



EIB World Trade Headlines

Evolutions In Business • www.eib.com • (978) 256-0438
Fax: (978) 250-4529 • P.O. Box 4008, Chelmsford, MA 01824

December 1, 2014 - Volume 6, Issue 21

Licenses for Vietnam Approved on Case by Case Basis

Amendment to the International Traffic in Arms Regulations: Policy on Exports to Vietnam

AGENCY: Department of State.

ACTION: Final rule.

SUMMARY: The Department of State is revising the International Traffic in Arms Regulations (ITAR) to reflect a change in its policy on exports to Vietnam.

DATES: This rule is effective on November 10, 2014.

FOR FURTHER INFORMATION CONTACT: Mr. C. Edward Peartree, Director, Office of Defense Trade Controls Policy, Department of State, telephone (202) 663-2792; email DDTCPublicComments@state.gov. ATTN: Regulatory Change, Exports to Vietnam.

SUPPLEMENTARY INFORMATION:

The Department has determined that is in the best interests of U.S. foreign policy, national security, and human rights concerns that exports of lethal defense articles and defense services to Vietnam may be authorized on a case-by-case basis when in support of maritime security and domain awareness.

The Department of State is of the opinion that controlling the import and export of defense articles and services is a foreign affairs function of the United States Government and that rules implementing this function are exempt from sections 553 (rulemaking) and 554 (adjudications) of the Administrative Procedure Act (APA),

*(*Continued On The Following Page)*

NEWSLETTER NOTES

- Licenses for Vietnam Approved
- ISIS Threat at Home:
- Russian Sanctions FAQ
- FBI Director: Cyber Threats are Moving
- Remarks of Under Secretary Hirschhorn
- Names Added to the Federal Register
- Updated Statements of Legal Authority for the Export

pursuant to 5 U.S.C. 553(a)(1). Since the Department is of the opinion that this rule is exempt from 5 U.S.C 553, it is the view of the Department that the provisions of Section 553(d) do not apply to this rulemaking. Therefore, this rule is effective upon publication. The Department also finds that, given the national security issues surrounding U.S. policy toward Vietnam, notice and public procedure on this rule would be impracticable, unnecessary, or contrary to the public interest; for this reason, the rule is effective upon publication.

ISIS Threat at Home: FBI Warns US Military About Social Media Vulnerabilities

The FBI on Sunday issued the strongest warning to date about possible attacks by the ISIS terrorist group against the U.S. military inside the homeland, officials tell ABC News.

In a joint intelligence bulletin issued overnight by the FBI with the Department of Homeland Security, officials strongly urged those who serve in uniform to scrub their social media accounts of anything that might bring unwanted attention from "violent extremists" or would help the extremists learn individual service members' identities.

"The FBI and DHS recommend that current and former members of the military review their online social media accounts for any information that might serve to attract the attention of ISIL [ISIS] and its supporters," the federal bulletin sent to law enforcement agencies said, advising that troops "routinely exercise operational security in their interactions online."

Officials said they fear copycat attacks based on what happened in Canada last month, when two uniformed Canadian soldiers were killed in two separate incidents by young men who claimed they were ISIS followers.



Russian Sanctions FAQ

Q1: What activities do the Treasury and Commerce sanctions cover?

A1: The Treasury sanctions cover a range of financing in the financial, defense and energy sectors as well as services in the energy sector. The Commerce sanctions cover certain exports, reexports and in-country transfers in the energy and defense sectors as well as such transactions with specified foreign persons.

Q2: What license requirements do the industry sector sanctions implemented in §746.5 of the Export Administration Regulations (EAR) in the Commerce August 6, 2014 rule, "Russian Oil Industry Sanctions and Addition of Person to the Entity List" (79 FR 45675), impose?

A2: The August 6 rule added new §746.5 of the EAR, imposing licensing requirements on eight export control classification numbers (ECCN) (two of which were newly added in the August 6 rule) and fifty three Schedule B numbers if a person knows (or is informed by BIS) that the item will be used directly or indirectly in exploration for, or production of, oil or gas in:

- a. Russian deepwater (greater than 500 feet);
- b. Arctic offshore locations;
- c. Shale formations in Russia; or
- d. Is unable to determine whether the item will be used in the aforementioned projects.

A licensing policy of presumption of denial applies for exports, reexports, or transfer (in-country) for the aforementioned projects that have the potential to produce oil. A licensing policy of case-by-case review applies for such projects that have the potential to produce gas.

Q3: What additional requirements in the energy sector did the September 17, 2014 Commerce rule impose?

A3: The September 17 Commerce rule placed five (5) Russian energy companies (Gazprom, Gazpromneft, Lukoil, Rosneft, and Surgutneftegas) on the Entity List (EL). The rule imposed a license requirement for the export, reexport and in-country transfer of all items subject to the EAR when used in projects specified in §746.5 of the EAR.

Q4: Do my items, which are not going to be used in an oil or gas project, require a license under the new sanctions implemented in the August 6 rule, 79 FR 45675, "Russian Oil Industry Sanctions and Addition of Person to the Entity List"?

A4: If the item is not listed in EAR §746.5 by ECCN or in new Supplement No. 2 to Part 746 – "Russian Industry Sector List"

(*Continued On The Following Page)

by Schedule B number, then the sanctions published on August 6 do not impose any additional license requirements or exclusions on the use of EAR license exceptions. However, in making any license determination, the full scope of EAR license requirements needs to be taken into account before making a No License Required (NLR) determination, including just recently implemented license requirements in part 744 of the EAR. See also Q30 and Q31 below, which are specific to the military end-use and military end user restrictions imposed on Russia in BIS's September 17, 2014 final rule (79 FR 55608).

Q5: How did the August 6 rule affect other items on the Commerce Control List (CCL), (i.e., ECCNs not specifically mentioned in §746.5 of the EAR) that are used for oil and gas exploration applications in Russia?

Q5: BIS will apply the licensing policy set forth in §746.5, "Russian Industry Sector Sanctions," to the review of all license applications for controlled items going to Russia. If the commodity, software, or technology on the license application requires a license to Russia, and if the item will be used in an activity described in §746.5(b), the license will be reviewed consistent with licensing policy in §746.5. The licensing policy in §746.5 will also be applied to license applications for items requiring a license for export, reexport or transfer to Russia that are other than those controlled under the eight ECCNs or listed in the fifty three Schedule B numbers and that are destined for any of the four prohibited end-use categories listed above.

Q6: What if the Schedule B number of the item I want to ship to Russia is similar to one included in Supplement No. 2 to part 746 of the EAR?

A6: Items with similar Schedule B numbers are not subject to license requirements in §746.5. However, see A3 for additional license requirements for all items subject to the EAR for the deepwater, Arctic offshore and shale projects by the five (5) Russian energy companies listed on the EL.

Q7: If a part, component, accessory, or attachment for a commodity identified in one of the Schedule B numbers included in Supplement No. 2 to part 746 of the EAR is to be exported, reexported or transferred (in-country) as a stand-alone commodity, is it also considered to be identified in the supplement?

A7: Yes. The Schedule B numbers identified in Supplement No. 2 to part 746 extend to parts, components, accessories and attachments for use in or with the commodities identified in the Schedule B numbers.

Q8: Are valves that are not included in Schedule B subheading 8413 captured by the sector sanctions?

A8: Valves covered by the Schedule B numbers identified in Supplement No. 2 to Part 746 of the EAR are captured by the sector sanctions in §746.5. Any of these valves that will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deepwater (greater than 500 feet) or Arctic offshore locations or shale formations in Russia or that will be used in an unknown end use. Keep in mind that any valve that

(*Continued On The Following Column)

that is listed under a Schedule B number in Supplement No. 2 to part 746 and any valve classified under an ECCN that requires a license to Russia is also subject to the license review policy in §746.5. See also A3 for additional license requirements for all items subject to the EAR for the deepwater, Arctic offshore and shale projects by the five (5) Russian energy companies listed on the EL.

Q9: What areas are considered Russia for purposes of these sanctions?

A9: Russia includes the territory of Russia and any other territory or marine area, including the exclusive economic zone and continental shelf, over which the Government of Russia claims sovereignty, sovereign rights, or jurisdiction, provided that the Government of Russia exercises partial or total *de facto* control over the area or derives a benefit from economic activity in the area pursuant to international arrangements.

Q10: Would an intra-company transfer of any of the items listed by ECCN in §746.5 or by Schedule B number in Supplement No. 2 to part 746 of the EAR be prohibited if the listed item was being moved within Russia as a transfer (in-country), for one of the restricted uses? Many oilfield services companies have inventory positioned at in-country hubs, and will use the items in inventory for providing services in Russia

A10: The controls set forth in §746.5 cover in-country transfers. If the transaction in Russia also involved a transfer (in-country) as defined in §772.1 of the EAR, then the EAR license requirements and restrictions on the use of license exceptions in §746.5(c) would also apply. In addition, as noted above in the introductory text to these FAQs, OFAC has also implemented sanctions specific to energy production activities, including those related to providing services for such activities. Here is a link to the September 12, 2014 OFAC announcement on the imposition of new services control in Russia for such end uses:

<http://www.treasury.gov/ofac/downloads/ssi/ssi.pdf>. Any questions regarding OFAC's sanctions should be directed to OFAC.

Q11: When the August 6 rule refers to shale and uses the terms exploration or production in shale, do the restricted end uses apply only to situations, such as fracking, where the hydrocarbon is located in shale formations, or do they also apply to projects involving penetrating a layer of shale to reach a reservoir located below the shale formation? What about projects that involve unconventional methods of extracting oil from shale (e.g., from shale reservoirs or oil shale processing)?

A11: The license requirements of §746.5 of the EAR apply to the specified items when you know that the item will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deepwater (greater than 500 feet) or Arctic offshore locations or shale formations in Russia, or are

(*Continued On The Following Page)

unable to determine whether the item will be used in such projects. Thus, the license requirement applies to exploration for, or production of, oil or gas from a shale formation. The license requirement does not apply to exploration or production through shale to locate or extract crude oil or gas in reservoirs.

Q12: Where can I find more information about license requirements for EAR99 items not specifically listed on the CCL?

A12: You can begin by reviewing the material in EAR parts 732 and 734, and screening the parties to your transaction using the consolidated screening list at:

http://export.gov/%5C/ecr/eg_main_023148.asp

and also review sanctions specific to Russia, such as those specified in §746.5, which include the Schedule B numbers identified in Supplement No. 2 to part 746.

Q13: Why are Schedule B numbers in the EAR now?

A13: The Schedule B numbers included in the August 6 rule were added to capture items normally classified in the EAR as EAR99, and therefore not included on the CCL.

Q14: May an exporter use HTS codes instead of the Schedule B number to determine if a license is required?

A14: Exporters, reexporters and transferors may not use the HTS code to determine if an item requires a license. Exporters remain free to use either Schedule B or HTS codes in their Automated Export System (AES) filing. Persons submitting license applications for the export or reexport of the items listed by Schedule B number in Supplement No. 2 to part 746 of the EAR need to determine the classification of their item on the Commerce Control List in Supplement No. 1 to part 774 of the EAR prior to submission. The classification of the item is a key variable when reviewing the other license requirements of the EAR and for determining other EAR responsibilities. BIS has a video on how to classify your item here (<http://www.bis.doc.gov/index.php/compliance-a-training/export-administration-regulations-training/online-training-room?id=285>).

Q15: Where on the BIS website is the list of Schedule B numbers categorizing items requiring a license under the Russian sanctions?

A15: The Schedule B numbers affected are in the EAR's new Supplement No. 2 to Part 746: "Russian Industry Sector Sanction List", which can be found here: <http://www.bis.doc.gov/index.php/regulations/export-administration-regulations-ear>. The source for the Schedule B numbers and descriptions in BIS's list comes from the Department of Commerce, Bureau of the Census's Schedule B concordance of exports 2014. Census's Schedule B List 2014 can be found here: <http://www.census.gov/foreign-trade/schedules/b/2014/index.html>.

(*Continued On The Following Column)

Q16: In new ECCN 0A998 is the scope of seismic data, equipment and software limited to deepwater, Arctic and shale exploration projects in Russia?

A16: No, that is not correct. The scope of the ECCN is limited by the control parameters included in the ECCN. The scope of the license requirements for ECCN 0A998 is limited to the license requirements in §746.5 of the EAR, which specifies the license requirements and license review policy that apply to the items identified in that section, including new ECCN 0A998. Note however, that if you propose to export, reexport or transfer (in-country) seismic data, equipment or software to Russia but do not know what type of project the items will be used in, a license is required. Also note that in making a license determination under the EAR, the full scope of the EAR license requirements need to be considered, including those in part 744 that in certain cases impose a license requirement for all items subject to the EAR when the items are for certain prohibited end uses or end users as defined in part 744.

Q17: Is the only software intended to be covered in ECCN 0A998 that which is specified in subparagraph b.1 ("hydraulic fracking design and analysis software and data")?

A17: Yes, software for the design and analysis of hydraulic fracturing is the only software controlled in ECCN 0A998. Note that BIS is making an exception to its general policy of not including software in "A" product group ECCNs and is including this software in ECCN 0A998.

Q18: The oil and gas exploration data controlled in new ECCN 0A998.a does not fall within the EAR's definition of "technology" and is not treated as "software". If a U.S. geologist was analyzing such data in Europe or Russia, would the one-time reporting requirement in §734.4 of the EAR be triggered when the non-U.S. technology is commingled with U.S.-origin technology?

A18: For purposes of the August 6, 2014 rule, oil and gas exploration data is treated as a commodity, not software or technology. Therefore, the scenario described would not trigger the one-time reporting requirement, as specified in §734.4. In addition, the *de minimis* procedures for commodities would apply (see §734.4 and Supplement No. 2 to part 734 for information on the EAR's *de minimis* provisions and the procedures for making *de minimis* calculations). However, regardless of whether the data being processed was subject to the EAR, providing such a service by a U.S. person for such end uses in Russia would in most cases likely be prohibited by OFAC, as a result of the new requirements implemented by OFAC on September 12, 2014 that imposes restrictions on U.S. persons providing such services in Russia. As noted above, questions specific to the OFAC restrictions, should be directed to OFAC.

Q19: Does the August 6 rule impose any new controls on "technology" to Russia?

A19: The license policy set forth in §746.5 of the EAR applies to all items on the CCL, including technology,

(*Continued On The Following Page)

that require a license for export, reexport or transfer (in-country) to Russia. Note that new ECCN 0A998, which was created in the August 6 rule, controls oil and gas exploration data, including seismic analysis data, under the ECCN's subparagraph 0A998.a, and hydraulic fracturing design and analysis data in subparagraph 0A998.b.1

Q20. Why is deepwater defined as 500 feet, when industry generally considers deepwater to be depths of more than 1500 feet?

A20: The U.S. Government is aware that there are different depths for what is considered deep water. The "greater than 500 feet" standard is a bright line standard that is used by the U.S. Department of the Interior, Bureau of Ocean Management for what constitutes deep water, and helped to inform BIS's decision to use "greater than 500 feet" as part of the criteria in §746.5 of the EAR. For reference, the U.S. Department of the Interior's, Bureau of Ocean Management outlines the criteria for what constitutes deep water here

<http://www.boem.gov/Status-of-Gulf-of-Mexico-Plans/>

Q21. The term "high pressure pumps" is not defined in ECCN 0A998.b.3. Does that ECCN control only high pressure pumps for fracking operations or all high pressure pumps used in the restricted end uses in Russia?

A21: The high pressure pumps controlled under ECCN 0A998.b.3 are not limited to fracking operations, but include all those that will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deepwater (greater than 500 feet) or Arctic offshore locations or shale formations in Russia or that will be used in an unknown end use. Keep in mind that any pump that is listed under a Schedule B number in Supplement No. 2 to part 746 and any pump classified under an ECCN that requires a license to Russia is also subject to §746.5.

Q22: Does the August 6 rule prohibit the transshipment of items through Russia to another destination if the items are not items identified in the rule and will not be used in oil and gas activities?

A22: The rule does not apply to or prohibit items to be transshipped through Russia to another destination if those items are not identified in §746.5 and Supplement No. 2 to Part 746 of the EAR and are not intended to be used in the oil and gas activities in Russia before moving to the final foreign destination.

Q23: Can I transship the items identified in §746.5 of the EAR through Russia for use in oil and gas activities in third countries?

A23: The rule does not apply to or prohibit the transshipment through Russia items identified in §746.5 of the EAR if the items are intended for use in oil and gas activities in third countries. Parties to the transaction should be diligent to be aware of any red flags in the transaction that indicate the items may be intended for any prohibitions under §746.5 or intended for other prohibited purposes under the EAR.

(*Continued On The Following Column)

Q24: Are any license exceptions available to ship the items identified in §746.5 of the EAR?

A24: The only license exception available to ship the items identified in §746.5 of the EAR is §740.11(b), the portion of license exception "Government, international organizations, international inspections under the Chemical Weapons Convention, and the International Space Station" (GOV) that authorizes exports, reexports and transfers (in-country) to personnel and agencies of the U.S. government and certain exports by the Department of Defense.

Q25: Do the sector sanction prohibitions apply to items already licensed by BIS for export, reexport or transfer (in-country) to Russia and to items listed in §746.5 or by Schedule B number in EAR Supplement No. 2 to Part 746 if they were exported, reexported or transferred (in-country) to Russia prior to the effective date of the rules and are being used in existing oil and gas projects in Russia?

A25: The new sanctions apply to exports, reexports and transfers (in-country) of the items listed in §746.5 or in Supplement No. 2 to part 746 of the EAR that were authorized by BIS prior to the effective date of the sanctions (August 6, 2014) but did not reach the final destination by the effective date, August 6, 2014. License applications that were pending with BIS on August 6 will be reviewed consistent with the licensing policy in §746.5. For items already in Russia, the new sanctions would apply if the items will be transferred (in-country) for use directly or indirectly in exploration for or production of oil or gas in a deepwater (greater than 500 feet), Arctic offshore location or a shale formation project in Russia or if the reexporter or transferor is unable to determine whether the item will be used in the aforementioned projects. The September 17 rule added five persons to the Entity List in Russia and imposed a license requirement for all items subject to the EAR when the item is for an end use specified in §746.5.

Q26: Did the September 17 rule (79 FR 55608) include a savings clause

A26: No. The September 17 rule did not include a savings clause.

Q27: Does de minimis still apply for reexports to Russia when the incorporated items proposed for reexport or export from abroad are subject to license requirements under §746.5 of the EAR ?

A27: The applicability of *de minimis* is not end-user/use based. It is destination based. Therefore, the items that are subject to license requirements under §746.5 of the EAR should not be included as controlled content in calculating the *de minimis* percentage of an item proposed for reexport to Russia.

Q28. Is the de minimis level for non-600 series items for Russia still 25

A28: The August 6 rule did not change the *de minimis* provisions under the EAR.

(*Continued On The Following Page)

Therefore, for foreign made items located outside of the United States that incorporate items that are subject to the EAR, an analysis of the *de minimis* provisions under §734.4 of the EAR and the direct product rule under §736.2(b)(3) should be conducted to determine if that foreign made item is subject to the EAR. If the foreign made item located outside the United States is subject to the EAR, then an analysis should be made by the reexporter or transferor to determine whether the item is subject to a license requirement.

Q29: What license requirements were implemented on Russia in §744.21 of the EAR in the September 17, 2014 rule, "Addition of Persons to the Entity List and Restrictions on Certain Military End Uses and Military End Users" (79 FR 55608)?

A29: The September 17 rule amended §744.21 of the EAR to implement "military end use" and "military end user" license requirements on Russia. These license requirements are in addition to those requirements for Russia in the August 6 rule. The September 17 rule amendments require a license for the export, reexport and transfer (in-country) of the items subject to the EAR that are listed in Supplement No. 2 to part 744 of the EAR if the exporter, reexporter or transferor knows or has been informed by BIS that the item is intended for a "military end use" or "military end user" in Russia. Further, the existing prohibition on exports, reexports or transfers (in-country) of any ECCN 9x515 or "600 series" item, including items described in .y paragraphs of a 9x515 or "600 series" ECCN without a license from BIS, also applies to Russia. Prior to the September 17 rule, .y items in the "600 series" were not subject to license requirements for export or reexport to Russia, but with the addition of Russia to §744.21, exports, reexports and transfers (in-country) of all .y items on the CCL will require a license to Russia because they are presumptively for a military end use.

BIS will review license applications for such items on a case-by-case basis to determine whether the export, reexport, or transfer (in-country) would make a material contribution to the military capabilities of Russia, and would result in advancing the country's military activities contrary to the national security interests of the United States. When it is determined that an export, reexport, or transfer (in-country) would make such a contribution, the license will be denied.

Q30: How did the September 17 rule affect other items on the Commerce Control List (CCL), (i.e., ECCNs not specifically mentioned in Supplement No. 2 to part 744 of the EAR) that are used for military end use applications or by military end users in Russia?

A30: BIS will apply the licensing policy set forth in the applicable licensing policy sections of §742 to the review of all license applications for items controlled under ECCNs not specifically mentioned in Supplement No. 2 to part 744 - generally, items that would contribute to Russia's military capabilities.

FBI Director: Cyber Threats are Moving 'At the Speed of Light'

FBI Director [James Comey](#) said in a press conference Tuesday that cyber threats specifically related to terrorism are threats "that move at the speed of light."

"All of us have connected our entire lives to the Internet ... anybody who will hurt us, that is where they will come," Comey told Boston-area journalists during the question-and-answer segment of a press conference at the Boston FBI office.

Comey also briefly talked about the state of cyber threats specifically as it relates to Boston.

"Boston is a center, not only of lives, but of tremendous amount of innovation of interest to people who'd rather steal ideas than invent them," he said.

Comey's visit to Boston's FBI division was part of a push to visit all 56 field offices of the FBI by the end of the year.

He stressed that combating cyber threats is a high priority for the FBI, and said the bureau will continue to hire "many, many" experts in fields of computer science and intelligence to help combat the threats.

Homegrown violent extremism is a growing concern as the Internet becomes more widespread, he said.

Comey also said that social media has become very important in investigating terrorists.

"It's a place we have to operate actively," he said, because many terrorists and malicious actors have an online presence. Much of Comey's 30-minute interaction with journalists was spent blocking and declining to respond to questions surrounding specifics of the Boston marathon bombings and the Dzhokhar Tsarnaev trial.

Comey did stress that anyone who feels concerned about a malicious actor, either on the Internet or in person, should alert authorities immediately. He said in nearly every criminal case, people had seen red flags and warning signs ahead of time, online or elsewhere.

Comey was sworn in as the seventh director of the FBI in September 2013, and previously served as general counsel and senior vice president at Maryland-based defense contractor Lockheed Martin (NYSE: LMT).

He was also previously general counsel for Connecticut-based investment fund Bridgewater Associates, and formerly deputy attorney general at the Department of Justice.



Remarks of Under Secretary Hirschhorn to the U.S.-India High Technology Cooperation Group

U.S.-India High Technology Cooperation Group
Remarks of Under Secretary of Commerce
Eric L. Hirschhorn

November 20, 2014

Introduction

Foreign Secretary Singh, Ladies and Gentlemen... It's great to be here.

Thank you, Diane for that very kind introduction. I would like to thank our hosts—the Confederation of Indian Industries (CII)—and the Federation of Indian Chambers of Commerce and Industry (FICCI). CII and FICCI have consistently and successfully advocated for increased trade and cooperation between the United States and India.

I would also like to thank Foreign Secretary Singh for the invitation to return to India. Madam Secretary, thank you for your commitment to the U.S.–Indian strategic partnership and for taking the time to be with us today.

Let me also thank members of the U.S. industry delegation who traveled to India for today's discussion, and our HTCG partner in the United States—the U.S.-India Business Council (USIBC).

It is great to see many U.S. companies in the audience. I visited Bangalore earlier this week and was impressed with the breadth and diversity of the U.S. companies there. The broad and growing presence of American companies throughout India is a testament to how far we've come in expanding U.S. –India business ties.

Finally, I would like to thank the many Indian company representatives that are here today. The U.S.-India High Technology Cooperation Group has been a success because of the support and effort you have demonstrated in building trade with the United States.

Expanding U.S.-India Trade Ties

It is a great honor to return to India and work with our friends to strengthen our "indispensable relationship". When I visited India in 2011, we resolved to work together to implement and grow our partnership.

*(*Continued On The Following Column)*

As President Obama said during Prime Minister Modi's recent visit to Washington, "We have so much in common that it is critical for us to continue to deepen and broaden the existing framework of partnership and friendship that already exists."

Working together, we are establishing a normalized business environment in which trade can grow. Now it is time for the two business communities to make expanded cooperation through trade a reality. The government-to-government relationship has and will continue to facilitate expanded trade ties, but it is up to you—Indian and U.S. importers and exporters—to construct the edifice. The success or failure of this endeavor depends above all on commercial relationships.

India and The U.S. form a natural partnership for expanding trade and prosperity based on our shared values. Our two countries have diverse and talented populations, entrepreneurial skills, and deep and growing technological cooperation. These synergies, which are based on deep rooted and common values, offer endless opportunities for increased trade and economic development.

At the same time, we cannot take these endowments for granted. We must continue to ensure that our bureaucracies are facilitators of change rather than impediments to progress. Accordingly, we need to end policies that discourage research and innovation, eliminate tariff and non-tariff barriers to growing trade, and improve the overall climate for doing business.

The Importance of the HTCG

Since its formation in 2002, the U.S.-India High Technology Cooperation Group has been a valuable forum for discussing U.S.-India high technology trade and fostering the confidence necessary to facilitate trade in high technology items. Your focus on the appropriate economic, legal, and structural environment has provided valuable input for successful trade in sensitive technologies. The HTCG's contributions demonstrate how a focus on discrete, attainable goals can help reach our mutual goal of a stronger economic relationship.

In the area of Homeland Security, India and the United States are essential partners in combatting terrorism in such areas as capacity building and training infrastructure protection, global supply chain with emphasis on port and border security, megacity policing, and cooperation in science and technology.

I am pleased to note that this year's HTCG government discussions will include Homeland Security technologies. This addition is an example of how the HTCG can evolve and expand as the U.S.–India partnership continues to develop.

*(*Continued On The Following Page)*

The Biotechnology and Life Sciences Working Group (BSLWG) facilitates business partnerships and shares best practices with respect to regulatory issues in both countries. Drawing upon intergovernmental participation from the United States and India, the Working Group covers cross cutting issues in pharmaceuticals, biotechnology, Health IT, medical devices, healthcare services, and academic and institutional linkages. Our companies seek mutually beneficial opportunities to develop India's healthcare infrastructure, expand the medical devices sector, and spur a climate of innovation in both countries.

Defense and Strategic Trade

Increased defense trade and cooperation is a vital part of advancing our partnership. And defense trade has increased steadily over the last decade. Expanding trade and cooperation provides a "win-win" for U.S. and Indian security interests.

The U.S. Department of Defense-led Defense Trade and Technology Initiative (DTTI) will deepen and streamline defense trade with India. Notwithstanding strong defense sales, we continue to look for ways to improve our bureaucratic processes and identify significant and achievable opportunities for co-production and co-development with Indian companies. Building a foundation based on expanded foreign direct investment in the Indian defense sector, cooperation in science and technology, timely procurement processes, co-production, and co-development will strengthen our security relationship.

We recognize that not every contract has or will go to a U.S. company, but DTTI provides the opportunity to purchase mission-critical and cost-competitive defense technologies via a streamlined bureaucratic process. As you move forward in your discussions later this month with my colleague, Under Secretary of Defense Frank Kendall, I urge you to sustain the momentum by converting good intentions into tangible results.

U.S. Export Controls and High Technology Trade

My organization, the U.S. Department of Commerce's Bureau of Industry and Security, administers the U.S. export control regime for commercial and certain militarily-less sensitive items. U.S. export licenses affect only a small portion of overall trade with India. Fifteen years ago, 24 percent of U.S. exports to India required export licenses. Last year, Commerce licenses were required for only 0.3 percent of U.S. exports to India. Very few license applications for items under Commerce Control are denied. We are in a new world.

*(*Continued On The Following Column)*

In 2011, I spoke with you about our efforts to undertake Export Control Reform in the United States, as well as the status of our actions to implement President Obama and former Prime Minister Singh's November 2010 bilateral understanding on strategic trade. Three and a half years later, the U.S. Government has converted many of our export control reform objectives into concrete regulations. With few exceptions, the U.S. Munitions List is being made into a positive list that controls only those items that provide the United States with a significant military or intelligence advantage. Militarily less sensitive items, such as parts and components, have been transferred from the licensing jurisdiction of the Department of State to that of Commerce. The U.S. Government has revised 15 of the 21 categories of the USML. There has been a 64 percent reduction in the Department of State's license volumes for the 13 categories that have been fully implemented, and two more categories—space and electronics—are taking effect only now.

The transfer of certain aerospace items from the licensing jurisdiction of State to Commerce already has resulted in the timely approval of licenses to India valued at more than \$70 million.

On November 10, the Export Control Reform revisions covering commercial satellites went into effect. The rule provides Indian companies with the opportunity to purchase commercial satellites; remote sensing satellites below certain thresholds; and importantly, because India has its own satellite industry systems, subsystems, parts and components associated with those satellites. These actions will increase the efficiency, timeliness and security of the supply chain for sales of parts and components to Indian companies.

Since 2011, India has taken steps to complete the November 2010 commitments to strengthen its export control system. In 2013, India updated the Missile Technology Control Regime and Nuclear Suppliers Group control list items on its SCOMET. You have continued to implement the 2010 Export Control Cooperation Plan this year and conducted outreach events in support of this.

The U.S. remains committed to supporting India's membership in the four multilateral export control regimes. Completion of these remaining items will bring us closer to the longstanding bilateral commitment to "bring fundamental change to the U.S. export relationship with India."



Conclusion

India and the United States have so much in common. Our partnership in export controls and strategic trade is critical to enhancing this strategic relationship for three reasons. First, it helps fulfill our common national security interests. Second, it demonstrates a willingness to work together on export control issues that affect global nonproliferation and homeland security. Lastly, it addresses our shared economic partnership.

Our strategic relationship is further reinforced by the sharing of common values. Our democracy. Our diversity. Our entrepreneurial spirit. And most importantly, our unshakable commitment to working together to build a better future.

Together we have set the agenda for expanded trade and security cooperation.

I look forward to working with all of you to make this a reality.

Thank you for your time and participation.



“You can’t build a reputation on what you’re going to do.”

~Henry Ford~



The following names were added to the Denied Parties, Federal Register :

Diocenyribarbarbosa-santos 3928
Shiver Road
Fort Worth, TX 76244-8692

Lev Steinverg
119 Mackenzie Street
Brooklyn, New York 11235

Please visit
http://export.gov/ecr/eg_main_023148.asp
for more information.

Updated Statements of Legal Authority for the Export Administration Regulations

79 FR 71013

December 1, 2014 – Today BIS published a technical rule updating the authority citations in the Code of Federal Regulations for parts 730, 734, 736, 742, 744 & 745 to cite a recently issued Presidential notice. This is a purely procedural rule that is needed to keep CFR authority citations up-to-date. It does not alter any right, obligation or prohibition that applies to any person under the EAR. Link to Federal Register notice.

[Click here to view new rule.](#)

NOTE: In accordance with Title 17 U.S.C. Section 107, this material is distributed without profit or payment for non-profit news reporting and educational purposes only.

Reproduction for private use or gain is subject to original copyright restrictions.

