



# **EIB World Trade Headlines**

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## **Remarks by U.S. Trade Representative Michael Froman The Bureau of Industry and Security Update Conference on Export Controls and Policy Washington, D.C. July 24, 2013 \*As Prepared for Delivery\***

“Thank you, Eric. Good morning. It’s a pleasure – and a little strange – to be here at what I understand is called the ‘export control nerd prom.’ Strange, because as the U.S. Trade Representative, I generally speak about trade policy, but today I’m here to talk mostly about national security, the competitiveness of our national security industries and how export control reform is enhancing both.

“Prior to becoming the U.S. Trade Representative, I served as Assistant to the President and Deputy National Security Advisor for International Economics. And in that capacity, I have had the pleasure of working on the most ambitious reform of our export control system in history.

“As many of you know, it started with a proposal by then Secretary of Defense Gates at a Cabinet retreat in the first year of the Obama Administration. He observed that much had changed since the end of the Cold War, but not our export control system. We were spending enormous resources controlling the export of non-sensitive items to even our closest allies and, in doing so, creating obstacles to interoperability in the field.

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“President Obama directed us to fundamentally reform our export control system to strengthen our national and economic security and, with the support of Secretary Gates, Secretary Locke, Secretary Clinton and many others, we set out to fulfill President Obama’s vision.

“Our goal was to create a single control list, a single enforcement coordination entity, a single IT system linking all of the relevant agencies and ultimately, a single licensing agency. I am here to report that we have made major strides in delivering on that vision and that we are well on our way to completing that task.

“We recognized that implementing that vision would be difficult. It would affect tens of thousands of items, require answers to a bewildering number of complex technical questions, and entail difficult national security and foreign policy judgments.

“It would also require tremendous amounts of interagency coordination, a massive regulatory redrafting effort, extensive consultation with industry stakeholders and close coordination with Congress. Many said it couldn’t be done, including a number of people in this room. “And we would not have gotten this far if it were not for the dedication of a remarkable group of public servants. I want to recognize them here. Dozens of people from more than eight agencies have been involved, but I want to recognize in particular Brian Nilsson at the National Security Staff, Eric Hirschhorn and Kevin Wolf at Commerce, Ellen Tauscher, Rose Gottemoeller, Bob Kovac, and Maureen Tucker at State, and Jim Miller, Jim Hursch, Tony Aldwell, Tim Hoffman, Mike Laychak, and Linda Lourie from Defense, as well as a number of other colleagues across the Executive Branch.

“This team basically reformed the export control system in their spare time – on top of managing the existing licensing system.

“And if that wasn’t enough, they’ve worked to keep the process going notwithstanding sequestration-related budget cuts and furloughs. They deserve a great round of appreciation.

“Let’s talk about what’s been done. “

“At the core of the President’s export control reform initiative is a redefinition of the control lists. With your help, we developed a methodology for rebuilding the Munitions List and have deployed it in rebuilding and publishing 15 of the 21 categories. “Eight of the 15 have been published in final form, with another 5 in final clearance now. That leaves us only 6 more proposed categories to go. This work remains our priority for the remainder of this year.”

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“But what does that mean in practice? The first 8 categories that have gone final account for about 35 percent of the State Department’s licenses but those licenses equate to over 80 percent of the value of exports subject to State control—that is, more than \$75 billion of the more than \$90 billion a year shipped under State Department licenses.

“When you also take into account the proposed rules we have published, more than 95 percent of our licenses and 95 percent of the value of exports is covered.

“We expect to see significant results from our revised rules in three ways:

“First, by better focusing our resources on the most significant items that we control, while allowing less significant items – like the 75 percent of our aircraft and gas turbine engine license applications that are for parts and components – to go to our allies without a license but with additional compliance measures. Not a de-control, but a prioritization of our controls.

“This will allow us to focus our enforcement resources on the most sensitive cases or, as former Under Secretary of State Ellen Tauscher is known to say, ‘if you’re looking for a needle in a haystack, the first thing to do is to shrink the haystack.’

“Second, by increasing interoperability with our allies, by making it easier for U.S. companies to support U.S. systems that we sold to our allies. Based on a real example in Afghanistan, we should never again see an ally’s F-16 grounded because of the lack of a key part when two other allies there had the part, but could not transfer it from one to the other because of the need for a license back in Washington. “Third, by strengthening the U.S. industrial base by reducing incentives for foreign manufacturers to avoid or design out U.S. content, particularly parts and components, because of our onerous one-size-fits-all controls.

“Sector after sector will benefit from our more flexible system. Our system will no longer encourage U.S. companies to move their research and development and manufacturing abroad, just to be outside the reach of our controls.

“You all know of cases where our controls drive production out of the U.S., sometimes leading the perverse situation in which our military is required to purchase products from the countries to which the controls were designed to deny exports in the first place. “

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“Those \$90-plus billion in shipments under export licenses support over 500,000 high-paying jobs in the United States. Making it easier to provide after-market support to our allies who buy U.S. systems bolsters our manufacturers throughout the supply chain, ensuring that they can maintain and expand jobs here in America.

“Their survival is critical to maintaining the industrial base to meet our own defense needs and, therefore, is critical to both our economic security and our national security.

“The prioritization of our controls will not only benefit our allies and regime partners. All our trading partners will benefit from our new export control system that is more timely, predictable, and transparent. Our trading partners across the globe, from Brazil to India, will all benefit from the improvements we are making.

“The control lists and licensing are but half of our export control system. Take enforcement.

“As part of this reform initiative, we stood up the Export Enforcement Coordination Center – the ‘E2C2’ – bringing together law enforcement and intelligence capabilities from 8 departments and 15 agencies. When the E2C2 got off the ground, we discovered that 60 percent of new leads were already being worked, meaning that another department or agency either already had an investigation underway or had information to share that would be of help, and that there was significant potential that the uncoordinated actions of one agency might jeopardize the investigation of another.

“The E2C2’s de-confliction program, which coordinates new leads, means we are doing a much better job of using our resources and are building better cases.

“When we started this process, no two licensing agencies were on the same IT system. They didn’t know, let alone coordinate, their licensing decisions. By migrating all of the licensing agencies to a single licensing database, we are enhancing our ability to provide more timely decisions and, importantly, more informed ones. The State Department went “live” on the Defense Department’s USXPORTS system earlier this month and Commerce is moving that direction with the goal of the end of the year, contingent on sequestration-related delays.

Still, there is much work left to be done. “For example, while the revision of the U.S. Munitions List is our current focus, ultimately, we’ll need to do the same sort of top-to-bottom scrub of the dual-use items currently on the Commerce Control List. That will involve a full review of the Export Administration Regulations and require one or more multilateral regimes to agree to the changes before they can be implemented in U.S. law. And this will require substantial additional time and resources.

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“But as much work as we have ahead, I think it’s fair to say we have made major progress and are well on our way toward achieving the ultimate objective of an export control system that meets the needs of the 21st Century.

“We are committed to doing this work in an intensely transparent way. We have published every regulation in proposed form, aggressively sought comments from the public and taken those comments seriously. We have conducted hundreds of congressional briefings, public meetings, and training sessions, organized weekly conference calls to give status reports, and created on-line tools to help you work through the new regulations.

“We are also working on a bi-partisan or non-partisan basis. Our plan has the support of liberal and conservative groups and Democratic and Republican members of Congress. We are grateful to congressional members and staff who have facilitated the transfer of items from the U.S. Munitions List to the Commerce Control List and who have worked closely with us to enact the legislation that restored the President’s discretion to update the controls on the export of satellites and related items.

“Let me assure you that the President and his team are fully committed to ensuring that this reform initiative is successfully completed.

“In the near term, the Administration will see to it that the existing system is changed so that it increases interoperability with our close allies, reduces the incentives to design out or avoid U.S.-origin content, and allows us to focus our resources on transactions, end uses, and end users of the greatest concern.

“Controlling the export of less sensitive items to NATO and other multi-regime member countries differently than the items of most concern to the rest of the world makes sense for our national security and makes sense for our economic security. In fact, it just makes common sense. “While I have the attention of a room full of exporters, let me say a word about trade policy. As President Obama has stated, our goal is to promote growth, create jobs here at home, and strengthen our middle class. To do so, USTR is working to open markets around the world so that we can expand our exports; to level the playing field so that our people can compete and win in the global economy; and to ensure that the rights and trade rules we have fought so hard for are fully implemented and enforced.

“From the Trans-Pacific Partnership, or TPP, to the Transatlantic Trade and Investment Partnership, or T-TIP, President Obama has laid out one of the most ambitious trade agendas in history.

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“If we are successful in completing those agreements, we will open up free trade with 65 percent of the global economy, but we are also working to re-energize the WTO, to negotiate a high-standard Trade in Services Agreement, to strengthen the monitoring and enforcement of existing agreements and to use trade, not just aid, as a major driver of economic development around the world.

“It’s a lot. But we at USTR are committed to getting it right: to negotiate vigorously, to enforce vigorously, to reflect both American interests and American values, so that we ultimately give our workers, farmers and ranchers; our manufacturers and service providers; our innovators, creators, investors and businesses of all sizes the best chance to compete around the world.

“Thank you again for allowing me to join you today. I look forward to working with all of you to bring this reform initiative to a successful conclusion and to position the United States on even stronger footing to assure its economic and national security.”

## Al Qaeda intercepted message led to Middle East embassy terror alert

NEW YORK DAILY NEWS  
Monday, August 5, 2013, 11:19 PM

An intercepted electronic communication between Al Qaeda leaders in Pakistan and Yemen was what prompted the Obama administration to order the temporary closure of 21 diplomatic outposts in the Middle East, U.S. officials said Monday.

The communication between Ayman al-Zawahiri, who succeeded Osama bin Laden at the top of Al Qaeda’s pyramid, and Nasir al-Wuhayshi, the head of Al Qaeda in the Arabian Peninsula, was also the trigger for the U.S. Department of State to issue a worldwide travel warning.

Zawahiri, based in Pakistan, sent the message to Wuhayshi in Yemen.

Read more:

<http://www.nydailynews.com/news/world/terror-note-intercepted-message-qaeda-big-led-alert-article-1.1418415#ixzz2bDvQPekKa>

**US SHUTS DOWN 19 Embassies in Middle East and send US Citizens and State Department personnel home from Yemen via US Airforce Transport.**

## New FBI Director Confirmed by Senate

On the evening of July 29, the U.S. Senate voted to confirm James B. Comey, Jr. as the next FBI Director.

“Jim’s experience, judgment, and strong sense of duty will benefit the Bureau and the country as a whole,” said current Director Robert S. Mueller. “He is excited about the prospect of leading an agency of individuals who are united by a fierce desire to do something good for their country.”

In his early career, Comey worked as an assistant U.S. attorney for the Southern District of New York and later became the managing assistant U.S. attorney in charge of the Richmond Division in the Eastern District of Virginia. In 2002, he returned to the Southern District of New York as the U.S. attorney.

In 2003, Comey became deputy attorney general at the Department of Justice (DOJ). As second in command, he ran the day-to-day operations of the department. In 2005, he left DOJ to become general counsel and senior vice president at Lockheed Martin. Five years later, he joined Bridgewater Associates, a Connecticut-based investment fund, as its general counsel. Last year, he became the senior research scholar and Hertog Fellow on national security law at Columbia Law School.

“I have had the opportunity to work with Jim at the Department of Justice,” said Director Mueller. “He is a man of honesty, dedication, and integrity. These core values make him the right person for this job.”

Comey will periodically visit FBI Headquarters over the next few weeks to ensure a smooth and efficient transition on September 4, Director Mueller’s last day in office.



## Commerce Secretary Penny Pritzker Remarks at 2013 Update Conference On Export Controls and Policy

Thank you, Eric (Hirschhorn). Good afternoon. It's great to be with so many leaders in the export control community. I want to thank everyone at our Bureau of Industry and Security for organizing this conference. I know that this is Bernie Kritzer's last conference as our lead organizer. He's retiring this year. Let's give him a hand.

Also, I know that BIS has many federal partners here today. Thank you all for working with us so closely. And there are many other experts here from the private sector and the international community. It's great to be with all of you.

I'll admit that I feel lucky to be stepping into the role of Secretary at such an exciting moment for export control reform. When I was coming on board, I had a meeting scheduled with Eric. Even though I had worked as an entrepreneur and business leader for 27 years, I didn't have a full appreciation of export controls.

Eric came to that meeting with these two switches. They're almost identical, as you can tell. The one with the shorter button was designed many years ago for a 737 commercial plane. But pilots on military cargo aircraft—the A400M—needed a slightly bigger button because the military planes were colder. The pilots wear gloves. We can export the first switch almost anywhere without a license. But until recently the second switch could have landed you in jail if you tried to export it without a special license from the State Department. I immediately understood the value of a strong and sensible export control system.

As you know, the rules are now changing for the better. We are on the cusp of accomplishing what has been tried over and over again for decades—a thorough review of everything on the export control lists—tens of thousands of items.

I'm a runner, so the analogy here is that we can see the finish line for the centerpiece of the President's Export Control Reform initiative. And now we're sprinting to reach it. So let me say this up front: I am fully aware that the number one reason we've reached this moment is because of you. Give yourselves a hand.

Export control reform will support both our national security and the economic growth we are seeing in the U.S. Clearly, our overall economy has come a long way these past few years. In 2009, we lost an average of about 400,000 jobs a month. The president took tough steps to stop the bleeding. I saw this first-hand and close-up. At that time I was working with other business leaders on his Economic Recovery Advisory Board. Because of the administration's actions—combined with the resilience and ingenuity of our businesses—we're growing. In fact, over the past 40 months, our private sector has added 7.2 million jobs.

We still have a long way to go, but the direction is good. One of the reasons we are growing is because Made in America is stronger than ever. Last year, we set an all-time record for U.S. exports—\$2.2 trillion. Exports made up 13.9 percent of GDP, tying the record we set in 2011. And just a few days ago, I announced that 29 of our top 50 metro areas hit record highs for exports last year.

Even though we continue to face headwinds due to other countries' economic troubles, the data through May of this year shows that we're slightly ahead of last year's pace (\$933.6 billion versus \$916.5 billion). That's good news. We want to build on the fact that exports now support nearly 10 million American jobs—over a million more than in 2009.

To help our exports keep growing, the administration has implemented new trade agreements. They are already bearing fruit. For example, the U.S.-Korea trade deal has boosted auto sales by nearly 50 percent. And U.S. exports to Colombia and Panama—our newest free trade partners—have already jumped about 20 percent compared to the previous year.

We're not letting up. We're pushing forward with the plan that the president outlined in his State of the Union address. We want to meet his goal of concluding the Trans-Pacific Partnership talks this year. And we just wrapped up the first round of talks with the EU for the Transatlantic Trade and Investment Partnership.

All of these trade promotion efforts are separate from export control reform, but it's clear that export control reform will indeed strengthen both our national security and our economic competitiveness.

First and foremost, export control reform is a crucial piece of our national security agenda. We must continue to prevent key products and technologies from falling into the wrong hands. The core mission of our export control system is not being compromised in any way by these new reforms. In fact, these reforms are increasing our security by allowing greater interoperability with our allies.

But I was shocked to learn how much of our export control system was built on concerns, risks, and assumptions that date back to the Cold War. These excessive controls had been forcing us to spend time and energy in areas where we no longer should. It wasn't smart government. In fact, some were saying that, without reforms, our export control system was actually becoming counterproductive to its national security objectives. Since the Cold War, much has changed in our bilateral relationships, in the scope and nature of military threats, in technology, and more. Through these reforms, we're finally adapting to these new realities.

Our approach to protecting U.S. national security rests on two fundamental principles that are reflected in the new reforms. First, rules should be predictable and transparent. As an entrepreneur and business leader for 27 years, I could not agree more with that principle. Second, the licensing process should be streamlined while still maintaining effective compliance safeguards. In other words, let's make it easier on everyone when U.S. businesses want to export less-sensitive items, particularly to our friends and allies.

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Let me be clear. The changes we proposed for less-significant military items do not mean that these items will be “de-controlled.” In fact, all of us in the federal government will continue to aggressively investigate and prosecute illegal exports. But, under these new reforms that we’re rolling out, we can now be smarter about where to focus our resources.

To get the ball rolling, in April, the departments of Commerce and State published amendments to key regulations. These rules implemented the initial reform changes that allow us to transfer certain export controls to the Commerce Department.

To start, they gave my Department control of parts and components for military aircraft and military gas turbine engines that no longer need to be on the State Department’s Munitions List. How many of you were happy about that? That means those two nearly-identical switches I showed you aren’t treated so disparately. It also means that we no longer control the exports of a bolt for a fighter jet in the same way that we’d control selling the entire jet to one of our allies.

Then, on July 8th, we published new rules that streamline the licensing of ships, ground vehicles, materials and equipment to our allies’ defense programs. Any folks here happy about this change? These first two sets of rules were a huge lift, and I want to thank all of you who submitted comments. Importantly, each of these final rules contains grace time, 180 days, for companies to modify their internal compliance systems. Of course, we’re not stopping there. I’m pleased to say that the departments of State and Commerce, working with Defense and other federal partners, plan to publish proposed or final rules this year for all of the remaining categories, including electronics, satellites, and training equipment.

When all these revisions go into effect, we will have a clearer line between the State and Commerce lists so that exporters know who has jurisdiction over their products. Of course, I should note that we will still maintain our comprehensive sanctions against countries like Iran and North Korea.

We are achieving our goal of focusing on technologies that pose the greatest risk, while permitting more exports of items that pose less or no risk. That seems rational. Our businesses, our citizens, and this community deserve this logical and effective approach to export control. In closing, I know that we just met, but I hope you don’t mind that I already have an important “ask” of all of you. I need your help. You see, this year is all about education. As all of these reforms roll out, we will need your help to spread the word. Even in a time of tight budgets, BIS is doing a great job with webinars,

The fact is, each of you here in this room have your own vast network of peers, suppliers, customers, and officials, both here and around the world. Please think about the most valuable communications tools that you use and find ways to use those tools to spread awareness. My team stands ready to help you do that.

I know that we can achieve our vision. We can enhance our national security, strengthen our relationships with our allies, reduce unnecessary regulatory burdens, expenses and red tape for businesses, and, importantly, reduce the incentives for foreign companies to avoid U.S.-made parts.

We want the world to know that simply buying and installing a slightly different switch from an American company isn’t going to turn a commercial plane into a controlled item.

As more people learn about these reforms, I’m confident that life will be a little easier for all of us who work in this space. We are creating a 21st-century export control system that supports both our military and our economy.

My commitment to you is that my team won’t let up until the job is done—and done right. And, ultimately, we will indeed “fulfill the promise,” as the theme of this year’s conference states. Again, thank you in advance for your help as we get the word out.

Let’s continue to work arm-in-arm. Let’s keep America both safe and strong. And let’s cross the finish line together. Thank you.

### **International Nuances**

Gerber had a problem naming its baby products in France because in French "gerber" means "to vomit!"

## Consumer Alert Pirated Software May Contain Malware

08/01/13

You decide to order some software from an unknown online seller. The price is so low you just can't pass it up. What could go wrong?

**Plenty.** Whether you're downloading it or buying a physical disc, the odds are good that the product is pirated and laced with malicious software, or malware.

Today, the [National Intellectual Property Rights Coordination \(IPR\) Center](#)—of which the FBI is a key partner—is warning the American people about the real possibility that illegally copied software, including counterfeit products made to look authentic, could contain malware.

Our collective experience has shown this to be true, both through the complaints we've received and through our investigations. It's also been validated by industry studies, which show that an increasing amount of software installed on computers around the world—including in the U.S.—is pirated and that this software often contains malware.

As in our above scenario, pirated software can be obtained from unknown sellers and even from peer-to-peer networks. The physical discs can be purchased from online auction sites, less-than-reputable websites, and sometimes from street vendors and kiosks. Pirated software can also be found pre-installed on computers overseas, which are ordered by consumers online and then shipped into the United States.

**Who's behind this crime?** Criminals, hackers and hacker groups, and even organized crime rings.

And the risks to unsuspecting consumers? For starters, the inferior and infected software may not work properly. Your operating system may slow down and fail to receive critical security updates.

But the greater danger comes from potential exposure to criminal activity—like identity theft and financial fraud—after malware takes hold of your system.

### Some very real dangers:

- Once installed on a computer, malware can record your keystrokes (capturing sensitive usernames and passwords) and steal your personally identifiable information (including Social Security numbers and birthdates), sending it straight back to criminals and hackers. It can also corrupt the data on your computer and even turn on your webcam and/or microphone.

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- Malware can spread to other computers through removable media like thumb drives and through e-mails you send to your family, friends, and professional contacts. It can be spread through shared connections to a home, business, or even government network. Criminals can also use infected computers to launch attacks against other computers or against websites via denial of service attacks.

**To guard against malware and other threats, [read our tips](#)** on how to protect your computer. If you think you may have purchased pirated software (see sidebar on how to spot it), or if you have information about sellers of pirated software, submit a tip to the [IPR Center](#) or the [Internet Crime Complaint Center](#).

**And know this:** Pirated software is just one of the many threats that the IPR Center and the FBI are combating every year. The theft of U.S. intellectual property—the creative genius of the American people as expressed through everything from proprietary products and trade secrets to movies and music—takes a terrible toll on the nation. It poses significant (and sometimes life-threatening) risks to ordinary consumers, robs businesses of billions of dollars, and takes away jobs and tax revenue.

Learn more by visiting the [IPR Center](#) website and the FBI's [Intellectual Property Theft webpage](#).



## Final Changes to EAR and ITAR Export Reform

**Final Changes** have been made for ITAR categories Vi, VII, VIII, XIX XX and the CCL 600 series as well as the definition of **Specially designed**. Please let us know what you need training on.

**Proposed changes** have been made to **CAT XI Military Electronics**, this will likely become effective **Q1 2014**. Please let us know if you would like training on these proposed changes.

## Export Administration Personnel Receive the Department of the Army's Commander's Award for Public Service

On July 16, 2013, Don Salo, Director, Defense Forensics and Biometric Agency and former Export Enforcement Deputy Assistant Secretary, presented the Army's award to Anthony Christino, Eileen Albanese, Matthew Borman, Susan Kramer, Steven Schrader and Tracy Patts for outstanding service in support of his agency's export licensing procedures and processes which will positively impact the Combatant Commands around the world.

## Is Your Software Pirated?

### Possible signs of what to look for:

- No packaging, invoice, or other documentation...just a disc in an envelope
- Poor quality labeling on the disc, which looks noticeably different than the labeling on legitimate software
- Software is labeled as the full retail version but only contains a limited version
- Visible variations (like lines or differently shaded regions) on the underside of a disc
- Product is not wrapped correctly and is missing features like security tape around the edges of the plastic case
- Typos in software manuals or pages printed upside down
- User is required to go a website for a software activation key (often a ploy to disseminate additional malware)

### Software Buying Tips for Consumers

- When buying a computer, always ask for a genuine, pre-installed operating system, and then check out the software package to make sure it looks authentic.
- Purchase all software from an authorized retailer. If you're not sure which retailers are authorized, visit the company website of the product you're interested in.
- Check out the company's website to become familiar with the packaging of the software you want to buy.
- Be especially careful when downloading software from the Internet, an increasingly popular source of pirated software. Purchase from reputable websites.
- Before buying software off the beaten path, do your homework and research the average price of the product. If a price seems too good to be true, it's probably pirated.