVAILABLE TO A FREE WORLD COUNTRY FROM FOREIGN SOURCES WITHOUT RESTRICTION, A LICENSE FOR THIS PRODUCT IS TO BE AUTOMATICALLY GRANTED WITHIN 20 DAYS (WITH A 15-DAY EXTENSION POSSIBLE) UNLESS AN UNACCEPTABLE RISK OF DIVERSION IS DEMONSTRATED.

6. REDUCING THE TIME REQUIRED TO ACQUIRE A LICENSE BY AT LEAST ONE-THIRD, AND IMPLEMENT A FAIR, EQUITABLE, AND TIMELY DISPUTE-RESOLUTION PROCESS. LAST YEAR, WE

REDUCED OVERALL LICENSE PROCESSING TIMES FROM 30 DAYS TO 20 DAYS. EXPORT LICENSES FOR OUR MAJOR TRADING PARTNERS (COCOM) ARE PROCESSED IN ABOUT 7 DAYS, WELL BELOW THE STATUTORY REQUIREMENT OF 15 DAYS. WE WILL MEET THE PRESIDENT'S GOAL AND FURTHER REDUCE THE AVERAGE LICENSE PROCESSING TIMES FROM 20 TO 14 DAYS. WE ARE WORKING WITH OTHER AGENCIES TO PROVIDE FOR MORE DISCIPLINED INTERAGENCY COORDINATION AND TO BRING ABOUT AN EXPANSION OF THE ROLE OF THE EXPORT ADMINISTRATION REVIEW BOARD (EARB).

7. FURTHER LIBERALIZING HIGH TECHNOLOGY TRADE WITH THE PEOPLE'S REPUBLIC OF CHINA (PRC). RECOGNIZING THE CONTINUED IMPROVEMENT IN THE RELATIONS BETWEEN THE UNITED STATES AND THE PEOPLE'S REPUBLIC OF CHINA (PRC), AND THE COMMITMENT OF THE PRC TO PROTECT SENSITIVE TECHNOLOGY, WE INTEND TO WORK WITH OUR ALLIES TO LIBERALIZE FURTHER HIGH TECHNOLOGY TRADE WITH THE PRC. AS PART OF THIS, THE ADMINISTRATION BILL WOULD ALLOW FOR EXPORTS TO THE PRC UNDER THE DISTRIBUTION LICENSE. IN ADDITION, WE WILL REVIEW WITH OUR COCOM ALLIES SPECIFIC WAYS TO RAISE THE LEVEL OF TECHNOLOGY THAT CAN BE EXPORTED TO THE PRC WITHOUT COCOM REVIEW.

IN SUMMARY, THERE ARE FOUR MAJOR EXPORT CONTROL ELEMENTS OF THE PRESIDENT'S COMPETITIVENESS PROGRAM

THAT REQUIRE CONGRESSIONAL ACTION: 1) IMPROVE FOREIGN AVAILABILITY, 2) STRENGTHEN ENFORCEMENT, 3) STRENGTHEN COCOM, AND 4) ESTABLISH DISTRIBUTION LICENSE AUTHORITY FOR EXPORTS TO THE PRC. WE URGE YOU TO SUPPORT THESE PROPOSALS AND TAKE PROMPT ACTION ON THEM.

CONSISTENT WITH THESE LEGISLATIVE INITIATIVES, COMMERCE HAS ALREADY MADE CONSIDERABLE STRIDES IN REDUCING UNNECESSARY BURDENS ON U.S. INDUSTRY THROUGH IMPROVEMENTS IN OUR EXPORT CONTROL PROCEDURES. SPECIFICALLY, WE HAVE IN THE PAST YEAR.

- o REDUCED LICENSE PROCESSING TIMES BY ONE-THIRD;
- o INSTALLED A NEW AUDIO RESPONSE UNIT -- "STELA" (STATUS TRACKING EXPORT LICENSE APPLICATIONS) -- THAT AUTOMATICALLY HANDLES REQUESTS (USING VOICE-GENERATED TECHNOLOGY) FOR STATUS CHECKS ON EXPORT LICENSE APPLICATIONS;
- o RAISED THE PROCESSING DATA RATE (PDR) LEVELS OF COMPUTERS ELIGIBLE FOR EXPORT UNDER THE DISTRIBUTION LICENSE PROGRAM. THIS CHANGE WILL ELIMINATE OVER 5,000 INDIVIDUAL LICENSES ANNUALLY;
- o REDUCED THE PAPERWORK BURDEN ON THE EXPORT COMMUNITY BY AUTHORIZING A 24-MONTH VALIDITY PERIOD FOR INDIVIDUAL

VALIDATED LICENSES:

- o EXPANDED OUR EXPORT CONTROL SEMINAR PROGRAM, BOTH HERE AND ABROAD, THROUGH OUR EXPORTER OUTREACH STAFF; AND,
- o ESTABLISHED A GENERAL LICENSE TO COCOM COUNTRIES (G-COM) TO AUTHORIZE EXPORTS OF SOME COMMODITIES TO COCOM COUNTRIES WITHOUT AN INDIVIDUAL VALIDATED LICENSE. WE ESTIMATE THAT THE USE OF G-COM ELIMINATED THE NEED FOR PROCESSING OVER 12,000 LICENSE APPLICATIONS IN FISCAL YEAR 1986.

COMMERCE HAS ALSO INITIATED SEVERAL PROPOSALS THAT CUT ACROSS ALL SEVEN OF THE PRESIDENT'S EXPORT CONTROL INITIATIVES. OUR PROPOSALS ARE ALSO INTENDED TO REDUCE UNNECESSARY BURDENS ON U.S. EXPORTERS, STRENGTHEN OUR RELATIONSHIP WITH OUR COCOM ALLIES, AND FURTHER EMPHASIZE OUR COMMITMENT TO PROTECT NATIONAL SECURITY AND TO FURTHER U.S. COMPETITIVENESS.

FIRST, COMMERCE PUBLISHED IN THE FEDERAL REGISTER ON FEBRUARY 20 TWO NEW GENERAL LICENSES WHICH WILL REDUCE THE LICENSING BURDEN ON U.S. EXPORTERS, INASMUCH AS EXPORTERS WILL NO LONGER HAVE TO OBTAIN INDIVIDUAL VALIDATED LICENSES IN THE FOLLOWING CIRCUMSTANCES. THE GENERAL LICENSE COOPERATING GOVERNMENTS (G-CG) PROVIDES FOR VIRTUALLY UNRESTRICTED EXPORT TO GOVERNMENT DEPARTMENTS AND AGENCIES AT THE NATIONAL LEVEL IN COOPERATING COUNTRIES.

INITIALLY, THIS WILL BE RESTRICTED TO COCOM COUNTRIES, WITH OTHER DESTINATIONS BEING ADDED AS THEY DEVELOP AN ADEQUATE EXPORT CONTROL REGIME. THIS REFLECTS OUR CONFIDENCE IN THESE COOPERATING COUNTRIES TO SAFEGUARD U.S. GOODS.

OUR GENERAL LICENSE FOR CERTIFIED EN-USERS (G-CEU) REFINES AN EARLIER PROPOSAL THAT ESTABLISHED A CATEGORY OF CERTIFIED END-USER. INITIALLY, COMMERCIAL ENTERPRISES THAT ARE CERTIFIED BY THE COMMERCE DEPARTMENT AS BEING CONTROLLED BY COCOM GOVERNMENTS WILL BE ELIGIBLE TO USE G-CEU. AT A LATER DATE, THIS CERTIFICATION WILL BE EXTENDED TO OTHER ENTERPRISES, INCLUDING PRIVATELY OWNED DEFENSE CONTRACTORS IN COCOM COUNTRIES. WE HOPE TO EXPAND THE LIST OF COOPERATING COUNTRIES AS WELL.

SECOND, WE ARE DEVELOPING REGULATIONS TO ELIMINATE, OR AT LEAST REDUCE, PRIOR U.S. AUTHORIZATION FOR REEXPORTS INTO COCOM COUNTRIES.

THIRD, WE HAVE DRAFTED REGULATIONS, AND HAVE BEGUN THE INTER-AGENCY REVIEW PROCESS, TO ACHIEVE THE ELIMINATION OF LICENSING REQUIREMENTS FOR CERTAIN LOW-LEVEL EXPORTS TO OUR NON-COCOM TRADING PARTNERS IN THE FREE WORLD. I EXPECT THAT A NOTICE OF PROPOSED RULEMAKING WILL BE PUBLISHED IN THE FEDERAL REGISTER BY THE END OF NEXT WEEK.

FOURTH, WE ARE CIRCULATING FOR INTERAGENCY CLEARANCE REGULATIONS

THAT, IN MANY CASES, WILL ALLOW FOREIGN MANUFACTURERS TO INCORPORATE U.S.-ORIGIN PARTS AND COMPONENTS WITHOUT HAVING TO OBTAIN REEXPORT AUTHORIZATION FROM THE U.S. GOVERNMENT. WE EXPECT FINAL RULES TO BE PUBLISHED BY LATE MARCH.

EXPORT ADMINISTRATION POLICY IS CONTINUALLY EVOLVING AND ADAPTING TO COPE WITH THE CHANGING NATURE OF BOTH THE WORLD ECONOMY AND THE THREAT TO OUR NATIONAL SECURITY. THE CHALLENGE FOR US IS TO ENSURE THAT U.S. POLICY KEEPS PACE WITH THESE CHANGES, AND THAT CONSISTENT WITH VITAL U.S. NATIONAL SECURITY AND FOREIGN POLICY INTERESTS OUR EXPORT CONTROL POLICY: (1) DECONTROLS NON--STRATEGIC, NON-CRITICAL GOODS AND TECHNOLOGY; (2) RETAINS FLEXIBILITY TO DEAL WITH CHANGING WORLD SITUATIONS; (3) INCORPORATES NEW GENERATIONS OF TECHNOLOGY WITHOUT IMPEDING LEGITIMATE TRADE; (4) REMAINS A WORKABLE, MULTILATERAL EFFORT; AND (5) DOES NOT PLACE EXCESSIVE HARDSHIP ON U.S. BUSINESS.

IN SUMMARY, THERE IS MUCH TO BE DONE. WHILE WE INTEND TO MOVE FORWARD QUICKLY, OUR ACTIONS WILL BE CAREFULLY MEASURED AS WELL AS TEMPERED TO ENSURE THAT APPROPRIATE STEPS TAKEN DURING THE FIRST YEARS OF THE REAGAN ADMINISTRATION TO SAFEGUARD OUR NATION'S SECURITY ARE NOT ERODED.

FOREIGN POLICY CONTROLS

WITH ONE EXCEPTION, ON JANUARY 20, 1987, WE EXTENDED FOR ONE YEAR FOREIGN POLICY CONTROLS IMPOSED UNDER THE AUTHORITY OF THE EAA.

CONTROLS ON EXPORTS OF NON-STRATEGIC OIL AND GAS EQUIPMENT AND TECHNOLOGY TO THE SOVIET UNION WERE ALLOWED TO EXPIRE.

IN EXTENDING CONTROLS, THE DEPARTMENT TOOK INTO ACCOUNT THE RECOMMENDATIONS OF THE SECRETARY OF STATE AND THE CRITERIA OUTLINED IN THE EAA. THE REPORT I SUBMITTED IN JANUARY COMPLIES WITH ALL LEGISLATIVE REQUIREMENTS FOR EXTENDING FOREIGN POLICY CONTROLS. CONTROLS WITHIN EACH PROGRAM WERE CONSIDERED ON THEIR MERITS AND RENEWED ONLY AFTER IT WAS DETERMINED THAT TO DO SO WAS CONSISTENT WITH STATUTORY CRITERIA. IN AUGUST 1986, THE GENERAL ACCOUNTING OFFICE ISSUED A FAVORABLE REPORT ON OUR ENDEAVORS LAST YEAR TO COMPLY WITH THE LEGISLATION. WE INCORPORATED THEIR SUBSTANTIVE RECOMMENDATIONS THIS YEAR IN EXPANDING OUR DISCUSSION OF ENFORCEMENT AND ALTERNATIVE MEANS.

SEVERAL MODIFICATIONS TO THESE PROGRAMS WERE MADE IN 1986. ON JUNE 5, 1986, CONTROLS ON CERTAIN HELICOPTERS FOR ANTI-TERRORISM CONCERNS WERE EXPANDED TO INCLUDE ALL HELICOPTERS. ALSO AT THAT TIME, CONTROLS ON CERTAIN CHEMICALS TO IRAN AND IRAQ WERE EXPANDED TO INCLUDE SYRIA. THROUGH OUR CONSULTATIONS WITH INDUSTRY, WE CONCLUDED THAT BOTH OF THESE ADJUSTMENTS WOULD HAVE A MINIMAL IMPACT ON THE EXPORTING COMMUNITY, WHILE THE CONTROLS DID SERVE TO CLOSE POTENTIAL LOOPHOLES IN OUR ANTI-TERRORISM AND CHEMICAL WARFARE CONTROLS.

A MAJOR FOCUS THIS YEAR WAS THE REVIEW OF THE RESTRICTIONS ON EXPORTS OF NON-STRATEGIC OIL AND GAS EQUIPMENT AND TECHNOLOGY TO

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THE SOVIET UNION. WHEN THESE CONTROLS WERE IMPOSED IN 1979, THEY SERVED THE IMMEDIATE PURPOSE OF EXPRESSING OUR DISPLEASURE OVER SOVIET HUMAN RIGHTS POLICIES. OVER TIME, HOWEVER, THE CONTROLS NO LONGER WERE ASSOCIATED IN THE PUBLIC MIND WITH THIS PURPOSE AND THEIR EFFECTIVENESS WAS UNDERMINED BY WIDESPREAD FOREIGN AVAILABILITY. IN THE END, WE DECIDED THAT IT WAS NO LONGER IN THE NATIONAL INTEREST TO MAINTAIN THE CONTROLS.

AS I HAVE STATED, UNILATERAL CONTROLS ARE GENERALLY INEFFECTIVE UNLESS WE HAVE THE COOPERATION OF OUR ALLIES OR THE UNITED STATES ENJOYS A MONOPOLY OF PRODUCTION WITH RESPECT TO THE COMMODITIES TO BE CONTROLLED. THE LATTER CRITERION IS BECOMING LESS AND LESS THE CASE. MORE THAN 70 PERCENT OF U.S. PRODUCTS ARE IN COMPETITION WITH FOREIGN PRODUCTS IN OUR OWN MARKET.

FROM THE COMMENTS WE RECEIVED FROM INDUSTRY, IT IS CLEAR THAT MANY U.S. OIL AND GAS EQUIPMENT SUPPLIERS ARE PREPARING AGGRESSIVE STRATEGIES TO REGAIN THEIR PLACE IN THE SOVIET MARKET.

THE NUMBER OF ITEMS AFFECTED BY FOREIGN POLICY CONTROLS CONSTITUTE A SMALL FRACTION OF THE TOTAL NUMBER OF COMMODITIES SUBJECT TO NATIONAL SECURITY CONTROLS. BUT THE AMOUNT OF TIME AND RESOURCES DEVOTED TO MAINTAIN CLEAR AND EFFECTIVE FOREIGN POLICY EXPORT CONTROLS HIGHLIGHTS THEIR IMPORTANCE TOWARD ACHIEVING U.S. FOREIGN POLICY OBJECTIVES. WITH THE CHANGES MADE IN 1986, WE ARE ACHIEVING GREATER CLARITY AND EFFICIENCY IN OUR ADMINISTRATION OF FOREIGN POLICY CONTROLS.

THE OIL AND GAS DECISION WAS IMPORTANT TO THE BUSINESS COMMUNITY. EXPORT CONTROLS MUST AND WILL BE BROUGHT INTO BALANCE. WE MUST AND WILL MAKE SURE THAT THE COSTS OF OUR CONTROLS DO NOT EXCEED THEIR INTENDED FOREIGN POLICY AND NATIONAL SECURITY OBJECTIVES. THAT IS WHAT THE EAA STATUTE INTENDS. THAT IS WHAT GOOD GOVERNMENT DEMANDS.

THE OIL AND GAS CONTROLS WERE A FIRST STEP. THE INITIATIVES THAT WE HAVE ANNOUNCED AND THAT I HAVE OUTLINED FOR YOU TODAY CONTINUE THAT BALANCING PROCESS. WE MUST TAKE THESE STEPS TO BRING THIS COUNTRY UP TO ITS FULL COMPETITIVE POTENTIAL, BUT MOST IMPORTANTLY WE MUST DO SO IN ORDER TO CREATE A BALANCED REGIME THAT WILL BEST SAFEGUARD OUR NATIONAL SECURITY.

MR. CHAIRMAN, THAT CONCLUDES MY STATEMENT. I WILL BE GLAD TO RESPOND TO ANY QUESTIONS THAT YOU OR ANY OTHER MEMBER OF THE COMMITTEE MAY HAVE.

International Trade, Danzansky

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WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

NATIONAL SECURITY COUNCIL
 EXECUTIVE SECRETARIAT STAFFING DOCUMENT

URGENT

SYSTEM LOG NUMBER: 1292

ACTION OFFICER: Pugliaresi DUE: Today 4:00pm.

- | | |
|---|--|
| <input type="checkbox"/> Prepare Memo For President | <input type="checkbox"/> Prepare Memo Green to Chew |
| <input type="checkbox"/> Prepare Memo For Carlucci / Powell | <input type="checkbox"/> Prepare Memo Green to Dolan |
| <input checked="" type="checkbox"/> Prepare Memo <u>Green</u> | to <u>Peterson</u> |

CONCURRENCES/COMMENTS* PHONE* to action officer at ext. 3550

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| <input type="checkbox"/> Batjer | <input type="checkbox"/> Howard | <input type="checkbox"/> Platt |
| <input type="checkbox"/> Brooks | <input type="checkbox"/> Kelly, B. | <input type="checkbox"/> Pugliaresi |
| <input type="checkbox"/> Burns | <input type="checkbox"/> Kelly, J. | <input type="checkbox"/> Raymond |
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| <input checked="" type="checkbox"/> <u>Dean, B.</u> | <input type="checkbox"/> Linhard | <input type="checkbox"/> Sorzano |
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| <input type="checkbox"/> Donley | <input type="checkbox"/> Major | <input type="checkbox"/> Steiner |
| <input type="checkbox"/> Douglass | <input type="checkbox"/> May | <input checked="" type="checkbox"/> <u>Stevens</u> |
| <input type="checkbox"/> Ermarth | <input type="checkbox"/> McNamara | <input type="checkbox"/> St Martin |
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| <input type="checkbox"/> Flower | <input type="checkbox"/> Oakley | <input checked="" type="checkbox"/> <u>Thompson</u> |
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| | | <input checked="" type="checkbox"/> <u>Fortier</u> |
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| <input type="checkbox"/> <u>Carlucci (advance)</u> | <input type="checkbox"/> <u>Powell (advance)</u> | <input type="checkbox"/> _____ |

COMMENTS Please honor all due dates



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
February 25, 1987

1242
SPECIAL

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer -

Department of State (Howdershell 647-4463)	25
Department of the Treasury (Carro 566-8523)	28
Department of Defense (Brick 697-1305)	06
National Security Council	
United States Trade Representative (Johnston 3432)	23

SUBJECT: Commerce draft testimony on Export Control Policy and the Administration's Competitiveness package for House Foreign Affairs hearing on February 26, 1987.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than 4:00 P.M., TODAY, WEDNESDAY, FEBRUARY 25, 1987.

Questions should be referred to **Annette Rooney/Sue Thau (395-7300)**, the legislative analyst in this office.

Ronald K. Peterson

RONALD K. PETERSON for
Assistant Director for
Legislative Reference

Enclosures

cc: G. Moser
K. Scheid
J. Cooney

SPECIAL

STATEMENT OF
MALCOLM BALDRIGE
SECRETARY OF COMMERCE

BEFORE THE
COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 26, 1987



THANK YOU, MR. CHAIRMAN, FOR THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE AND TO TALK ABOUT U.S. EXPORT CONTROLS AND COMPETITIVENESS. I WILL ALSO DISCUSS THE RECENT EXTENSION OF FOREIGN POLICY EXPORT CONTROLS. FIRST, LET ME REVIEW THE PRESIDENT'S COMPETITIVENESS INITIATIVES.

THE PRESIDENT HAS ESTABLISHED THE GOAL OF ASSURING AMERICAN COMPETITIVE PREMINENCE INTO THE 21ST CENTURY. HIS PROGRAM INCLUDES:

1. INCREASING INVESTMENT IN HUMAN AND INTELLECTUAL CAPITAL;
2. PROMOTING THE DEVELOPMENT OF SCIENCE AND TECHNOLOGY;
3. BETTER PROTECTION OF INTELLECTUAL PROPERTY;
4. ENACTING ESSENTIAL LEGAL AND REGULATORY REFORMS;
5. SHAPING THE INTERNATIONAL ECONOMIC ENVIRONMENT; AND,
6. ELIMINATING THE BUDGET DEFICIT.

THIS INITIATIVE REPRESENTS A GOVERNMENT PARTNERSHIP WITH OUR PRIVATE SECTOR TO RAISE U.S. COMPETITIVENESS IN THE INTERNATIONAL MARKETPLACE. THE PRESIDENT HAS ESTABLISHED A COMPREHENSIVE PROGRAM TO ENLIST THE BROAD RESOURCES OF THE FEDERAL GOVERNMENT IN ACHIEVING OUR GOAL. WE ARE UNDER NO ILLUSION THAT FURTHER GOVERNMENT INVOLVEMENT IN THE PRIVATE SECTOR IS A PANACEA FOR IMPROVING OUR COMPETITIVENESS. IN FACT, MANY OF OUR PROPOSALS ARE BASED ON THE NEED TO FURTHER REDUCE GOVERNMENT'S ROLE IN PRIVATE SECTOR AFFAIRS, BUT ESSENTIALLY, IT'S A PARTNERSHIP WE

ARE SEEKING.-

I AM PROUD THAT OUR BUSINESSES ARE NOW TAKING THE NECESSARY STEPS, SOMETIMES PAINFUL ONES, TO IMPROVE THEIR COMPETITIVE POSITION. THEY ARE CUTTING THEIR OVERHEAD AND OTHER COSTS, INCREASING THEIR INVESTMENT IN R&D, AND IMPROVING THE QUALITY OF THEIR PRODUCTS AND SERVICES.

THE BUSINESS COMMUNITY IS SHOULDERING ITS SHARE OF THE BURDEN, AND WE IN GOVERNMENT ARE SHOULDERING OURS. IN PARTICULAR, THE COMMERCE DEPARTMENT HAS BEEN CHARGED BY THE PRESIDENT WITH A NUMBER OF KEY RESPONSIBILITIES IN THE COMPETITIVENESS INITIATIVES. AMONG THESE ITEMS ARE:

- O ANTI-TRUST REFORM BECAUSE OUR FOREIGN COMPETITORS CAN MERGE TO MEET FOREIGN COMPETITION -- BUT WE CAN'T.

- O EXPORT TRADING COMPANIES BECAUSE WE NEED TO REMOVE UNCERTAINTIES IN THE EXPORT TRADING COMPANY ACT TO TAKE ADVANTAGE IN THE SHIFT IN EXCHANGE RATES AND GET THIS PROGRAM BACK ON TRACK.

- O FOREIGN CORRUPT PRACTICES ACT BECAUSE WE NEED TO CLARIFY VAGUE BRIBERY STATUTES SO THAT COMPANIES WILL NOT BE DETERRED FROM TAKING NECESSARY STEPS TO COMPETE IN INTERNATIONAL MARKETS.

- O PRODUCT LIABILITY REFORM BECAUSE CURRENT TORT LAW SERVES AS A DISINCENTIVE TO RESEARCH AND INNOVATION THAT IS ESSENTIAL TO REMAINING OR BECOMING COMPETITIVE IN THE INTERNATIONAL MARKETPLACE.


- O INTELLECTUAL PROPERTY PROTECTION TO SAFEGUARD OUR IDEAS AND TECHNOLOGY FROM INTERNATIONAL PIRACY.

- O U.S. TRADE LAWS TO REDUCE TRADE BARRIERS AND CREATE FAIR OPPORTUNITIES ABROAD FOR AMERICAN BUSINESS.

FINALLY, WE NEED EXPORT CONTROL REFORM, AND I WILL NOW ADDRESS THAT ISSUE IN MORE DETAIL.

COMMERCE IS IN THE UNIQUE POSITION OF BEING RESPONSIBLE FOR BOTH EXPORT PROMOTION AND EXPORT CONTROL. SOME PEOPLE HAVE ARGUED THAT THESE ROLES ARE INCOMPATIBLE. IN MY VIEW, THEY ARE INSEPARABLE.

INTERNATIONAL TRADE AND EXPORT CONTROLS ARE NOT ABOUT TRADEOFFS BETWEEN NATIONAL SECURITY AND ECONOMIC VITALITY. INSTEAD, THE OVERALL SECURITY OF THIS COUNTRY IS COMPRISED OF BOTH ECONOMIC AND MILITARY SECURITY. MOREOVER, THE ELIMINATION OF OVERLY BROAD OR UNFOCUSED CONTROLS CAN INCREASE OUR SECURITY OBJECTIVES. NOT ONLY CAN ENFORCEMENT EFFORTS THEREBY BE CONCENTRATED MORE EFFECTIVELY, BUT THE WILLINGNESS AND CAPACITY OF OTHER GOVERNMENTS TO SHARE MEANINGFULLY IN THE CONTROL SYSTEM IS INCREASED.



OUR REFORM OF THE EXPORT CONTROL SYSTEM WILL IMPROVE BOTH THE LEVEL OF U.S. COMPETITIVENESS AND THE LEVEL OF U.S. SECURITY.

THE PRESIDENT'S COMPETITIVENESS INITIATIVES IDENTIFIED THESE SEVEN STEPS WE CAN TAKE TO IMPROVE THE SYSTEM:

- DECONTROL THOSE TECHNOLOGIES THAT OFFER NO SERIOUS THREAT TO U.S. SECURITY.
- STRENGTHEN CONTROLS ON THOSE GOODS AND TECHNOLOGIES THAT ARE TRULY STRATEGIC.
- MAKE PROCEDURES UNIFORM AND ENFORCEMENT UNIFORMLY RIGOROUS.
- STRENGTHEN MULTILATERAL CONTROLS OVER PRODUCTS AND TECHNOLOGIES THAT CAN CONTRIBUTE TO SOVIET MILITARY CAPABILITIES.
- ELIMINATE UNILATERAL CONTROLS IN THOSE AREAS WHERE THERE IS WIDESPREAD FOREIGN AVAILABILITY.
- REDUCE THE TIME REQUIRED TO ACQUIRE A LICENSE BY AT LEAST ONE-THIRD, AND IMPLEMENT A FAIR, EQUITABLE, AND TIMELY DISPUTE-RESOLUTION PROCESS.
- AND, RECOGNIZE THE CONTINUED IMPROVEMENT IN U.S./PEOPLE'S REPUBLIC OF CHINA (PRC) RELATIONS AND THE COMMITMENT OF THE PRC TO PROTECT SENSITIVE TECHNOLOGY.

THE BILL SUBMITTED TO THE CONGRESS BY THE ADMINISTRATION AS PART OF THE PRESIDENT'S COMPETITIVENESS INITIATIVE WILL HELP ACCOMPLISH THESE OBJECTIVES.

IN THE AREA OF FOREIGN AVAILABILITY, THE BILL PROVIDES SPECIFIC DEADLINES FOR FOREIGN AVAILABILITY DETERMINATIONS INVOLVING CONTROL COUNTRIES, FOR A GRACE PERIOD TO ALLOW CONSULTATIONS REGARDING DECONTROL, AND A MORE PRECISE DEFINITION OF "FOREIGN AVAILABILITY" TO SUCH COUNTRIES. IN MAKING SUCH DETERMINATIONS, COMMERCE WILL CONSULT WITH OTHER AGENCIES, BUT WE WILL NOT REQUIRE THE CONCURRENCE OF OTHER AGENCIES BEFORE MAKING A DECISION.

THE BILL ALSO PROVIDES THAT WHEN A LICENSABLE PRODUCT IS AVAILABLE TO A FREE WORLD COUNTRY FROM FOREIGN SOURCES WITHOUT RESTRICTION, A LICENSE FOR THIS PRODUCT IS AUTOMATICALLY GRANTED WITHIN 20 DAYS (WITH A 15-DAY EXTENSION POSSIBLE) UNLESS AN UNACCEPTABLE RISK OF DIVERSION IS DEMONSTRATED.

THE ADMINISTRATION BILL WOULD ALLOW FOR EXPORTS TO THE PRC UNDER THE DISTRIBUTION LICENSE. IN ADDITION, WE WILL BE DISCUSSING WITH OUR COCOM ALLIES RAISING THE LEVEL OF TECHNOLOGY THAT CAN BE EXPORTED TO THE PRC WITHOUT COCOM REVIEW.

THE BILL WOULD ADD NEW SPECIFIC GUIDELINES FOR U.S. PARTICIPATION IN COCOM NEGOTIATIONS. SUCH NEGOTIATIONS ARE ADVISABLE BECAUSE UNILATERAL U.S. CONTROLS ARE GENERALLY INEFFECTIVE AND ENFORCEMENT BY ALL COCOM MEMBERS IS ESSENTIAL TO EFFECTIVE MULTILATERAL CONTROLS.

REQUESTS FOR STATUS CHECKS ON EXPORT LICENSE APPLICATIONS
USING VOICE-GENERATED TECHNOLOGY;

- RAISED THE PROCESSING DATA RATE (PDR) LEVELS OF COMPUTERS ELIGIBLE FOR EXPORT UNDER THE DISTRIBUTION LICENSE PROGRAM. THIS CHANGE WILL ELIMINATE OVER 5,000 INDIVIDUAL LICENSES ANNUALLY;
- REDUCED THE PAPERWORK BURDEN ON THE EXPORT COMMUNITY BY AUTHORIZING A 24-MONTH VALIDITY PERIOD FOR INDIVIDUAL VALIDATED LICENSES;
- EXPANDED OUR EXPORT CONTROL PROGRAM, BOTH HERE AND ABROAD, THROUGH OUR EXPORTER OUTREACH STAFF;
- ESTABLISHED A GENERAL LICENSE TO COCOM COUNTRIES (G-COM) TO AUTHORIZE EXPORTS OF SOME COMMODITIES TO COCOM COUNTRIES WITHOUT AN INDIVIDUAL VALIDATED LICENSE. WE ESTIMATE THAT THE USE OF G-COM ELIMINATED THE NEED FOR PROCESSING OVER 12,000 LICENSE APPLICATIONS IN FISCAL YEAR 1986;
- ESTABLISHED THE GENERAL LICENSE COOPERATING GOVERNMENTS (G-CG) WHICH PROVIDES FOR VIRTUALLY UNRESTRICTED EXPORT TO NATIONAL GOVERNMENT AGENCIES IN COOPERATING COUNTRIES. INITIALLY, THIS WILL BE RESTRICTED TO COCOM COUNTRIES, WITH OTHER DESTINATIONS BEING ADDED AS THEY DEVELOP ADEQUATE EXPORT CONTROL REGIMES. THIS REFLECTS OUR CONFIDENCE IN THESE COOPERATING COUNTRIES TO SAFEGUARD U.S. GOODS; AND

THE BILL WOULD AMEND THE EXPORT ADMINISTRATION ACT (EAA) TO ESTABLISH AS ONE OF OUR NEGOTIATING OBJECTIVES AGREEMENT IN COCOM TO REMOVE ITEMS FROM THE INTERNATIONAL CONTROL LIST (ICL) IF THE ITEMS CONTINUE TO BE AVAILABLE TO CONTROLLED COUNTRIES OR IF THE CONTROL OF THE ITEMS NO LONGER MEETS THE COMMON STRATEGIC OBJECTIVES OF THE COCOM MEMBERS. THE BILL ALSO PROVIDES THAT THE U.S. SHOULD ENCOURAGE COCOM GOVERNMENTS TO REACH AND CARRY OUT AGREEMENTS WITH NON-COCOM COUNTRIES IN RESTRICTING EXPORTS TO CONTROLLED COUNTRIES.

WHILE WE AWAIT YOUR FAVORABLE ACTION ON THESE LEGISLATIVE INITIATIVES, COMMERCE HAS MADE CONSIDERABLE STRIDES IN REDUCING UNNECESSARY BURDENS ON U.S. INDUSTRY THROUGH IMPROVEMENTS IN OUR EXPORT CONTROL PROCEDURES. SPECIFICALLY, WE HAVE:

- REDUCED LICENSE PROCESSING TIMES BY ONE-THIRD DURING THE PAST YEAR. WE WILL MEET THE PRESIDENT'S GOAL AND FURTHER REDUCE THE AVERAGE LICENSE PROCESSING TIMES FROM 20 TO 14 DAYS;
- REACHED AGREEMENT WITH OUR COCOM PARTNERS TO IMPROVE LICENSE PROCESSING FOR THE PEOPLE'S REPUBLIC OF CHINA (PRC);
- INSTALLED A NEW AUDIO RESPONSE UNIT - STELA (STATUS TRACKING EXPORT LICENSE APPLICATIONS) - THAT AUTOMATICALLY HANDLES REQUESTS FOR STATUS CHECKS ON EXPORT LICENSE APPLICATIONS USING VOICE-GENERATED TECHNOLOGY;



O ESTABLISHED THE GENERAL LICENSE FOR CERTIFIED END-USERS (G-CEU) WHICH REFINES AN EARLIER PROPOSAL THAT ESTABLISHES A CATEGORY OF CERTIFIED END-USER. INITIALLY, DESIGNATED COMMERCIAL ENTERPRISES CERTIFIED TO BE CONTROLLED BY COCOM GOVERNMENTS WILL BE ELIGIBLE TO USE G-CEU. AT A LATER DATE, THIS CERTIFICATION MAY BE EXTENDED TO OTHER ENTERPRISES. WE HOPE TO EXPAND THE LIST OF COOPERATING COUNTRIES AS WELL.

IN ADDITION TO WHAT WE HAVE ALREADY DONE, WE ARE DEVELOPING REGULATIONS TO ELIMINATE, OR AT LEAST REDUCE, PRIOR U.S. AUTHORIZATION FOR REEXPORTS INTO COCOM COUNTRIES, AND DEVELOPING REGULATIONS TO ELIMINATE LICENSING REQUIREMENTS FOR CERTAIN LOW-LEVEL EXPORTS TO OUR NON-COCOM TRADING PARTNERS IN THE FREE WORLD.

EXPORT ADMINISTRATION POLICY IS CONTINUALLY EVOLVING AND ADAPTING TO COPE WITH THE CHANGING NATURE OF BOTH THE WORLD ECONOMY AND THE THREAT TO OUR NATIONAL SECURITY. THE CHALLENGE FOR US IS TO ENSURE THAT U.S. POLICY KEEPS PACE WITH THESE CHANGES, AND THAT, CONSISTENT WITH VITAL U.S. NATIONAL SECURITY AND FOREIGN POLICY INTERESTS OUR EXPORT CONTROL POLICY:

- DECONTROLS NON-STRATEGIC, NON-CRITICAL GOODS AND TECHNOLOGY;
- RETAINS FLEXIBILITY TO DEAL WITH CHANGING WORLD SITUATIONS;

- INCORPORATES NEW GENERATIONS OF TECHNOLOGY AND APPLICATIONS WITHOUT IMPEDING LEGITIMATE TRADE;
- REMAINS A WORKABLE, MULTILATERAL EFFORT; AND
- DOES NOT PLACE EXCESSIVE HARDSHIP ON U.S. BUSINESS.

FOREIGN POLICY CONTROLS

I WOULD NOW LIKE TO DISCUSS OUR EXTENSION OF FOREIGN POLICY EXPORT CONTROLS. WITH ONE EXCEPTION, ON JANUARY 20, 1987 WE EXTENDED FOR ONE YEAR FOREIGN POLICY CONTROLS IN EFFECT ON THAT DATE. CONTROLS ON EXPORTS OF NON-STRATEGIC OIL AND GAS EQUIPMENT AND TECHNOLOGY TO THE SOVIET UNION WERE ALLOWED TO EXPIRE.

IN EXTENDING CONTROLS, THE DEPARTMENT TOOK INTO ACCOUNT THE RECOMMENDATIONS OF THE SECRETARY OF STATE AND THE CRITERIA OUTLINED IN THE EXPORT ADMINISTRATION ACT. THE REPORT I SUBMITTED IN JANUARY COMPLIES WITH ALL THE LEGISLATIVE REQUIREMENTS FOR EXTENDING FOREIGN POLICY CONTROLS. CONTROLS WITHIN EACH PROGRAM WERE CONSIDERED ON THEIR MERITS AND RENEWED ONLY IN LIGHT OF THEIR EFFECTIVENESS IN FURTHERING U.S. FOREIGN POLICY INTERESTS. IN AUGUST, 1986 THE GENERAL ACCOUNTING OFFICE ISSUED A FAVORABLE REPORT ON OUR ENDEAVORS LAST YEAR TO COMPLY WITH THE LEGISLATION. WE INCORPORATED THEIR RECOMMENDATIONS THIS YEAR IN EXPANDING OUR DISCUSSION OF ENFORCEMENT AND ALTERNATIVE MEANS.

AS A SUMMARY, THE FOREIGN POLICY CONTROL PROGRAM ADMINISTERED BY COMMERCE IS COMPRISED OF BOTH COMMODITY SPECIFIC AND COUNTRY SPECIFIC CONTROLS. COMMODITY SPECIFIC CONTROLS FUNCTION TO DISASSOCIATE THE U.S., BOTH DIRECTLY AND SYMBOLICALLY, FROM CERTAIN STATE-SUPPORTED ACTIVITIES THAT AMERICANS FIND OBJECTIONABLE. FOR INSTANCE, OUR PROGRAM FOR:

HUMAN RIGHTS: CONTROLS U.S.-ORIGIN POLICE EQUIPMENT TO PROMOTE FOREIGN GOVERNMENTS' RESPECT FOR INTERNATIONALLY RECOGNIZED HUMAN RIGHTS.

ANTI-TERRORISM: CONTROLS ITEMS SUCH AS AIRCRAFT, HELICOPTERS AND RELATED PARTS AND EQUIPMENT TO THOSE COUNTRIES WHICH HAVE REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM.

REGIONAL STABILITY: CONTROLS EXPORTS OF MILITARY VEHICLES AND ITEMS USED IN THE MANUFACTURE OF MILITARY EQUIPMENT THAT COULD CONTRIBUTE TO THE MILITARY CAPABILITIES OF CERTAIN COUNTRIES IN REGIONS OF CONFLICT AND TENSION.

CHEMICAL WARFARE: CONTROLS EIGHT CHEMICALS THAT HAVE POTENTIAL USE AS CHEMICAL WEAPONS IN THE IRAN-IRAQ WAR.

WE ALSO RESTRICT CERTAIN EXPORTS TO THE KAMA RIVER AND ZIL TRUCK PLANTS OF THE SOVIET UNION TO PREVENT THE USE OF U.S. ORIGIN



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