

U.S. Department of Commerce

Bureau of Industry and Security



Fiscal Year 2016

President's Submission

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**Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Budget Estimates, Fiscal Year 2016
President's Submission**

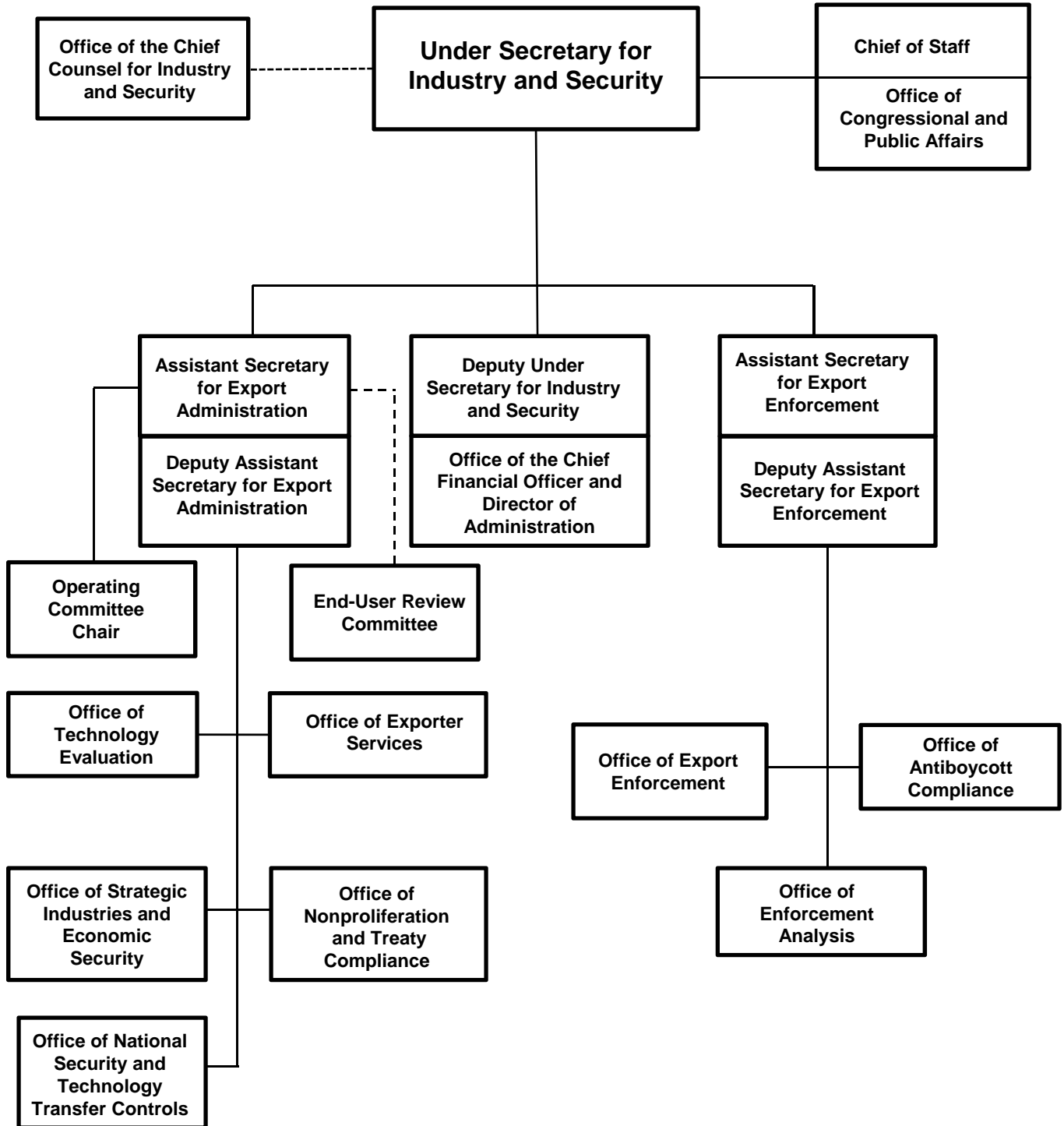
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U.S. DEPARTMENT OF COMMERCE

Bureau of Industry and Security



**Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Budget Estimates, Fiscal Year 2016**

**President's Submission
Executive Summary**

The mission of the Bureau of Industry and Security (BIS) is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and by promoting continued U.S. strategic technology leadership.

The BIS mission is closely aligned with, and supports, the following Department of Commerce Strategic Objective:

Trade and Investment:

- Increase U.S. exports by broadening and deepening the U.S. exporter base¹
 - Implement an effective export control reform program to advance national security and overall economic competitiveness.

Primary BIS Activities:

Maintain and strengthen an adaptable, effective U.S. export control and treaty compliance system: BIS administers and enforces controls on exports and reexports of dual-use items (i.e., those having a commercial and potential military or proliferation application) and various military items to counter proliferation of weapons of mass destruction (WMD), prevent destabilizing accumulations of conventional weapons, combat terrorism, and pursue other national security and foreign policy goals.

Integrate non-U.S. actors to create a more effective global export control and treaty compliance system: The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to improve the participation and compliance of existing members of multilateral export control regimes and cooperates with other countries to help them establish effective export control programs. As part of policy formulation and implementation toward key trading partners and transshipment countries, BIS utilizes an end-use visit program.

Ensure continued U.S. technology leadership in industries that are essential to national security: BIS works to ensure that the U.S. remains competitive in industry sectors and sub-sectors critical to national security. To this end, BIS analyzes the impact of export controls and trade policies on strategic U.S. industries, administers the Federal Government's Defense Priorities and Allocations System, reports on the impact of defense trade offsets, and evaluates the security impact of certain proposed foreign

¹ The President's Export Control Reform Initiative is fundamentally a national security effort intended to achieve greater regulatory efficiency and rationality, and focus controls on the most significant items and destinations – higher fences around the most sensitive items. A key element of the reform is moving tens of thousands of items – mostly parts and components – from the U.S. Munitions List to the more flexible Commerce Control List. The move will enable more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. This will strengthen the U.S. defense industrial base by removing incentives for foreign manufacturers to avoid U.S. parts and components. U.S. exporters of such items, particularly small and medium-sized firms, will be more competitive.

investments in U.S. companies.

Statement of Organization and Objectives:

The three Program, Project, or Activity (PPA) components of BIS contribute to meeting specific Secretarial and Department goals, objectives, and priorities in the context of the BIS mission.

Management and Policy Coordination (MPC): The Office of the Under Secretary and supporting staff offices work to develop, analyze, and coordinate policy initiatives within BIS on an interagency basis. This activity includes resources for BIS's engagement with other agencies to strengthen the capability of foreign countries to control strategic exports and to help stop the diversion of sensitive items.

Export Administration (EA): This activity includes functions performed by the Office of the Assistant Secretary for EA and supporting offices, which carry out BIS programs to meet national security needs related to export control policy and regulations, export licenses, treaty compliance, treaty obligations relating to WMD, and the defense industrial and technology base. EA's primary objectives are to regulate the export of items determined to require export licenses for reasons of national security, nonproliferation, foreign policy, or short supply; ensure that approval or denial of license applications is consistent with U.S. economic and security concerns; promote within the business community an understanding of export control regulations; represent the Department in interagency and international fora relating to export controls, particularly multilateral regimes; monitor and seek to ensure the availability of industrial resources for national defense under the authority of the Defense Production Act; analyze the impact of export controls on strategic industries; and assess the security consequences for the United States of certain foreign investment.

Export Enforcement (EE): This activity includes functions performed by the Office of the Assistant Secretary for EE and supporting offices, including support for programs carried out by Federal law enforcement officers. EE's primary objectives are to detect and prevent the illegal export of controlled goods and technology; investigate and help sanction violators of U.S. export control, anti-terrorist, and public safety laws and regulations; educate the business community to help prevent violations; and administer U.S. laws and regulations restricting participation in foreign boycotts.

In addition to fulfilling its unique national security mission, BIS contributes to the Department's priorities and goals. While BIS utilizes the acquisition services of the National Institute of Standards and Technology (NIST) and has no acquisition workforce of its own, the Bureau is an active participant in the Department's acquisition reform efforts. Also, BIS complies with energy conservation measures as presented in Departmental policies and procedures.

Summary of Budget Request:

For Fiscal Year 2016, BIS is requesting \$115.086 million. This is an increase of \$12.586 million over the Fiscal Year 2015 enacted level. This includes an increase of \$3.775 million for necessary cost of living adjustments, an increase of \$0.465 million to enhance EA's compliance efforts, an increase of \$2.582 million for Export Control Officers Expansion, an increase of \$1.607 million for the Information Triage (ITU) Unit and Export Enforcement Coordination Center, and an increase of \$4.157 million for National Level Enforcement and Analytical Expansion.

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Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Ceiling Level Request
Summary of Resource Requirements
(Dollar amounts in thousands)

Page No.		Positions	FTE	Budget Authority	Direct Obligations
	2015 Enacted Level.....	403	390	\$102,500	\$104,891
	Less: Obligations from prior year.....	0	0	0	-\$2,391
BIS - 8	Plus: 2016 Adjustments to Base.....	0	0	\$3,775	\$3,775
	2016 Base.....	403	390	\$106,275	\$106,275
	Plus: 2016 Program Changes.....	30	24	\$8,811	\$8,811
	2016 Estimate.....	433	414	\$115,086	\$115,086

<u>Comparison by Program:</u>		2014 Actual		2015 Enacted		2016 Base		2016 Estimate		Increase/Decrease		
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	
BIS - 12	Management and Policy Coordination..	Pos./BA	15	\$5,790	15	\$5,850	15	\$6,071	15	\$6,071	0	\$0
		FTE/Obl.	10	\$5,934	11	\$6,237	11	\$6,071	11	\$6,071	0	\$0
BIS - 14	Export Administration.....	Pos./BA	217	\$56,092	217	\$56,672	217	\$58,812	219	\$59,277	2	\$465
		FTE/Obl.	185	\$57,052	212	\$58,072	212	\$58,812	214	\$59,277	2	\$465
BIS - 24	Export Enforcement.....	Pos./BA	171	\$39,568	171	\$39,978	171	\$41,392	199	\$49,738	28	\$8,346
		FTE/Obl.	169	\$39,472	167	\$40,582	167	\$41,392	189	\$49,738	22	\$8,346
	Direct Obligations.....	Pos./BA	403	\$101,450	403	\$102,500	403	\$106,275	433	\$115,086	30	\$8,811
		FTE/Obl.	364	\$102,458	390	\$104,891	390	\$106,275	414	\$115,086	24	\$8,811

Adjustments to Obligations

Recoveries.....	-\$309	
Unobligated balance, start of year.....	-\$3,090	-\$2,391
Unobligated balance, rescission.....		
Unobligated balance, end of year.....	\$2,391	
Unobligated balance expiring.....		

Financing from transfers:

Transferred from other accounts (-)....	
Transferred to other accounts (+).....	

Unobligated balance, rescission:

Appropriation.....	\$101,450	\$102,500	\$106,275	\$115,086	\$8,811
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Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Summary of Reimbursable Obligations
 (Dollar amounts in thousands)

<u>Comparison by Program:</u>	2014		2015		2016		2016		Increase/		
	Actual		Enacted		Base		Estimate		Decrease		
	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	
Management and Policy Coordination.....	Pos./BA	0	\$571	0	\$109	0	\$109	0	\$109	0	\$0
	FTE/Obl.	0	\$109	0	\$109	0	\$109	0	\$109	0	\$0
Export Administration.....	Pos./BA	3	\$1,800	2	\$2,022	2	\$2,022	2	\$2,022	0	\$0
	FTE/Obl.	1	\$3,225	2	\$2,022	2	\$2,022	2	\$2,022	0	\$0
Export Enforcement.....	Pos./BA	0	\$529	0	\$769	0	\$769	0	\$769	0	\$0
	FTE/Obl.	0	\$769	0	\$769	0	\$769	0	\$769	0	\$0
Reimbursable Obligations.....	Pos./BA	3	\$2,900	2	\$2,900	2	\$2,900	2	\$2,900	0	\$0
	FTE/Obl.	1	\$4,103	2	\$2,900	2	\$2,900	2	\$2,900	0	\$0

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Summary of Financing
(Dollar amounts in thousands)

	2014 Actual	2015 Enacted	2016 Base	2016 Estimate	Increase/ Decrease
Total Obligations	\$104,324	\$110,831	\$109,175	\$117,986	\$8,811
Financing:					
Offsetting collections from:.....					
Federal funds.....	-\$645	-\$1,508	-\$1,508	-\$1,508	0
Non-Federal sources.....	-\$1,915	-\$1,392	-\$1,392	-\$1,392	0
Recovery of prior year obligations.....	-\$309	0	0	0	0
Unobligated balance, start of year.....	-\$5,436	-\$5,431	0	0	0
Unobligated balance, transferred.....	0	0	0	0	0
Unobligated balance, end of year*.....	\$5,431	0	0	0	0
Unobligated balance expiring.....	0	0	0	0	0
Budget Authority	\$101,450	\$102,500	\$106,275	\$115,086	\$8,811
Financing:					
Transfers from other accounts.....	0	0	0	0	0
Transfers to other accounts.....	0	0	0	0	0
Appropriation	\$101,450	\$102,500	\$106,275	\$115,086	\$8,811

*BIS's unobligated balance at the close of FY 2014 was \$5.431 million. Of this total, \$0.708 million is in direct appropriation funds; \$1.683 million is associated with the Congressionally approved reprogramming of funds from NIST to support BIS's transition to USXports; \$0.723 million is associated with reimbursable accounts; and the remaining \$2.317 million is associated with the Seminar Trust Fund.

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Justification of Adjustments to Base
(Dollar amounts in thousands)

<u>Changes:</u>	<u>FTE</u>	<u>Amount</u>
Pay Raises	0	703
Full-year cost of 2015 pay increase and related costs:		
A pay raise of 1.0% will be effective January 1, 2015		
Total cost in 2016 of 2015 pay raise at 1.0%		577,333
Less amount funded in 2015		<u>-433,000</u>
Amount requested in 2016 to provide full-year cost of 2015 pay increase		144,333
2016 pay increase and related costs:		
A general pay raise of 1.3% is assumed to be effective January 1, 2016.		
Total cost in 2016 for pay raise		<u>559,000</u>
Total, Adjustment for 2016 pay raise		559,000
Civil Service Retirement System (CSRS)		
The estimated percentage of payroll for regular employees covered by CSRS will decrease from 14.90% in 2015 to 12.30% in 2016 and remain at 0.00% for law enforcement employees. Contribution rates are expected to remain at 7.0% for regular employees, and 7.5% for law enforcement employees.		
	<u>0</u>	<u>-54</u>
Regular Employees:		
CSRS Cost in 2016 (\$29,789,893 X .123 X .070)		256,491
CSRS Cost in 2015 (\$29,789,893 X .149 X .070)		<u>-310,709</u>
Subtotal		-54,218
Law Enforcement Employees:		
CSRS Cost in 2016 (\$14,316,000 X .000 X .075)		0
CSRS Cost in 2015 (\$14,316,000 X .000 X .075)		<u>0</u>
Subtotal		0
Total adjustment-to-base		-54,218

	FTE	Amount
Federal Employees' Retirement System (FERS)	0	814

The estimated percentage of payroll for regular employees covered by FERS will increase from 84.10% in 2015 to 87.70% in 2016 and remain the same 100% for law enforcement employees. The estimated percentage of FERS Revised Annuity Employees (RAE) will remain at 87.70% in 2016. Contribution rates are expected to increase from 13.20% to 13.70% for regular employees; 26.30% to 30.10% for law enforcement employees, and 11.10% to 11.90% for RAE employees.

Regular Employees (Non-RAE):

FERS (Non-RAE) cost in 2016 (\$29,321,886 X .877 X .137)	3,522,995
FERS (Non-RAE) cost in 2015 (\$29,321,000 X .841 X .132)	-3,255,081
Subtotal	267,914

Regular Employees (RAE):

FERS - RAE cost in 2016 (\$468,007 X 0.877 X 0.119)	48,843
FERS - RAE cost in 2015 (\$468,007 X 0.877 X 0.111)	-45,559
Subtotal	3,284

Law Enforcement Employees:

FERS cost in 2016 (\$14,316,000 X 1.000 X .301)	4,309,116
FERS cost in 2015 (\$14,316,000 X 1.000 X .263)	-3,765,108
Subtotal	544,008

Total adjustment-to-base **815,206**

Thrift Savings Plan

The cost of BIS's contribution to the Thrift Savings Plan is expected to increase from 84.10% in 2015 to 87.70% in 2016 for regular employees, remain at 100% for law enforcement employees. The contribution rate will remain at 1.00% in 2016.

Regular Employees (Non-RAE):

Cost in 2016 (\$29,321,886 X .877 X .010)	257,153
Cost in 2015 (\$29,321,886 X .841 X .010)	-246,597
Subtotal	10,556

Regular Employees (RAE):

Cost in 2016 (\$468,007 X 0.119 X .010)	557
Cost in 2015 (\$468,007 X 0.111 X .010)	-519
Subtotal	38

Law Enforcement Employees:

Cost in 2016 (\$14,316,000 X 1.000 X .010)	143,160
Cost in 2015 (\$14,316,000 X 1.000 X .010)	-143,160
Subtotal	0

Total adjustment-to-base **10,594**

0 **11**

	<u>FTE</u>	<u>Amount</u>
Federal Insurance Contributions Act (FICA)	<u>0</u>	<u>62</u>
As the percentage of payroll covered by FERS increases, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will increase in 2016. The OASDI tax rate will remain same at 6.2% in 2016.		
Regular Employees (Non-RAE):		
Cost in 2016 (\$29,321,886 X .877 X .942 X .062)		1,501,876
Cost in 2015 (\$29,321,886 X .841 X .940 X .062)		<u>-1,440,225</u>
Subtotal		61,651
Regular Employees (RAE):		
Cost in 2016 (\$468,007 X 0.877 X .942 X .062)		23,971
Cost in 2015 (\$469,000 X 0.877 X .942 X .062)		<u>-23,971</u>
Subtotal		0
Law Enforcement Employees:		
Cost in 2016 (\$11,456,000 X 1.000 X .942 X .062)		669,076
Cost in 2015 (\$11,456,000 X 1.000 X .942 X .062)		<u>-669,076</u>
Subtotal		0
Other Salaries - Regular Employees:		
Cost in 2016 (\$41,000 X .877 X .942 X .062)		2,100
Cost in 2015 (\$41,000 X .841 X .942 X .062)		<u>-2,014</u>
Subtotal		86
Other Salaries - Law Enforcement Employees:		
Cost in 2016 (\$2,860,000 X 1.000 X .942 X .062)		167,035
Cost in 2015 (\$2,860,000 X 1.000 X .942 X .062)		<u>-167,035</u>
Subtotal		0
Total adjustment-to-base		61,737
Health Insurance Premium	<u>0</u>	<u>81</u>
Effective January 2016, this agency's contribution to Federal employees' health insurance premiums increased by 2.89%. Applied against the 2015 enacted amount of \$2,786,792 the additional amount required is \$80,596.		
Rental Payments to GSA	<u>0</u>	<u>86</u>
GSA rate is projected to be at 1.5% in 2016. This percentage was applied to the 2015 enacted amount of \$5,736,000 to arrive at an increase of \$86,040.		
Postage	<u>0</u>	<u>17</u>
Postage rate is expected to increase at 5.3% in 2016. This percentage was applied to the 2015 enacted amount of \$325,000 to arrive at an increase of \$17,225.		
GPO Printing	<u>0</u>	<u>4</u>
GPO has provided an estimated rate of 1.6% in 2016. This percentage was applied to the 2015 enacted amount of \$270,000 to arrive at an increase of \$4,320.		
Mileage	<u>0</u>	<u>-3</u>
Changes to the Federal Travel Regulations decreased the reimbursement rate for the use of a privately-owned automobile from 57 cents to 56 cents per mile. The percentage -1.75% was applied to 2015 enacted amount of \$169,000 to arrive at decrease of \$2,958.		

	<u>FTE</u>	<u>Amount</u>
Per Diem	<u>0</u>	<u>51</u>
Per Diem rate is expected to increase at 4.9% in 2016. This percentage was applied to the 2015 enacted amount \$1,047,000 to arrive at an increase of \$51,000.		
Working Capital Fund	<u>0</u>	<u>938</u>
The amount of \$938,000 to fund inflationary costs within the Departmental Working Capital Fund.		
Compensable Day	<u>0</u>	<u>1</u>
In FY 2016, there are 262 compensable days, an increase of one day from 261 days in FY 2015.		
Employee Compensation Fund	<u>0</u>	<u>7</u>
The Employees' Compensation Fund bill for the year ending June 30, 2014 was \$6,819.		
National Archives and Records Administration (NARA)	<u>0</u>	<u>-4</u>
The estimated cost for NARA storage has decreased for FY 2016 by \$4,283.		
Herbert C. Hoover Electricity	<u>0</u>	<u>-10</u>
The estimated cost for PEPCO electricity is expected to decrease by \$10,000 in FY 2016.		
Herbert C. Hoover Water	<u>0</u>	<u>0</u>
The estimated cost for HCHB water is expected to remain same for FY 2016.		
Herbert C. Hoover Steam	<u>0</u>	<u>0</u>
The estimated cost for HCHB steam is expected to remain same for FY 2016.		
Fuel	<u>0</u>	<u>-146</u>
Utilizing economic assumptions for energy prices (gas and oil price index) the percentage decrease of estimated fuel cost in FY 2016 compared to FY 2014 is -21.37%. Applied against the FY 2014 actual cost of \$174,655, the projected FY 2016 cost is \$137,336. The base estimate of \$283,000 in the FY 2015 budget minus the anticipated FY 2016 cost of \$137,336 leaves the total FY 2016 adjustment for fuel at -\$145,664.		
General Pricing Level Adjustments	<u>0</u>	<u>308</u>
This request applies OMB economic assumptions for 2015 to object classes where the prices the Government pays are established through the market system. A 1.6% factor was applied to rental payments to others (\$416); transportation of things (\$3,152); communications, utilities, and miscellaneous charges (excluding postage and FTS) (\$15,376); other services (excluding the Working Capital Fund and CBS) (\$237,344); supplies and materials (\$20,288); and, equipment (\$32,000).		
Adjustment	<u>0</u>	<u>909</u>
Other activities in support of licensing programs.		
Adjustments-to-Base	<u>0</u>	<u>\$3,775</u>
Total - FY 2016 Adjustments-to-Base	<u>0</u>	<u>\$3,775</u>

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Program and Performance: Direct Obligations
 (Dollar amounts in thousands)

<u>Comparison by Program:</u>		2014		2015		2016		2016		Increase/	
		Actual		Enacted		Base		Estimate		Decrease	
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Management and Policy Coordination.....	Pos./BA	15	\$5,790	15	\$5,850	15	\$6,071	15	\$6,071	0	\$0
	FTE/Obl.	10	\$5,934	11	\$6,237	11	\$6,071	11	\$6,071	0	\$0

**Department of Commerce
Bureau of Industry and Security
Operations and Administration
Program Justification**

APPROPRIATION ACCOUNT: Operations and Administration

BUDGET PROGRAM: Management and Policy Coordination

For FY 2016, BIS requests an increase of \$0.221 million and 0 FTE over the FY 2015 enacted level (\$5.850 million and 11 FTE) for a total of \$6.071 million and 11 FTE for Management and Policy Coordination (MPC). This comprises an increase of \$0.221 million in adjustments-to-base.

BASE JUSTIFICATION:

MPC Overview

MPC funds the Office of the Under Secretary for Industry and Security and supporting offices. MPC officials provide leadership, management, and policy guidance in direct support of BIS's priorities, goals, and objectives, and to the Assistant Secretaries in their areas of responsibility.

Ongoing BIS management responsibilities include (1) establishing BIS's overall policy agenda; coordinating agreement on BIS priorities, Bureau goals, unit objectives, and key metrics; and evaluating unit performance for consistency with these priorities, goals, objectives, and metrics; (2) performing overall oversight of program operations and expenditures; (3) executing or directly supervising the execution of selected policy initiatives; and (4) adjudicating appeals of licensing and enforcement decisions.

MPC supports the Secretary of Commerce by (1) providing policy support to the Secretary on matters relating to BIS's responsibilities relevant to Department and Secretarial goals, objectives, and priorities; (2) preparing reports and testimony relating to BIS activities; and (3) representing the Department in ongoing interagency dialogues (e.g., with the Departments of Defense, Energy, Homeland Security, Justice, and State, the National Security Council, the U.S. Trade Representative, and the intelligence community) on issues involving national security and nonproliferation, export controls, and strategic industries.

SIGNIFICANT ADJUSTMENTS-TO-BASE (ATBs):

BIS requests a net increase of \$0.221 million and 0 FTE to fund adjustments-to-base to current programs for MPC activities. The increase will fund the estimated 2016 Federal pay raise of 1.3 percent. The increase will also provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Program and Performance: Direct Obligations
 (Dollar amounts in thousands)

<u>Comparison by Program:</u>		2014		2015		2016		2016		Increase/	
		Actual		Enacted		Base		Estimate		Decrease	
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Export Administration.....	Pos./BA	217	\$56,092	217	\$56,672	217	\$58,812	219	\$59,277	2	\$465
	FTE/Obl.	184	\$57,052	212	\$58,072	212	\$58,812	214	\$59,277	2	\$465

**Department of Commerce
Bureau of Industry and Security
Operations and Administration
Program Justification**

APPROPRIATION ACCOUNT: Operations and Administration**BUDGET PROGRAM: Export Administration**

For FY 2016, BIS requests an increase of \$2.605 million and 2 FTE over the FY 2015 enacted level (\$56.672 million and 212 FTE) for a total of \$59.277 million and 214 FTE for Export Administration (EA). This comprises an increase of \$2.140 million in adjustments-to-base and an increase of \$0.465 million from Program Changes.

BASE JUSTIFICATION:**EA Overview**

EA controls the export, reexport, and transfer of commodities, software, and technology subject to the Export Administration Regulations (EAR) to protect U.S. national security, advance U.S. foreign policy, and support U.S. economic competitiveness. The EAR specifies license requirements and review policies for such transactions. To administer these controls, EA develops and publishes export control regulations and procedures, administers the interagency process established by Executive Order 12981 to review individual export license applications, issues formal commodity classifications and related determinations, and conducts outreach to the export community. Related to administering the EAR, EA develops and implements policies toward key countries such as China and India; develops policies for critical transshipment hubs like Hong Kong, Singapore, and the United Arab Emirates; and participates in the Department of State's Export Control and Related Border Security Program. During the lapse of the Export Administration Act (EAA) (which expired on August 17, 2001), the President authorized continuation of the EAR through the International Emergency Economic Powers Act (IEEPA), Executive Order 13222, as extended most recently by the Notice of August 7, 2014 (79 Fed. Reg. 46959 (August 11, 2014)) and the National Emergencies Act.

EA develops and implements policies to strengthen multilateral cooperation on export controls. These policies enhance U.S. national security by extending controls over sensitive items beyond American borders while helping ensure a level global playing field for American exporters. EA provides technical and policy support for negotiations conducted under the four multilateral export control regimes. In coordination with U.S. government interagency partners, EA also develops and implements policies to strengthen multilateral export controls outside of these regimes (i.e., in compliance with the United States' membership in the United Nations) and the United States' unilateral foreign policy based-export control requirements.

EA also implements portions of the Chemical Weapons Convention Implementation Act of 1998 (CWCIA), the Additional Protocol (AP) to the U.S. Nuclear Safeguards Agreement with the International Atomic Energy Agency (IAEA), and the Defense Production Act (DPA). EA's implementation of the CWCIA and AP facilitate U.S. industry compliance with international arms control treaties. EA's implementation of the DPA includes identifying and analyzing the economic status of critical U.S. industry sectors; ensuring timely and accurate processing of requests under the Defense Priorities and Allocations System; assessing the national defense

industrial base and export control implications of foreign acquisitions of U.S. companies in support of the Committee on Foreign Investment in the United States (CFIUS); and preparing statutorily-required reports, including the annual Offsets in Defense Trade report. These activities support continued U.S. technology leadership and competitiveness in essential industries, (e.g., aerospace and electronics). In addition, EA manages the Bureau's emergency preparedness program.

EA measures exporter compliance with the EAR export filing requirements by reviewing all export transactions subject to a license requirement on an annual basis. To address non-compliant transactions, EA takes various actions, including counseling, outreach, warning letters, enforcement referrals, and electronic validation by the Automated Export System (AES).

EA is also heavily involved in effecting the reform of the U.S. export control system. In August 2009, the President directed a broad-based interagency review of this system, with the goal of strengthening national security and increasing the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats, as well as adapting to the changing economic and technological landscape. This review determined that the current export control system is overly complicated, contains too many redundancies, and, in trying to protect too much, diminishes our ability to focus our efforts on the most critical national security priorities.

As a result, the Administration launched the Export Control Reform (ECR) Initiative, which fundamentally reforms the U.S. export control system. The ECR Initiative is designed to enhance U.S. national security and strengthen the United States' ability to counter threats such as the proliferation of weapons of mass destruction (WMD).

SIGNIFICANT ADJUSTMENTS-TO-BASE (ATBs):

BIS requests a net increase of \$2.140 million and 0 FTE to fund adjustments-to-base to current programs for EA activities. The increase will fund the estimated 2016 Federal pay raise of 1.3 percent. The increase will also provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

SUB-PROGRAMS

EA is organized into five sub-programs.

1. The **National Security and Technology Transfer Controls (NSTTC)** sub-program comprises three divisions: Electronics and Materials, Sensors and Aviation, and Information Technology Control. These divisions are responsible for developing and administering the Commerce Department's multilateral export controls under the Wassenaar Arrangement (the international export control regime for export controls for conventional arms and dual-use goods and technologies), for developing encryption controls, and for administering short supply regulations. Licensing officers in NSTTC are responsible for decisions on export license applications, based on their technical and/or foreign policy analysis of the specific transactions, and are active in the interagency dispute resolution process to reach consensus among the reviewing agencies. NSTTC licensing officers also perform technical and regulatory analysis to assist the exporting community in determining licensing requirements for their products (Commodity Classifications and Advisory Opinions), and to support BIS's Office of Export

Enforcement, Federal Bureau of Investigation, and Department of Homeland Security investigations of potential violations of U.S. export regulations (License Determinations). NSTTC licensing officers are called upon to provide expert testimony in criminal and civil suits relating to export control violations. The office also provides expertise in cases in which the export control jurisdiction over an item (i.e., the Commerce Control List or U.S. Munitions List) is unclear.

- NSTTC engineers and policy analysts participate in the U.S. delegation to the Wassenaar Arrangement. NSTTC Licensing officers play a key role in international technical discussions related to revisions of the control lists and support Wassenaar policy initiatives.
- NSTTC engineers review and analyze transactions involving the military end-use control for a select group of items to China, Russia, and Venezuela.
- NSTTC provides one-on-one counseling for potential exporters.
- NSTTC supports BIS's export seminar outreach and international export control cooperation programs, and assists the Regulatory Policy Division (RPD) of the Office of Exporter Services (OEXS) in the development of new rules and regulations affecting national security controlled items.
- NSTTC implements sanctions on the Russian defense and energy sectors.

In FY 2014, NSTTC processed 9,229 export license applications, 4,031 commodity classification requests, more than 700 commodity jurisdiction requests, and 1,109 License Determinations.

2. The **Office of Nonproliferation and Treaty Compliance (NPTC)** sub-program comprises four divisions: Nuclear and Missile Technology Controls, Chemical and Biological Controls, Foreign Policy Controls, and Treaty Compliance. These divisions are responsible for developing and administering comprehensive U.S. and multilateral export control on certain categories of items controlled by three multilateral export control regimes (the Australia Group, the Missile Technology Control Regime, and the Nuclear Suppliers Group). NPTC also administers embargoes and sanctions on selected categories of items to specific destinations, including state sponsors of terrorism (Cuba, Iran, North Korea, Sudan, and Syria). In addition, NPTC fulfills U.S. compliance with treaty obligations under the Chemical Weapons Convention (CWC) and the AP to the Nuclear Nonproliferation Treaty. As the designated lead agency for private industry implementation of the CWC and the AP, NPTC mandates and collects declarations to submit to the Organization for the Prohibition of Chemical Weapons and International Atomic Energy Agency, and manages inspections of U.S. industry by these international organizations. Additionally, NPTC administers:

- “catch-all” controls for WMD programs – as part of these controls, no U.S. person may transfer without a license any item subject to the EAR, when an exporter or U.S. person knows that the item will be used in the design, development, production, or use of WMD, or is informed that there is an unacceptable risk of diversion to such activities;
- exports of certain items controlled for crime control reasons to promote the observance of human rights throughout the world, to meet U.S. obligations under the Inter-American Convention Against Illicit Manufacturing, Arms Trade Treaty and Trafficking of Firearms (CIFTA, or the “Firearms Convention”) and implementation of Tiananmen Square sanctions prohibiting export of these items to China; and

- export and reexport restrictions under the EAR pursuant to the comprehensive embargo on trade with Cuba consistent with the goals of that embargo and with relevant law, including the Cuban Liberty and Democratic Solidarity Act of 1996 (LIBERTAD). NPTC leads the effort to implement regulatory changes resulting from the Administration's initiative to chart a new course in bilateral relations with Cuba and to further engage and empower the Cuban people.

NPTC also provides one-on-one counseling for potential exporters and issues written advisory opinions, processes license applications, escalates contentious license applications through an interagency process for resolution, provides exporters with commodity classifications under the regulations, and issues license determinations for law enforcement personnel. Office technical experts, including PhD engineers, microbiologists and chemists, contribute to U.S. Government activities in the multilateral export control regimes, including interagency deliberations and preparatory policy work, and travel to participate as experts in regime meetings. The office also makes personnel available for domestic and international outreach to private industry and foreign governments.

In FY 2014, NPTC processed 14,307 export license applications, 1,519 commodity classification requests, more than 100 commodity jurisdiction requests, and 360 License Determinations.

3. The **Office of Exporter Services (OExS)** sub-program comprises three divisions and one division field office:

The Regulatory Policy Division (RPD) is responsible for the regulatory policy administration of the Commerce export control system. RPD develops, negotiates, writes, and publishes new amendments to the EAR, and coordinates the clearance of all regulatory changes within the Bureau, Department, and other export control government agencies. In addition, RPD is responsible for responding to advisory opinion requests, counseling exporters on regulatory matters, participating in regulatory seminars, and representing BIS in various export control forums, including the multilateral regimes. RPD is also responsible for drafting the rules that implement President Obama's ECR Initiative.

The Office of Outreach and Educational Services Division (OESD) and the Western Regional Field Office (WRO) (located in Irvine, CA with a satellite office in San Jose, CA) promote knowledgeable voluntary compliance with Commerce export controls by educating the business community about its obligations under the EAR. The office accomplishes this through one-on-one regulatory counseling and the development and implementation of online training programs, Webinar programs, annual export control conferences, licensing officer training, and U.S. Government export control training. OESD and WRO represent BIS on export control issues at regional seminars, trade shows, and Trade Promotion Coordination Committee's Export Pavilion, and publish information material on the BIS Website and AES Newsletter.

The Export Management and Compliance Division (EMCD) is responsible for ensuring compliance with EAR provisions. It accomplishes this by reviewing company compliance manuals, providing compliance support for export programs that include a compliance program requirement for participation, conducting compliance seminars, responding to 764.5(f) authorization requests (enforcement portion of the regulations), reviewing reports required by license conditions to ensure compliance, processing

export license transfer requests, and supporting licensing offices on various actions related to the processing of classification and license application requests. EMCD also implements a program to verify compliance with the safeguard provisions of license exceptions, including Strategic Trade Authorization (STA), and conducts site visits to ensure compliance with BIS license exceptions and licenses.

In FY 2014, OExS drafted 39 notices, rules, or other items in the Federal Register; reached more than 16,860 stakeholders through 180 different types of events, including 2,952 people who attended 33 domestic export control seminars; received more than 37,000 phone and email inquiries through its counseling programs; and presented in 12 U.S. cities on how to properly determine licensing requirements and report export control requirements in the AES.

4. The **Office of Technology Evaluation (OTE)** sub-program comprises two divisions: Data Analysis and Defense Industrial Base. OTE has a lead role in assessing the effectiveness of the Commerce export control system by analyzing export and related economic data obtained from the Export Control Automated Support System (ECASS), the AES, and other available sources. OTE's metrics include determining the percentage of electronic export information (EEI) transactions reported in the Automated Export System (AES) in compliance with the EAR, and the percentage of Defense Industrial Based Surveys completed timely with the requirements in Memorandums of Understanding with the contract agency. OTE assists BIS's Office of Enforcement Analysis and Office of Exporter Services in assessing effectiveness from national security and compliance perspectives. In addition, OTE provides impact analysis to the Department, Interagency, and National Security Staff on the effects of implemented foreign policy, such as Russia sanctions, Cuba and India policies, and the implementation of the Export Control Reform. OTE also helps implement the Administration's Executive Order on the International Trade Data System, by supporting government agencies involved in export clearance, based on OTE's experience automating export processes.

OTE conducts primary research and analysis of critical technologies and industrial capabilities of key defense-related sectors. With the help of industry organizations and universities, OTE publishes reports and assessments of findings and recommendations for government policy-makers and industry leaders. The goal is to enable the private sector and government agencies to monitor trends, benchmark industry performance, and raise awareness of diminishing manufacturing capabilities.

OTE provides analysis to inform decisions on U.S. dual-use export controls to cover existing and emerging technologies in a way that maintains the competitiveness and economic viability of those U.S. technology sectors. In addition to conducting effectiveness evaluations and defense industrial base studies to meet this objective, OTE conducts technology and foreign availability assessments that address the adequacy of current controls, the economic status of the relevant industry sector, foreign availability, and foreign country export control practices. Assessment topics can arise from discussions with licensing offices, industry, technical advisory committees, or other sources.

Finally, OTE oversees the operation of the Bureau's Technical Advisory Committees to ensure industry input on the impact of export controls on key sectors of the U.S. industrial base.

5. The **Office of Strategic Industries and Economic Security (OSIES)** sub-program comprises three divisions: Strategic Analysis, Defense Programs, and Munitions Control.

- OSIES supports U.S. national security through its interagency and international activities related to defense trade and industrial base policy.
 - OSIES administers the Defense Priorities and Allocations System utilized by Department of Defense (DOD), Department of Energy (DOE), Department of Homeland Security (DHS), and owners/operators of critical infrastructure to prioritize the performance of contracts to support national defense programs. OSIES is a member of the interagency DPA Committee to promote the more effective use of DPA authorities to support military, energy, homeland security, emergency preparedness, and critical infrastructure programs.
 - OSIES prepares an annual report to Congress on offsets in defense trade and serves on an interagency team that engages foreign governments to reduce the adverse impact of offsets in defense procurements.
 - OSIES co-chairs the interagency National Defense Stockpile Market Impact Committee that advises DOD on the potential economic impact of acquisitions and disposals of stockpiled material. OSIES also provides DOD input on the competitiveness implications of DOD's proposed international cooperative agreements and transfers of excess defense articles. OSIES participates in the interagency review of industry requests for U.S. Government advocacy support in foreign defense competitions, and serves as the U.S. Government authority certifying a U.S. firm's eligibility to compete for North Atlantic Treaty Organization (NATO)-funded procurements.
 - OSIES manages BIS's continuity of operations program and supports NATO civil emergency planning.
- OSIES produces analysis on the export control and industrial base implications associated with foreign acquisitions of U.S. businesses reviewed by the CFIUS to assess risks to national security.
- OSIES administers export controls (licensing and related compliance activity) on military items, parts, components, accessories, and attachments that the President determines no longer warrant control under the State's International Traffic in Arms Regulations (ITAR), as part of President Obama's ECR Initiative. Congressional notification requirements and corresponding amendments to the ITAR and the EAR have begun, and will continue throughout FY 2015.

In FY2014, OSIES processed 7,310 export license applications, 117 commodity classifications, more than 5 commodity jurisdiction requests, and 6 License Determinations.

In addition to the program offices discussed above, EA chairs two interagency committees: the Operating Committee (OC) and the End-User Review Committee (ERC). Both committees have representatives from the Departments of Defense, Energy, and State. The OC is the first stage of the interagency dispute resolution process for license applications. In FY 2014, the OC processed 353 OC cases, up from 312 in FY 2013. The ERC administers two programs: the Validated End-User (VEU) Program, which promotes secure civilian high technology trade with China and India, and the Entity List, a U.S. government proscribed parties list. In FY 2014, the ERC

published one VEU rule modifying an address and adding an eligible destination to existing VEUs in China. The ERC published eleven rules amending the Entity List, adding 155 persons under 183 entries, removing five persons under seven entries in response to appeal requests, and updating four entries.

PROGRAM CHANGES FOR FY 2016:

Program Change, Export Administration (Base Funding: \$58.812 million and 212 FTE): BIS requests an increase of \$0.465 million and 2 FTE for a total request of \$59.277 million and 214 FTE for EA, to continue its support of the Presidential, Secretarial, and Administration priority to implement an effective Export Control Reform (ECR) program to advance national security and overall economic competitiveness. EA would use the additional funding to enhance its overall compliance efforts by adding and incorporating into the review process additional engineering capability and technical expertise. This will allow EA to continue implementation of ECR, including compliance and annual list review, compliance with related Bureau responsibilities, and assistance in its succession planning efforts. Enhanced compliance efforts will also benefit BIS's Export Enforcement (EE) as all findings by the review teams that appear to involve potential violations of the Export Administration Regulations (EAR) will be referred to EE's Office of Enforcement Analysis for further investigative action. In addition, results of compliance reviews will assist EA's outreach program by identifying the educational needs of industry.

The U.S. Export Control System

The U.S. Government's export control and sanctions laws and regulations are administered and supported by various agencies within the Departments of Commerce, State, Defense, Treasury, and Energy. These regulations are structured differently, often overlap in scope, use different definitions of the same terms, and as a result impose unnecessary burdens on exporters and government officials. This structure was set up after World War II and expanded considerably during the Cold War.

The two primary agencies in the system are Commerce's BIS and State Department's Directorate of Defense Trade Controls (DDTC). Prior to ECR implementation in 2013, BIS processed approximately 24,000 license applications a year under the EAR, which are relatively flexible; these rules have various country groups for different types of items and various exceptions to allow for unlicensed exports under certain circumstances. Prior to implementation of ECR, DDTC processed approximately 84,000 license applications a year under the International Traffic in Arms Regulations (ITAR). The ITAR rules are relatively inflexible, in that they impose virtually worldwide licensing obligations on all covered items, regardless of significance, with few exceptions. Moreover, the ITAR impose many collateral burdens and controls on exporters that do not exist in the EAR, such as registration requirements, expanded controls on related services, and controls over insignificant items even when incorporated into a foreign-made end item. The authorizing statute for the ITAR, the Arms Export Control Act, largely prohibits State Department from making the ITAR more flexible and tailored to the types of items being controlled. The authorizing statutes and executive orders for the EAR provide Commerce with much more flexibility to tailor how and what is controlled under the EAR to account for current threats and national security needs.

In November 2014, as a result of ECR, the Department of State reported a 64% decrease in licensing volume. In FY 2014, BIS processed more than 30,000 license applications (a 25% increase compared to prior years). In FY 2015, BIS expects that number to be approximately 40,000. Exporters are benefitting from the more flexible export controls system administered by BIS that facilitates secure trade with allies.

Program Change Personnel Detail

Program: Export Administration

Program Change: Compliance

Title	Grade	Number	Annual Plan	Total Salaries
General Engineer	15	1	123,758	123,758
General Engineer	14	1	105,211	105,211
<hr/>				
Total		2		228,969
Less Lapse	25%	0		-57,242
<hr/>				
Total, full-time permanent		2		171,727
FY 2016 pay raise	1.3%			2,232
<hr/>				
Total, full-time permanent		2		173,959

Personnel Data:	Number
Full-time Equivalent Employment	
Full-time Permanent	2
Other than full-time permanent	0
Total	2
Authorized Positions:	
Full-time Permanent	2
Other than full-time permanent	0
Total	2

Program Change Detail by Object Class

(Dollar amounts in thousands)

Program: Export Administration

Program Change: Compliance

Object Class:		FY 2016 Increase
Personnel Compensation		
11.1	Full-time permanent	174
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	174
12.1	Civilian personnel benefits	63
13	Benefits for former personnel	0
21	Travel and Transportation of persons	48
22	Transportation of things	2
23.1	Rental payments to GSA	60
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	13
24	Printing and Reproduction	1
25	Other Services	56
26	Supplies and Materials/Fuel	8
31	Equipment	40
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	465

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Program and Performance: Direct Obligations
 (Dollar amounts in thousands)

<u>Comparison by Program:</u>		2014		2015		2016		2016		Increase/ Decrease	
		Actual		Enacted		Base		Estimate		Personnel	Amount
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Export Enforcement.....	Pos./BA	171	\$39,568	171	\$39,978	171	\$41,392	199	\$49,738	28	\$8,346
	FTE/Obl.	169	\$39,472	167	\$40,582	167	\$41,392	189	\$49,738	22	\$8,346

**Department of Commerce
Bureau of Industry and Security
Operations and Administration
Program Justification**

APPROPRIATION ACCOUNT: Operations and Administration**BUDGET PROGRAM: Export Enforcement**

For FY 2016, BIS requests an increase of \$9.760 million and 22 FTE over the FY 2015 enacted level (\$39.978 million and 167 FTE) for a total of \$49.738 million and 189 FTE for Export Enforcement (EE). This comprises an increase of \$1.414 million in adjustments-to-base, and an increase of \$8.346 million for EE activities including Export Control Reform (ECR).

BASE JUSTIFICATION:**EE Overview**

EE enforces export controls of the Export Administration Regulations (EAR) for reasons of national security, nonproliferation, anti-terrorism, foreign policy, and short supply. These enforcement actions are taken pursuant to the Export Administration Act (EAA) (which expired on August 17, 2001), but the provisions of which remain in force under the International Emergency Economic Powers Act (IEEPA), Executive Order 13222, as extended most recently by the Notice of August 7, 2014 (79 Fed. Reg. 46959 (August 11, 2014)). EE also enforces U.S. antiboycott laws and regulations by advising U.S. exporters on potential prohibited requests contained in foreign contracts; investigating violations such as the furnishing of boycott-related information or refusal to deal with blacklisted businesses; and pursuing criminal and administrative sanctions for violations.

SIGNIFICANT ADJUSTMENTS-TO-BASE (ATBs):

BIS requests a net increase of \$1.414 million and 0 FTE to fund adjustments-to-base to current programs for EE activities. The increase will fund the estimated 2016 Federal pay raise of 1.3 percent. The increase will also provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

SUB-PROGRAMS:

EE is organized into three sub-programs.

1. The **Office of Export Enforcement (OEE)** sub-program investigates violations, refers cases to the Department of Justice for criminal prosecution, and imposes civil sanctions for violations of the EAR, IEEPA, the Chemical Weapons Convention Implementation Act (CWCIA), the Fastener Quality Act (FQA), and related statutes and regulations. Consistent with the President's national security priorities, OEE prioritizes its enforcement activities on cases relating to the proliferation of Weapons of Mass Destruction (WMD), terrorism, and diversion to military end uses by foreign governments contrary to U.S. national security interests. OEE's primary objectives are to detect and prevent the illegal export of controlled goods and technology; to investigate and sanction

violators of U.S. export control, anti-terrorist, and public safety laws and regulations; and to educate the business community to help prevent violations. OEE investigations can result in the imposition of criminal penalties as well as administrative penalties (civil monetary fines and export denials). OEE Special Agents have traditional police powers, including the authority to make arrests, execute warrants, issue administrative subpoenas, and detain and seize goods. Recent threats to our national security using cyber methods have caused OEE Special Agents to be invited into task force groups like the FBI's National Cyber Investigative Task Force, to help address export violations that accompany large-scale exfiltration of data from U.S. victims.

To help detect and prevent diversions of U.S. goods to countries and end-users of proliferation concern, OEE Special Agents conduct end-use checks, via both pre-license checks and post-shipment verifications, for licensed and unlicensed transactions. The majority of end-use checks are conducted by Special Agents serving as Export Control Officers (ECOs) stationed abroad with DOC's Foreign Commercial Service. Additional end-use checks are conducted through the Sentinel program, generally by two-person teams of domestically-based OEE Special Agents on two-week assignments to visit foreign consignees and end-users of U.S. commodities and technology. The Special Agents conduct end-use checks to determine if the export transactions are in compliance with U.S. export regulations. In addition to conducting on-site end-use visits, the teams train American Embassy/ Consulate officials to conduct end-use checks and educate host government officials as well as local importers about U.S. export control requirements.

Other OEE preventive enforcement measures include seeking temporary denials of export privileges where a violation is imminent, review of Electronic Export Information (EEI), utilization of intelligence research and analysis to better target OEE's nonproliferation and anti-terrorism enforcement efforts, and screening export license applications against the U.S. Department of Homeland Security's Treasury Enforcement Communication System (TECS) and other databases.

OEE's outreach objectives include education programs to train exporters to identify and avoid illegal transactions, reducing U.S. business participation in foreign boycotts through a comprehensive public awareness program that increases private sector understanding of the regulations, improving government-wide export enforcement efforts through increased cooperation with other U.S. Government export control and enforcement agencies, and working cooperatively with foreign governments to help them acquire enforcement capabilities needed for fully effective export control programs.

2. The **Office of Enforcement Analysis (OEA)** sub-program protects national security by monitoring and evaluating export transactions through the analysis of trade data and private, public, and government classified and unclassified information to ensure compliance with the EAR, the Chemical Weapons Convention Regulations (CWCR), and other laws and regulations related to export controls subject to BIS jurisdiction. These efforts facilitate trade and promote U.S. exports while protecting national security by countering the unauthorized use of sensitive items by foreign parties of national security concern. OEA's priorities are to combat the proliferation of nuclear, chemical, or biological WMD and their delivery systems inimical to US interests; to prevent the diversion of EAR-controlled items to unauthorized military end users or end uses, including the destabilizing accumulation of conventional weapons; and to deny terrorist groups and terrorist-supporting countries access to U.S. items for the

development and manufacture of weapons, including improvised explosive devices, or other items used to support or commit terrorist acts.

OEA is the only national security office specifically chartered to conduct intelligence analysis of export transactions to identify and prevent the illicit proliferation and misuse of EAR-controlled items. In pursuit of its mission, OEA analyzes export transactions and related foreign parties, directs and conducts overseas end-use checks to verify the bona fides of foreign parties to export transactions, coordinates enforcement policy and outreach with international partners and industry, identifies illicit procurement networks, produces and disseminates investigative leads relating to potential export violations to OEE Special Agents at domestic field offices, and provides analytical support to ongoing OEE law enforcement investigations. This includes the conduct of comprehensive risk assessments to support determinations relating to the Validated End-User program, which facilitates trade with reliable parties, as well as the administration of the Unverified List and review of, and contributions to, the Entity List, both of which identify to the public unreliable foreign parties subject to progressively stringent trade restrictions. OEA supports a variety of additional BIS-led and interagency preventive and enforcement activities, including educational and law enforcement-related outreach to US persons (individuals and entities) and foreign governments and persons, and the issuance of warning or cautionary letters, which promote improved compliance by providing exporters constructive notice of existing or potential flaws in their export practices. Finally, OEA provides information to, and cooperates with, numerous other U.S. Government agencies to bring to bear all relevant instruments of national power to counter illicit procurement networks and to promote an effective export control regime.

3. The **Office of Antiboycott Compliance (OAC)** sub-program administers the antiboycott provisions of the EAR (15 C.F.R. Part 760). These regulations are designed to discourage, and in certain circumstances, to prohibit U.S. persons from taking certain actions in furtherance or support of any unsanctioned foreign boycott, including the Arab League boycott of Israel. Receipt by U.S. persons of requests to verify compliance with the boycott may be reportable to OAC and compliance may be prohibited by the EAR.

The antiboycott provisions of the EAR apply to all U.S. persons, defined to include individuals and companies located in the U.S. and their foreign affiliates. These persons are subject to the EAR when their activities relate to the sale, purchase, or transfer of goods or services (including information) within the U.S. or between the U.S. and a foreign country. This includes U.S. exports and imports, financing, forwarding and shipping, and certain other transactions that may take place wholly offshore.

OAC accomplishes its mission by assisting the regulated public in complying with the antiboycott regulations, by monitoring the type and origin of requests to comply with unsanctioned foreign boycotts received by U.S. persons, and by investigating and imposing penalties for violations of the antiboycott provisions of the EAR. OAC assists the regulated public to understand the substance and application of the antiboycott regulations through its outreach efforts. These include participation in export control seminars and conferences at which OAC provides information and examples which illustrate to exporters, freight forwarders, bankers, lawyers, and others how to identify an antiboycott issue and how to respond in compliance with the EAR. Additionally,

OAC, through its telephone and e-mail Advice Line, provides guidance to the exporting community with respect to specific antiboycott issues and questions.

The EAR requires U.S. persons to report the receipt of requests to comply with unsanctioned foreign boycotts to BIS. These reports include the boycotting country initiating the request and the language of the request. OAC's Report Processing Unit processes the report forms and maintains a database of these boycott-related requests. OAC's Policy Division monitors and analyzes this database and contributes this data annually to the Congress. Further, the Policy Division works closely with partners at the Department of State's Office of the Near East; DOC's International Trade Administration; the Department of Treasury's Office of General Counsel, which is responsible for administering the antiboycott portion of the Internal Revenue Code; and the U.S. Trade Representative to ensure coordinated government policy regarding antiboycott compliance and to engage with Ministers and other government officials in boycotting countries in an effort to remove boycott language from commercial documents at the source.

PROGRAM CHANGES FOR FY 2016:

Enforcement of Export Control Reforms

In FY 2016, the BIS licensing workload is expecting to almost double from pre-ECR levels – from 24,000 licenses per year in FY 2013 to approximately 55,000. In addition, thousands of exports of military parts and components occur without licenses under BIS's License Exceptions. This wave of new responsibilities and licenses for the Department of Commerce and the increase in enforcement demands was identified shortly after President Obama announced the Export Control Reform Initiative (ECR) in 2009.

Program Change, Export Enforcement (Base Funding: \$41.392 million and 167 FTE):

For FY 2016, BIS requests an increase of \$8.346 million and 22 FTE for a total request of \$49.738 million and 189 FTE for additional resources to directly support the Presidential priority to implement an effective export control reform program to advance national security and overall economic competitiveness. This funding will support essential next steps to ensure that ECR fulfills its promise to keep the most sensitive goods out the most dangerous hands. Failing to fund the enforcement aspect of ECR will leave this Presidential Initiative incomplete and could undermine the current effectiveness of BIS's Export Enforcement efforts.

As described above, Commerce is becoming responsible for a substantial number of additional exports (about 43,000 former State licenses). With the increase in licensing/STA workload, the associated compliance and enforcement load for Commerce is also rising. Our enforcement capabilities must keep up with, and be able to support, the progress the reform effort has already achieved on licensing and outreach to the export community.

Provision has been made for additional resources for the licensing, training, and compliance aspects of the reform initiative but not for enforcement. If BIS is responsible for controlling a substantially greater number of transactions in controlled goods and technology, it needs more enforcement resources. Congress and its investigative arm, the Government Accountability Office (GAO), have taken note of this need and are pressing Commerce and the Administration to act. (See Page BIS - 41 3rd Paragraph)

Program Changes for FY 2016:

Although the licensing, training, and associated compliance and enforcement workload for BIS will more than double, this request does not seek to double the resources dedicated to enforcement. For FY 2016, BIS requests an increase of \$8.346 million and 22 FTE over the FY 2016 Base Request of \$41.392 million and 167 FTE for EE. These new resources will expand current Export Control Officer (ECO) operations, enhance current Intelligence efforts, and expand the Bureau's national enforcement and analytical capabilities. This will ensure enforcement of the ECR Initiative and enhance EE's capability to support our Nation's national security objectives.

Export Control Officer (ECO) Expansion

BIS currently employs seven ECOs, in China (2 ECOs), Hong Kong, India, Russia, Singapore, and the United Arab Emirates (UAE). These ECOs are only able to provide partial worldwide coverage to detect diversions or transshipments of critical items that are used to support activities counter to our national security and foreign policy objectives.

ECOs use their unique enforcement training and investigative skills to conduct targeted high priority end-use checks to uncover diversion schemes and halt the transfer of strategic commodities to WMD proliferating countries or terrorist groups, as well as to critical military and missile development programs in countries that are counter to the national interest of the U.S. The ECOs also work with host government and industry officials to engage in export control and enforcement cooperation to ensure that they understand and comply with U.S. export controls.

BIS evaluated several factors to determine the need for additional ECOs overseas to effectively enforce ECR: controlled U.S. dual-use exports; controlled U.S. munitions exports, many of which have become BIS's responsibility as the result of ECR; foreign trading relationships with Iran; and related national security concerns, including the potential for establishment of front companies in countries that will benefit most from flexible license authorizations.

The factors pinpointed three regions requiring additional ECO assets: (1) Europe, given that six countries – France, Germany, Italy, Spain, Sweden, and the United Kingdom – combined will benefit more from license-free treatment of munitions items than any other group; (2) Turkey, given its proximity to Middle East, Eastern European, and North African countries of concern (e.g., Cyprus, Iran, Syria, Azerbaijan), eligibility for license-free trade, and growing transshipment status; and (3) UAE expansion, given its strategic location near Iran; transshipment volume, which currently overtasks BIS's existing ECO stationed in Abu Dhabi; large Iranian presence; and operational latitude in terms of BIS's ability to conduct end-use checks to support enforcement investigations.

Therefore, BIS proposes to establish ECOs in: (1) Frankfurt, Germany, which serves as a regional hub for other key European destinations; (2) Istanbul, Turkey, which is the major port in Turkey, with regional responsibilities for, inter alia, Malta, Cyprus, Syria, Jordan, Egypt, Lebanon, and Israel; and (3) Dubai, UAE, which is the location of the majority of trade through the UAE, with regional responsibilities for, inter alia, Pakistan, Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen.

The anticipated annual cost for additional ECO personnel to support ECR is \$2.582 million.

Program Change Personnel Detail

Program: Export Enforcement
 Program Change: Expanding ECOs
 Presence

Title	Grade	Number	Annual Plan	Total Salaries
ECOs	13	3	89,033	267,099
OEA Analysts	13	2	89,033	178,066
<hr/>				
Total		5		445,165
Less Lapse	25%	-1		-111,291
<hr/>				
Total, full-time permanent		4		333,874
FY 2016 pay raise	1.3%			4,340
Plus Availability Pay	25%			50,732
<hr/>				
Total, full-time permanent		4		388,946

Personnel Data:	Number
Full-time Equivalent Employment	
Full-time Permanent	4
Other than full-time permanent	0
Total	4
Authorized Positions:	
Full-time Permanent	5
Other than full-time permanent	0
Total	5

Program Change Detail by Object Class

(Dollar amounts in thousands)

Program: Export Enforcement

Program Change: Expanding ECOs Presence

Object Class:		FY 2016 Increase
Personnel Compensation		
11.1	Full-time permanent	389
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	389
12.1	Civilian personnel benefits	140
13	Benefits for former personnel	0
21	Travel and Transportation of persons	20
22	Transportation of things	2
23.1	Rental payments to GSA	60
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	13
24	Printing and Reproduction	1
25	Other Services	1,907
26	Supplies and Materials/Fuel	10
31	Equipment	40
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	2,582

Information Triage Unit and E2C2 Expansion

ECR established an interagency Information Triage Unit (ITU), housed in EE, to assemble and disseminate relevant all-source information, including intelligence, from which to base informed decisions on proposed exports requiring a U.S. Government license. Export Enforcement's OEA is currently funded at \$2 million annually to provide intelligence support to the dual-use process. Based on a tool developed by the interagency group to focus BIS's resources on the most significant items and destinations, its current group of intelligence analysts is able to provide bona fides information reports on 15% of foreign entities identified on license applications, which is considered minimally acceptable to interagency licensing officers. However, the transfer of munitions items to the Commerce Control List and resulting doubling of licenses will significantly degrade the number of intelligence reviews that BIS is able to complete to less than 8% of transaction parties to licenses of interest, creating potential intelligence gaps in license reviews. To address the potential intelligence gap in license review under ECR, BIS requires additional analytical support to perform intelligence reviews of 15% of transaction parties on license applications for sensitive dual-use or munitions items.

In addition, on November 9, 2010, the President signed Executive Order 13558 establishing the Export Enforcement Coordination Center (E2C2). The E2C2 coordinates and de-conflicts criminal, administrative, and related export enforcement activities and thereby protects national security through enhanced export enforcement and intelligence exchange. The order directs various executive departments and agencies to coordinate efforts to detect, prevent, disrupt, investigate, and prosecute violations of U.S. export control laws, and to share intelligence and law enforcement information related to these efforts. The E2C2 also coordinates law enforcement public outreach activities related to export controls. The Department of Commerce is charged with providing a Deputy Director for Programs to the E2C2 who is responsible for licensing agency liaison coordination, outreach coordination, and tracking statistics for U.S. criminal and administrative export control enforcement activities. The Deputy Director for Programs position is currently being filled from an existing Special Agent position, thereby taking a valuable investigative resource from casework and field operations. Additionally, an OEA analyst is dedicated to supporting the E2C2 on a fulltime basis. A fully funded Deputy Director for Programs and two analysts are required to ensure this investment in de-conflicting across federal law enforcement in support of export control reform occurs.

The anticipated annual cost of additional ITU and E2C2 personnel is \$1.307 million, with an additional cost of \$0.300 million to retrofit existing workspaces to meet current security standards.

Program Change Personnel Detail

Program: Export Enforcement

Program Change: Information Triage Unit and E2C2 Expansion

Title	Grade	Number	Annual Plan	Total Salaries
Supervisory Criminal Investigator 1811	15	1	123,758	123,758
ITU Staff	13	6	89,033	534,198
E2C2 Analysts	13	2	89,033	178,066
<hr/>				
Total		9		836,022
Less Lapse	25%	-2		-209,006
<hr/>				
Total, full-time permanent		7		627,017
FY 2016 pay raise	1.3%			8,151
Plus Availability Pay	25%			23,506
<hr/>				
Total, full-time permanent		7		658,674

Personnel Data:	Number
Full-time Equivalent Employment	
Full-time Permanent	7
Other than full-time permanent	0
Total	7
Authorized Positions:	
Full-time Permanent	9
Other than full-time permanent	0
Total	9

Program Change Detail by Object Class

(Dollar amounts in thousands)

Program: Export Enforcement

Program Change: Information Triage Unit and E2C2 Expansion

Object Class:		FY 2016 Increase
	Personnel Compensation	
11.1	Full-time permanent	659
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	659
12.1	Civilian personnel benefits	237
13	Benefits for former personnel	0
21	Travel and Transportation of persons	37
22	Transportation of things	9
23.1	Rental payments to GSA	270
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	58
24	Printing and Reproduction	6
25	Other Services	211
26	Supplies and Materials/Fuel	48
31	Equipment	72
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	1,607

National Level Enforcement and Analytical Expansion

BIS requests an increase of \$4.157 million to support ECR and improve its response in the arena of counter proliferation and export enforcement by adding additional Special Agents and analysts to pursue investigations and operations affecting our national security. This will be critical in light of the doubling in license applications processed by the Department of Commerce under ECR, not to mention the substantially increased use of License Exception STA to export military parts and components. Doing so is necessary to enable BIS to execute its critical mission of ensuring that sensitive U.S. goods and technologies are not misused by proliferators, terrorists, and others working contrary to the national security interests of the U.S.

Effective enforcement requires intensive investigative and analytical capability. BIS Special Agents and analysts responding to new threats and the challenge of enforcing ECR must possess a clear understanding of the objectives of foreign adversaries engaged in export activities contrary to U.S. interests, their requirements, specific technologies they seek, and their potential U.S. sources. They must understand specific domestic industry and academic activities that present export control concerns, as well as the regulatory framework governing export enforcement operations. The expanded presence of investigative and analytical personnel will result in better access to industries and technologies with associated proliferation concerns, which have thus far been difficult to reach due to limited staffing and resources. New analytical positions will also support increased coordination and liaison with the intelligence community in support of counter proliferation, counterterrorism, and other security-related programs and help prevent the proliferation of goods and technology contrary to the national security interests of the U.S.

Currently, four analysts serve all seven OEE Field Offices located throughout the U.S. The addition of three analysts to the existing four analysts will permit the assignment of one analyst in direct support of each Field Office, providing focused analytical support in the development of leads and cases within a Field Office's area of responsibility. These analysts can be task-organized when necessary to focus on short duration, high-priority targets or significant cases. This will provide a higher degree of flexibility and better utilization of these highly skilled analysts, allowing them to develop a more effective targeting effort for each Field Office. The addition of seven Special Agents provides some relief to the Field Offices as the caseload continues to increase throughout the U.S. and as Special Agents carry an ever increasing number of open cases. The addition of these Special Agents will assist in maintaining an appropriate level of deterrence as items are transferred from the State Department's U.S. Munitions List (USML) to the Commerce Control List (CCL). In order to amplify the effects of its limited number of Special Agents (who are experts in export enforcement), OEE works very closely with other Federal law enforcement agencies on many joint investigations. The addition of four Special Agents within the OEE headquarters will permit OEE to focus efforts at the strategic level, working with agents of the FBI, ICE, DOD, and CIA to enhance its effectiveness and more precisely direct its nationwide export enforcement efforts.

Program Change Personnel Detail

Program: Export Enforcement

Program Change: National Level ECR Compliance and Enforcement

Title	Grade	Number	Annual Plan	Total Salaries
Criminal Investigators	13	7	89,033	623,231
Criminal Investigators	14	4	105,211	420,844
Analysts	13	3	89,033	267,099
Total		14		1,311,174
Less Lapse		25%	-4	-327,794
Total, full-time permanent		11		983,380
FY 2016 pay raise		1.3%		12,784
Plus Availability Pay		25%		198,309
Total, full-time permanent		11		1,194,473

Personnel Data:	Number
Full-time Equivalent Employment	
Full-time Permanent	11
Other than full-time permanent	0
Total	11
Authorized Positions:	
Full-time Permanent	14
Other than full-time permanent	0
Total	14

Program Change Detail by Object Class

(Dollars in thousands)

Program: Export Enforcement

Program Change: National Level ECR Compliance and Enforcement

Object Class:		FY 2016 Increase
Personnel Compensation		
11.1	Full-time permanent	1,194
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	1,194
12.1	Civilian personnel benefits	430
13	Benefits for former personnel	0
21	Travel and Transportation of persons	634
22	Transportation of things	14
23.1	Rental payments to GSA	420
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	91
24	Printing and Reproduction	11
25	Other Services	1,147
26	Supplies and Materials/Fuel	100
31	Equipment	116
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	4,157

Export Control Reform and the New Threat

“While there is still more work to be done, taken together, these reforms will focus our resources on the threats that matter most, and help us work more effectively with our allies in the field. They’ll bring transparency and coherence to a field of regulation which has long been lacking both. And by enhancing the competitive of our manufacturing and technology sectors, they’ll help us not just increase exports and create jobs, but strengthen our national security as well.”

- President Obama, Department of Commerce Annual Export Controls Update Conference, August 30, 2010

EE’s approach will ensure the effectiveness of ECR and counter the new threats our country now faces. In August 2009, the President directed a broad-based interagency review of the Government’s export control system, with the goal of strengthening national security and the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats, as well as adapting to the changing economic and technological landscape. This review determined that the current export control system is overly complicated, contains too many redundancies, and, in trying to protect too much, diminishes our ability to focus our efforts on the most critical national security priorities. But even more important, the current antiquated system does not protect our national security and foreign policy objectives because it is unable to respond to new emerging threats that we face today.

As a result, the Administration launched the ECR Initiative, which will fundamentally reform the U.S. export control system. The ECR Initiative is designed to enhance U.S. national security and strengthen the U.S. ability to counter threats such as the proliferation of weapons of mass destruction.

Key Resource Points Associated with the Transfer of Items to Commerce from State

- It is estimated that approximately 43,000 of the license applications that State’s DDTC processes annually will become the responsibility of the Commerce’s Bureau of Industry and Security (BIS), either as BIS licenses (ca. 30,000) or as exports under license exception STA (13,000).
- This means that the licensing, training, associated compliance, and the enforcement work load for Commerce will more than double, although the net burden the U.S. Government export control system imposes on exporters will decrease.
- The transfer in jurisdiction over less significant defense articles to BIS began in October 2013. Our enforcement capabilities must keep up with and be able to support the progress the reform effort has already achieved on the licensing and outreach to the export community.

The New Threat

“...we face multiple threats --- from nations, non-state actors and failed states...”

- President Obama, United States National Security Strategy, 2010

The threats to our Nation have shifted dramatically since the Cold War, significantly increasing the risk of a nuclear attack on American soil. Competition among states endures, but instead of a single expansionist empire, the United States is now threatened by the potential spread of nuclear and other weapons of mass destruction to a diverse set of potentially hostile actors, from loose networks

of violent extremists to states that flout international norms or face internal collapse. Excessive Cold War stockpiles remain, and more nations have acquired nuclear weapons. Black markets trade in nuclear secrets and materials. Terrorists are determined to buy, build, or steal a nuclear weapon. Our Nation's efforts to contain these dangers are centered in a global nonproliferation regime that has frayed as more people and nations break the rules.

Transnational criminal threats and illicit trafficking networks continue to expand dramatically in size, scope, and influence, posing significant national security challenges for the U.S. and its overseas partners. These threats cross borders and continents and undermine the stability of nations, subverting government institutions through corruption and harming citizens worldwide. Transnational criminal organizations have accumulated unprecedented wealth and power through trafficking and other illicit activities, penetrating legitimate financial systems and destabilizing commercial markets. They extend their reach by forming alliances with government officials and some state security services. The crime-terror nexus is a serious concern as terrorists use criminal networks for logistical support and funding. Combating transnational criminal and trafficking networks requires a multidimensional strategy that safeguards citizens, breaks the financial strength of criminal and terrorist networks, disrupts illicit trafficking and procurement networks, and defeats transnational criminal organizations.

In addition to facing enemies on traditional battlefields, the United States must now be prepared for asymmetric threats, such as those that target our reliance on space and cyberspace. A significant and devastating threat comes from improvised explosive devices, or IEDs. These are the weapon of choice of terrorists because they require limited skill to build and provide dramatic results for very little investment of time, money, and effort. The public relations benefit of a surprising spectacular explosion can outweigh attacks using more conventional weapons. With terrorists' easy access to commercial technologies and internet training, combined with the ability to make or obtain explosive materials, IEDs continue to provide the enemy inexpensive, stand-off, precision weapons with near total anonymity. IEDs became the insurgent weapon of choice during the war in Iraq and Afghanistan. IEDs will continue to be a threat throughout the world. They grow in sophistication and frequency as more enemies of peace realize the potential psychological, social, and political impact such a weapon provides.

Successful reforms require a global perspective of sensitive item needs and acquisition strategies of foreign entities that are a threat to U.S. national security. That is why this request includes not only enforcement Special Agents domestically and abroad, but also an expanded analytical intelligence capability.

Export Enforcement's Unique Capabilities to Support ECR and Counter the New Threat

Current Enforcement Capability

BIS's Export Enforcement is an elite law enforcement organization recognized for its key role in support of international trade-related national security and foreign policy investigations. EE - the only law enforcement entity solely focused on enforcing export control matters - has worked closely with U.S. industry for almost 30 years. This relationship with the business community has contributed to the ability of EE officers to focus specifically on export control enforcement activities.

BIS accomplishes its mission through analytical, preventive, and investigative enforcement activities and pursuing criminal and administrative sanctions against export violators. BIS

maintains Special Agents at offices in nine cities across the United States and at key international locations. Supporting these agents and overseas Export Control Officers is a trained team of dedicated enforcement and intelligence analysts that evaluate all-source information and export transactions to generate enforcement leads and assess domestic and foreign entities' compliance with the EAR. BIS Special Agents are sworn Federal law enforcement officers who make arrests, execute search and arrest warrants, serve subpoenas, and detain and seize goods about to be illegally exported. BIS analysts and Special Agents are at the forefront of key national security related investigations involving, among others, threats to U.S. servicemen and women from IEDs, as well as countering the military and nuclear ambitions of certain governments whose objectives are contrary to U.S. national security and foreign policy interests.

EE employs BIS's administrative and criminal authorities to investigate the widest possible array of illegal behavior under the EAR. These investigations result in significant criminal and administrative penalties and deterrence activities (e.g., denial of U.S.-origin items) against U.S. and foreign parties. Among other successes, BIS has shut down extensive Iranian networks involved in WMD- and IED-related procurement activities.

Evolving Casework to Confront the New Threats

Seventy-five percent of EE's top cases involve elaborate procurement networks spread across multiple countries, including the U.S. EE, through its Special Agents and analysts, has investigated and disrupted a number of Iranian and Chinese-based procurement networks supplying U.S. origin components that ended up in IEDs used against U.S. and coalition troops in Iraq and Afghanistan. These cases involve multiple foreign and domestic subjects and require extensive and complex investigative work in the U.S. and abroad. The following examples have been taken from actual cases, with company and/or individual names removed. EE can provide a classified brief if more detail is required.

- **IED Components Used Against U.S. and Coalition Forces.** Five individuals and four of their companies conspired to defraud the U.S. and caused thousands of radio frequency modules to be illegally exported from the U.S. to Iran. At least 16 of these modules were later found in unexploded IEDs in Iraq. Some of the individuals were also charged in a fraud conspiracy involving exports of military antennas to Singapore and Hong Kong.
- **Electronic Components to China.** Two individuals conspired to illegally export defense articles and electronic equipment to China without the required export license. One of the individuals traveled to the U.S. annually using business visas and conspired to illegally export equipment used in electronic warfare, military radar, fire control, military guidance and control equipment, missile systems, and satellite communications to China. The company procured equipment from U.S. suppliers and exported the goods to China through Hong Kong using falsified shipping documents.
- **Aircraft to Iran.** A company from the United Kingdom conspired with an Iranian airline to export or re-export U.S.-origin Boeing 747 aircraft to Iran without the required U.S. Government authorization. Three of the aircraft were flying on routes in and out of Iran using Iranian flight numbers while under the operational control of an Iranian airline. This company allowed the aircraft to continue operation contrary to U.S. export control laws, despite warnings from BIS and the manufacturer. The company also misled officials and concealed information regarding false statements that were made to BIS regarding the ultimate

destination, the end-user, and the role the Iranian airline played in the acquisition and financing of the aircraft via funds from the Iranian Foreign Exchange Reserve Fund.

- **Computer Equipment to Syria.** An individual ordered equipment from an authorized distributor of computer equipment (proxy devices) in the UAE. The end-user information received by a U.S. company was for a government telecommunications entity in Iraq. The individual received the devices and transshipped them through the UAE to Syria. The devices were the subject of recent press reporting related to their potential use by the Syrian government to block pro-democracy websites and identify pro-democracy activists. Several of the devices have been identified by serial numbers as being used by the Syrian Telecommunications Establishment in Damascus.

- **Nuclear Materials to Pakistan.** An owner and operator of a U.S. computer communication company who is a Pakistani national and lawful permanent resident of the U.S. and his conspirators used the company to obtain or attempt to obtain radiation detection devices, resins for coolant water purification, calibration and switching equipment, attenuators and surface refinishing abrasives, mechanical and electrical valves, and cranes and scissor lifts for export to restricted entities in Pakistan. The individual attempted to evade export regulations and licensing requirements by providing false information, using third parties to procure items for him under false pretenses, misrepresenting the company as the purchaser/end-user of the items, and transshipping the items through the UAE. The individual took direction and received commissions from the owner of a trading company located in Karachi, Pakistan, regarding what materials were needed and methods to conceal the transactions. The individual's co-conspirators included individuals in Pakistan, Dubai, UAE, and New York associated with the owner of the Pakistani trading company.

Export Control Reform and External Assessments of Enforceability

The transfer of many munitions items to the Commerce Control List expands BIS's enforcement responsibilities to address efforts by front companies and other nefarious actors to violate U.S. export control rules. In an effort to mitigate such threats, particularly in countries that will be eligible for flexible licensing authorizations or are located in regions of strategic national security importance, the U.S. Government needs on-site assets to validate the receipt of and the bona fides of foreign parties receiving U.S.-origin items. The ECO model has been effective in addressing traditional dual-use threats involving countries of diversion and transshipment concern (i.e., China, Hong Kong, India, Russia, Singapore, and the United Arab Emirates (UAE)). The ECR effort to shift tens of thousands of less sensitive munitions items from the control of the Department of State to BIS, which will more than double BIS's current license-related activities and significantly increase its enforcement needs, requires additional resources in regions that will be impacted significantly.

The Report of the Committee on Armed Services, U.S. House of Representatives, on H.R. 4310 (Report 112-479) concluded it *"is concerned that the U.S. Government has not fully assessed the potential impact of the proposed reforms. The committee notes that the GAO raised concerns regarding the proposed reforms in its April 23, 2012, report entitled 'Export Controls: Agencies Need to Assess Control List Reform's Impact on Compliance Activities' (GAO - 12-613). Among the findings, the GAO report states that U.S. agencies have not fully assessed the potential impact that the proposed reforms might have on compliance activities, to include the identification of resources necessary to support such activities. Additionally, the committee is aware that the Senate Select Committee on Intelligence required a review of the threats to U.S. security by 'technological export' in the committee report (S. Rept. 112-43) accompanying the Intelligence Authorization Act for Fiscal*

Year 2012. The results of that review have not yet been reported to Congress. Furthermore, the committee notes that the President's budget request for the Department of Commerce for fiscal year 2013 did not identify the need for additional compliance officers. The committee believes that the risks and resource implications of the potential reforms to the export control system should be identified and steps should be taken to sufficiently resource affected agencies in order to prevent increased backlog in licensing, degraded enforcement, and increased risk of loss of control of information and technology from the defense industrial base."

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
 Operations and Administration
Summary of Requirements by Object Class
 (Dollar amounts in thousands)

<u>Object Class</u>	<u>2014</u> Actual	<u>2015</u> Enacted	<u>2016</u> Base	<u>2016</u> Estimate	<u>Increase/ Decrease</u>
Personnel compensation:					
11.1 Full-time permanent	\$39,906	\$40,993	\$41,627	\$43,770	\$2,143
11.3 Other than full-time permanent	\$479	\$253	\$257	\$257	\$0
11.5 Other personnel compensation	\$2,868	\$2,858	\$2,923	\$3,196	\$273
11.8 Special personnel services payments	\$0	\$41	\$42	\$42	\$0
11.9 Total personnel compensation	\$43,253	\$44,145	\$44,849	\$47,265	\$2,416
12.0 Civilian personnel benefits	\$14,413	\$14,610	\$15,532	\$16,402	\$870
13.0 Benefits for former personnel	\$20	\$46	\$46	\$46	\$0
21.0 Travel and transportation of persons	\$1,171	\$2,716	\$2,764	\$3,503	\$739
22.0 Transportation of things	\$124	\$197	\$200	\$227	\$27
Rent, communications, and utilities:					
23.1 Rental payments to GSA	\$5,979	\$5,736	\$5,822	\$6,932	\$1,110
23.2 Rental payments to others	\$0	\$26	\$26	\$26	\$0
23.3 Communications, utilities and miscellaneous charges	\$2,049	\$1,963	\$1,995	\$2,171	\$176
24.0 Printing and reproduction	\$23	\$270	\$274	\$294	\$20
Consulting and other services					
25.1 Advisory and assistance services	\$0	\$817	\$817	\$817	\$0
25.2 Other services	\$10,037	\$14,017	\$15,163	\$17,341	\$2,178
25.3 Purchase of goods and services from Government accounts	\$24,297	\$14,406	\$15,330	\$16,032	\$702
26.0 Supplies and materials	\$800	\$1,551	\$1,425	\$1,958	\$533
31.0 Equipment	\$292	\$2,000	\$2,032	\$2,072	\$40
32.0 Lands and structures	\$0	\$0	\$0	\$0	\$0
33.0 Investments and loans	\$0	\$0	\$0	\$0	\$0
41.0 Grants, subsidies and contributions	\$0	\$0	\$0	\$0	\$0
42.0 Insurance claims and indemnities	\$1	\$0	\$0	\$0	\$0
43.0 Interest and dividends	\$0	\$0	\$0	\$0	\$0
50.0 Depreciation	\$0	\$0	\$0	\$0	\$0
99.0 Total Obligations	\$102,458	\$102,500	\$106,275	\$115,086	\$8,811
Less: Absorption	\$0	\$0	\$0	\$0	\$0
Less: Recoveries	-\$309	\$0	\$0	\$0	\$0
Less: Unobligated balance, start of year	-\$3,090	\$0	\$0	\$0	\$0
Plus: Unobligated balance, rescission	\$0	\$0	\$0	\$0	\$0
Plus: Unobligated balance, end of year	\$2,391	\$0	\$0	\$0	\$0
Plus: Unobligated balance, expiring	\$0	\$0	\$0	\$0	\$0
Plus: Unobligated balance, transferred	\$0	\$0	\$0	\$0	\$0
Less: Transferred from other accounts	\$0	\$0	\$0	\$0	\$0
Plus: Transferred to other accounts	\$0	\$0	\$0	\$0	\$0
99.1 Total Budget Authority	\$101,450	\$102,500	\$106,275	\$115,086	\$8,811

**Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Appropriation Language and Code Citations**

1. "For necessary expense for export administration and national security activities of the Department of Commerce"

A. Export Administration

50 U.S.C. app. 2401 et seq.
10 U.S.C. 7430(e)
22 U.S.C. 2778
22 U.S.C. 2799aa-1(b)
22 U.S.C. 6001-6005
22 U.S.C. 7201-7211
22 U.S.C. 8544
22 U.S.C. 8551(c)(2)
30 U.S.C. 185(s), 185(u)
42 U.S.C. 2139a, 6212
43 U.S.C. 1354
15 U.S.C. 1824a
50 U.S.C. 1701 et seq.

50 U.S.C. app. Sections 2401-2420 (Export Administration Act of 1979, as amended) (EAA) provides authority for the regulation of exports of dual-use items for reasons of national security, foreign policy, or short supply. It also authorizes implementation of restrictions on compliance with foreign boycotts and other restrictive trade practices. The EAA expired on August 20, 2001. Executive Order 13222 of August 17, 2001(3 C.F.R., 2001 Comp. p. 783 (2002)), as amended by Executive Order 13637 of March 8, 2013, 78 FR 16129 (March 13, 2013), and as extended by successive Presidential Notices, most recently by the Notice of August 7, 2014 (79 Fed. Reg. 46959 (Aug. 11, 2014))), continues the provisions of the EAA in effect, to the extent permitted by law, under authority of the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) (IEEPA).

10 U.S.C. 7430(e), 30 U.S.C. 185(s) and 185(u), 42 U.S.C. 6212 and 43 U.S.C. 1354 are provisions related to the export of oil and gas.

22 U.S.C. 2778 (note) was amended by Section 1261 of the National Defense Authorization Act for Fiscal Year 2013, which repealed previous legislation that had placed satellites and related items on the United States Munitions List. Section 1261 permits the President to remove these items from the United States Munitions List and place them on the Commerce Control List.

22 U.S.C. 2799aa-1(b) requires the President to impose sanctions, including prohibiting exports of specific goods and technologies, pursuant to the requirements of the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.), on a non-nuclear-weapon state that receives or detonates a nuclear explosive device.

22 U.S.C. 6001-6010 set forth provisions of the Cuban Democracy Act, as amended by the Cuban Liberty and Democratic Solidarity (Libertad) Act, 22 U.S.C. 6021-6091, related to certain exports to Cuba.

22 U.S.C. 7201-7211 (Trade Sanctions Reform and Export Enhancement Act of 2000, as amended) sets forth a licensing regime for the export of agricultural commodities, medicines, and medical devices to designated terrorism-supporting countries.

22 U.S.C. 8544 authorizes the Secretary of Commerce to designate any employee of the Office of Export Enforcement of the Department of Commerce to conduct certain activities specified under the Export Administration Act of 1979, 50 U.S.C. App 2411(a)(3)(B), when the employee is carrying out activities to enforce: (1) the provisions of the Export Administration Act of 1979; (2) a provision of Title III of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 or any other provision of law relating to export controls with respect to which the Secretary of Commerce has enforcement responsibility; or (3) any license, order, or regulation issued under the Export Administration Act of 1979 or any other provision of law relating to export controls with respect to which the Secretary of Commerce has enforcement responsibility.

22 U.S.C. 8551(c)(2) authorizes the appropriation of sums to carry out the Office of Export Enforcement's law enforcement activities under 22 U.S.C 8544.

42 U.S.C. 2139a sets forth the Commerce Department's responsibility for controlling the export of dual-use items of significance for nuclear explosive purposes.

15 U.S.C. 1824a prohibits the export of horses by sea for purposes of slaughter.

50 U.S.C. 1701 et seq. (International Emergency Economic Powers Act, as amended) provides that the President may declare a national emergency to deal with an extraordinary threat to the U.S. national security, foreign policy, or economy. Sanctions statutes, including the Iran Sanctions Act and the Iran-Iraq Arms Non-Proliferation Act, are codified as notes to this section.

B. National Security

10 U.S.C. 2531-2532
19 U.S.C. 1862
22 U.S.C. 6701 et seq.
22 U.S.C. 8101 et seq.
42 U.S.C. 300j
42 U.S.C. 5195
50 U.S.C. 82
50 U.S.C. 98-98h
50 U.S.C. app. 468
50 U.S.C. app. 2061 et seq.

10 U.S.C. 2531-2532 authorizes the Secretary of Commerce to review memoranda of understanding and related agreements pertaining to research, development, or production of defense equipment between the Secretary of Defense and one or more foreign countries.

19 U.S.C. 1862 authorizes investigations of the effects on national security of imports of a particular article, and a report of the results of the investigations to the President with a recommendation for action or inaction.

22 U.S.C. 6701 et seq. (Chemical Weapons Convention Implementation Act of 1998) authorizes the President to implement U.S. obligations under the Chemical Weapons Convention (CWC), including requiring reporting by chemical production, processing, and consumption facilities and inspection of such facilities by the Organization for the Prohibition of Chemical Weapons (OPCW) (functions delegated to the Secretary of Commerce in Executive Order 13128, June 25, 1999).

22 U.S.C. 8101 et seq. (United States Additional Protocol Implementation Act) authorizes the President to carry out U.S. obligations under the "Protocol Additional to the Agreement between the United States of America and the International Atomic Energy Agency (IAEA) for the Application of Safeguards in the United States of America" signed in Vienna, Austria, on June 12, 1998. These obligations include reporting requirements of facilities engaged in nuclear activities and inspections of such facilities by members of the IAEA accompanied by U.S. government representatives (functions delegated to the Secretary of Commerce in Executive Order 13458, February 4, 2008).

42 U.S.C. 300j authorizes the issuance of orders requiring the delivery of chemicals or substances necessary for treatment of water (function delegated to the Secretary of Commerce in Executive Order 11879, September 17, 1975).

42 U.S.C. 5195 provides for the development of national emergency plans and preparedness programs to anticipate and minimize the effects of hazards (natural disasters and accidental or man-caused events) on the civilian population (functions delegated to the Secretary of Commerce in Executive Order 12656, November 18, 1988).

50 U.S.C. 82 provides for U.S. Government procurement of ships and material during war (functions delegated to the Secretary of Commerce in Executive Order 12742, January 8, 1991).

50 U.S.C. 98-98h et seq. (Strategic and Critical Materials Stock Piling Act) authorizes the acquisition and retention of stocks of certain strategic and critical materials.

50 U.S.C. app. 468 provides for U.S. Government procurement of any articles or materials authorized by Congress (responsibility for all articles and materials except food, energy, and civil transportation delegated to the Secretary of Commerce in Executive Order 12742, January 8, 1991).

50 U.S.C. app. 2061 et seq. (Defense Production Act of 1950, as amended) authorizes the Bureau of Industry and Security (BIS) to set priorities for performance of defense and energy-related contracts and to allocate materials and supplies that are essential for national defense purposes and for maximization of domestic energy supplies, including the following:

- 50 U.S.C. app. 2071 provides for U.S. Government priority rating of contracts and orders necessary to promote the national defense (functions partially delegated to the Secretary of Commerce in Executive Order 12919, June 3, 1994).

- 50 U.S.C. app. 2172 authorizes the Secretary of Commerce to produce the Annual Report on Offsets (functions partially delegated to the Secretary of Commerce in Executive Order 12919, June 3, 1994).
- 50 U.S.C. app. 2154 authorizes the President to prescribe such regulations and issue orders appropriate to carry out the Defense Priorities and Allocations System (functions partially delegated to the Secretary of Commerce in Executive Order 12919, June 3, 1994).
- 50 U.S.C. app. 2155 authorizes the conduct of investigations and production of records and other documents. The Department of Commerce is also authorized to conduct studies and assessments of the health and competitiveness of the U.S defense industrial base (functions partially delegated to Secretary of Commerce in Executive Order 12656, November 18, 1988).
- 50 U.S.C. app. 2170 provides for an interagency committee to determine the effects on national security of mergers, acquisitions, and takeovers that would result in foreign control of persons engaged in interstate commerce in the United States. (The Department of Commerce (via BIS and the International Trade Administration (ITA)) participates as a member of the Committee on Foreign Investment in the United States).

c. Other

15 U.S.C. 1501 et seq.

15 U.S.C. 1501 et seq. provides the basic authority for performance of those functions and activities of BIS which foster, promote, and develop foreign and domestic commerce.

2. including costs associated with the performance of export administration field activities both domestically and abroad;

15 U.S.C. 1531
22 U.S.C. 3922

15 U.S.C. 1531 authorizes the Secretary of Commerce to establish a Buying Power Maintenance account for BIS. This fund is to be used to maintain overseas program activity at the appropriated program levels.

22 U.S.C. 3922 provides that the Secretary of Commerce may utilize the Foreign Service personnel system with respect to personnel performing international trade functions transferred to the Department of Commerce by Reorganization Plan No. 3 of 1979 (5 U.S.C. 903 note) and with respect to other personnel of the Department of Commerce to the extent the President determines to be necessary in order to enable the Department of Commerce to carry out functions which require service abroad.

3. full medical coverage for dependent members of immediate families of employees stationed overseas;

No Specific Authority

This language permits BIS to extend to certain of its overseas employees the same benefits afforded domestically employed Federal employees and employees of ITA's Foreign Commercial Service in equivalent positions overseas.

4. employment of Americans and aliens by contract for services abroad;

No Specific Authority

Federal agencies must have specific legislative authority to procure personal services by contract. See 44 Comp. Gen. 761 (1965); H.R. Rep. No. 188, 89th Cong., 1st Sess. 5-13 (June 1, 1965). This appropriation language gives BIS the flexibility to procure, by contract, services of U.S. citizens or aliens as appropriate. In some cases, it is advantageous to employ aliens who are fluent in the native language of the host country; who are familiar with local practices and procedures; or who only need to be employed for a short period of time. In other cases, it is advantageous to employ U.S. citizens in the host country (generally members of an employee's family) who have greater familiarity with American methods and may require less effort to train.

5. payment of tort claims, in the manner authorized in the first paragraph of 28 U.S.C. 2672 when such claims arise in foreign countries;

No Specific Authority

28 U.S.C. 2672 provides for settlement of tort claims for money damages of \$25,000 or less against the U.S. by the head of each Federal agency for loss of property, personal injury, or death caused by a negligent or wrongful act or omission of any employee of the Government while acting within the scope of his employment in circumstances where the United States, if a private person, would be liable under local law. However, 28 U.S.C. 2680(k) exempts the settlement of tort claims that arise abroad from the provisions of 28 U.S.C. 2672. The language requested would exempt BIS from 28 U.S.C. 2680, and would authorize the settlement of tort claims against the United States that arise in connection with its activities abroad.

6. not to exceed \$13,500 for official representation expense abroad;

No Specific Authority

Appropriated funds may not be expended for entertainment except when specifically authorized by law. See, e.g., 43 Comp. Gen. 305 (1963). The foregoing language provides such specific authority for BIS to expend up to \$13,500 for entertainment and similar expenses related to its official activities abroad.

7. awards of compensation to informers under the Export Administration Act of 1979, and authorized by 22 U.S.C. 401(b);

50 U.S.C. app. 2411
22 U.S.C. 401(b)

50 U.S.C. app. 2411 provides BIS with authority to make investigations and obtain such information as may be necessary to enforce the provisions of the Export Administration Act of 1979, as amended.

22 U.S.C. 401(b) provides for awards of compensation to informers providing information concerning illegal exports of war materials or other articles in violation of the law, when funds are specifically provided therefor.

8. purchase of passenger motor vehicles for official use and motor vehicles for law enforcement use with special requirement vehicles eligible for purchase without regard to any price limitation otherwise established by law;

No Specific Authority

31 U.S.C. 1343 prohibits the purchase of passenger motor vehicles unless specifically authorized by appropriation or other law with the exception of those vehicles purchased for the use of the President of the United States, the secretaries to the President, or specified heads of executive departments.

9. ... to remain available until expended,

No Specific Authority

31 U.S.C. 1301(c) provides that "[a]n appropriation in a regular, annual appropriation law may be construed to be permanent or available continuously only if the appropriation....expressly provides that it is available after the fiscal year covered by the law in which it appears." The foregoing statement, "to remain available until expended," constitutes such express language.

10. *Provided*, That the provisions of the first sentence of section 105(f) and all of section 108(c) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455(f) and 2458(c)) shall apply in carrying out these activities: *Provided further*, That payments and contributions collected and accepted for materials or services provided as part of such activities may be retained for use in covering the cost of such activities, and for providing information to the public with respect to the export administration and national security activities of the Department of Commerce and other export control programs of the United States and other governments.

22 U.S.C. 2455(f)
22 U.S.C. 2458(c)

22 U.S.C. 2455(f) provides authority to accept contributions of funds, property, and services from foreign governments, international organizations, private individuals, firms, associations, agencies, and other groups in carrying out activities pursuant to the Mutual Educational and Cultural Exchange Act of 1961.

22 U.S.C. 2458(c) provides authorization for all necessary expenditures involved in the selection, purchase, rental, construction, or other acquisition of exhibits and the necessary supplies therefor.

The above-quoted appropriations language makes clear that the Mutual Educational and Cultural Exchange Act of 1961 (MECEA) applies to the activities of BIS. The language also authorizes BIS to apply contributions received under MECEA toward the cost of activities conducted under MECEA.

**Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Consulting and Related Services**
(dollar amounts in thousands)

	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Enacted</u>	<u>FY 2016</u> <u>Estimate</u>
Consulting and Other Services.....	\$34,334	\$29,240	\$34,190

BIS utilizes consulting services on an as-needed basis to provide expertise unique to specific technical areas for which BIS has limited knowledge or abilities. BIS uses consulting services for a wide range of issues unique to any given year, ranging from computer systems redesign to the establishment of export control expertise to deal with program mandates such as Chemical Weapons, Encryption, Fastener Quality Act, and nonproliferation matters dealing with foreign countries.

**Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Periodicals, Pamphlets, and Audiovisual Products
(dollar amounts in thousands)**

	<u>FY 2014</u> <u>Actual*</u>	<u>FY 2015</u> <u>Enacted</u>	<u>FY 2016</u> <u>Estimate</u>
Periodicals and Publications.....	\$23	\$270	\$294

BIS publications, periodicals, and pamphlets are essential tools through which the Bureau fulfills its mission to administer U.S. statues and agreements dealing with export controls.

The major publications and periodicals produced include the Export Administration Regulations, the BIS Annual Report, and the Annual Foreign Policy Report to Congress. Publications play an essential role in keeping the community and the public informed on particular aspects of export control issues.

Pamphlets are primarily used to educate the business community on the functions performed by the Export Administration program and are distributed through Export Administration’s export seminar program during individual business seminars and giving speeches at public functions, and after answering questions from the business community regarding exports.

* In FY 2014, BIS obligated \$201.2 thousand in printing. Of this total, \$177.8 thousand were obligated from the Seminar Trust Fund and \$23.4 thousand were obligated from direct funds.

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Average Grade and Salaries

	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Enacted</u>	<u>FY 2016</u> <u>Estimate</u>
Average ES Salary.....	\$169,253	\$177,716	\$186,601
Average GS Grade	13.03	12.99	13.01
Average GS Salary	\$106,068	\$106,569	\$108,126

FY 2016 Annual Performance Plan Bureau of Industry and Security

Part 1: Agency and Mission Information

Section 1.1: Overview

The mission of the Bureau of Industry and Security (BIS) is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership.

The BIS headquarters is located in Washington D.C, with ten regional offices in Staten Island, NY; Boston, MA; Fort Lauderdale, FL; San Jose, CA; Herndon, VA; Oakbrook Terrace, IL; Irvine, CA (two offices); Irving, TX; and Houston, TX. BIS has currently seven Export Control Officers (ECOs) that are located in China (two ECOs), Hong Kong, India, Russia, Singapore, and the United Arab Emirates (UAE).

Section 1.2: Mission Statement

The BIS mission is closely aligned with, and supports, the following Department of Commerce Strategic Objective:

Trade and Investment:

- Increase U.S. exports by broadening and deepening the U.S. exporter base¹
 - Implement an effective export control reform program to advance national security and overall economic competitiveness.

Primary BIS Activities:

Maintain and strengthen an adaptable, effective U.S. export control and treaty compliance system: BIS administers and enforces controls on exports and reexports of dual-use items (i.e., those having a commercial and potential military or proliferation application) and various military items to counter proliferation of weapons of mass destruction (WMD), prevent destabilizing accumulations of conventional weapons, combat terrorism, and pursue other national security and foreign policy goals.

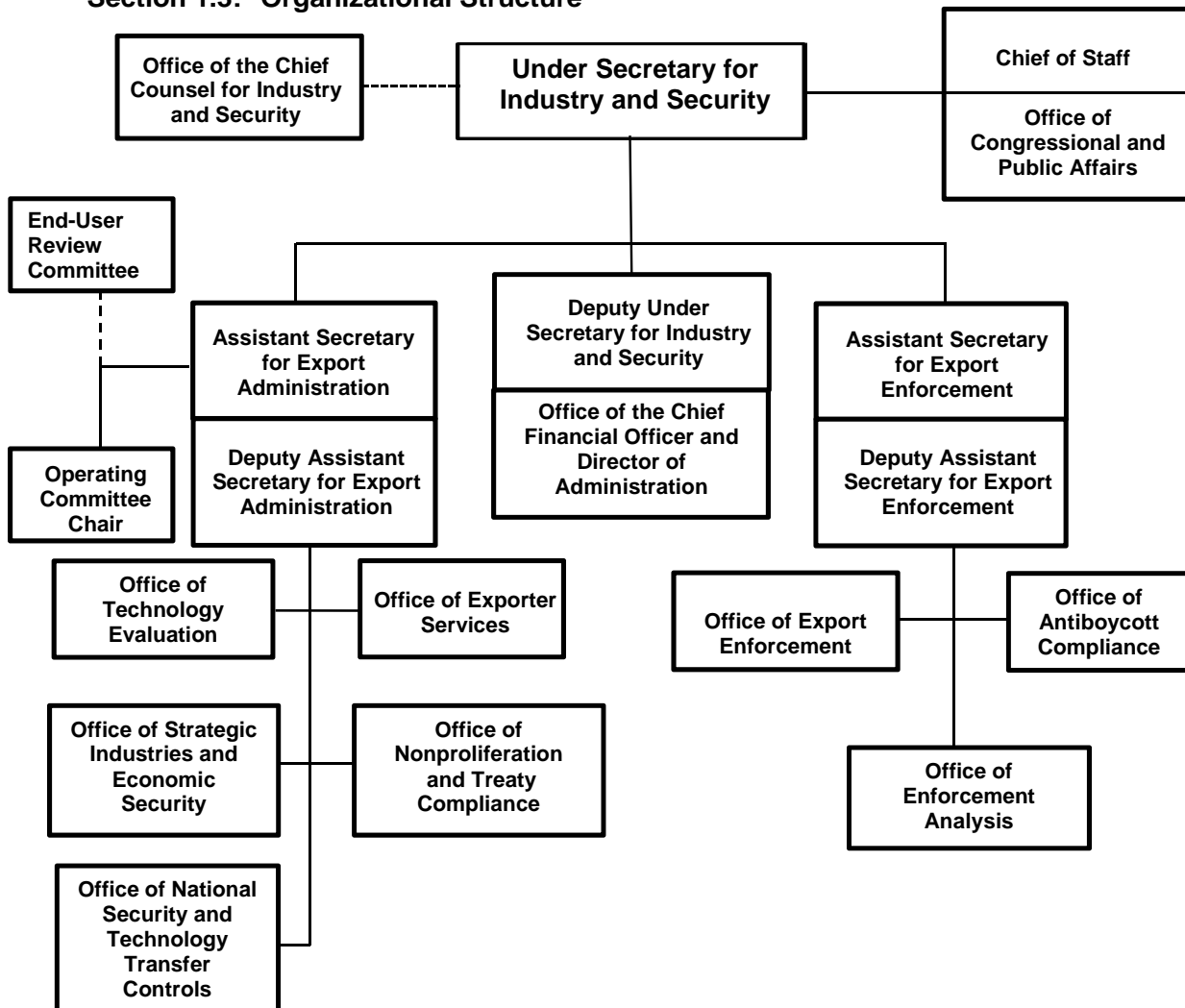
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system: The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to improve the participation and compliance of existing members of multilateral export control regimes and cooperates with other countries to

¹ The President's Export Control Reform Initiative is fundamentally a national security effort intended to achieve greater regulatory efficiency and rationality, and focus controls on the most significant items and destinations – higher fences around the most sensitive items. A key element of the reform is moving tens of thousands of items – mostly parts and components – from the U.S. Munitions List to the more flexible Commerce Control List. The move will enable more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. This will strengthen the U.S. defense industrial base by removing incentives for foreign manufacturers to avoid U.S. parts and components. U.S. exporters of such items, particularly small and medium-sized firms, will be more competitive.

help them establish effective export control programs. As part of policy formulation and implementation toward key trading partners and transshipment countries, BIS utilizes an end-use visit program.

Ensure continued U.S. technology leadership in industries that are essential to national security: BIS works to ensure that the U.S. remains competitive in industry sectors and sub-sectors critical to national security. To this end, BIS analyzes the impact of export controls and trade policies on strategic U.S. industries, administers the Federal Government’s Defense Priorities and Allocations System, reports on the impact of defense trade offsets, and evaluates the security impact of certain proposed foreign investments in U.S. companies.

Section 1.3: Organizational Structure



Part 2: Cross-Agency Priority Goals

BIS is not a leader of or a participant in any Cross-Agency Priority Goals.

Part 3: Strategic Goals and Objectives

Section 3.1: Corresponding DoC Strategic Goals and Objectives

Goal	Objective Number	Objective Name	Leader
Trade and Investment	1.2	Increase U.S. exports by broadening and deepening the U.S. exporter base ²	Stefan Selig, Under Secretary for International Trade

Rationale

This objective is important to the nation as it focuses on advancing U.S. national security and economic interests by reforming and enhancing the efficiency of the export control system, preventing illegal exports and identifying violators of export prohibitions and restrictions for prosecution, enhancing the export and transit control systems of nations that lack effective control arrangements, ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC) Agreement, and undertaking a variety of functions to support the viability of the U.S. defense industrial base.

The Department continues to face the task of advancing U.S. foreign policy and security goals while addressing viable opportunities to preserve the U.S. defense industrial base. The Department's success in reconciling these imperatives stems from its ability to integrate efforts to support the President's national security and foreign policy goals while ensuring profitable markets for U.S. goods and services.

BIS supports this objective by controlling the export, reexport, and transfer of commodities, software and technology subject to the Export Administration Regulations (EAR) to protect U.S. national security, advance U.S. foreign policy, and support U.S. economic competitiveness. BIS effectively administers the dual-use export control system, and munitions items transferred from the U.S. Munitions List (USML) to the new 600-Series Commerce Control List (CCL) by: (1) writing and promulgating regulations; (2) processing license applications; (3) enforcing U.S. laws and regulations; (4) conducting outreach to exporters; and (5) strengthening the export control systems of other countries. These measures increase interoperability with our Allies and strengthen the U.S. defense industrial base by reducing incentives for foreign manufactures to design out and avoid using U.S. parts and components.

In addition, BIS supports the U.S. industrial base by assessing the viability of key sectors of the defense industrial base, and assuring the timely availability of industrial

² The President's Export Control Reform Initiative is fundamentally a national security effort intended to achieve greater regulatory efficiency and rationality, and focus controls on the most significant items and destinations – higher fences around the most sensitive items. A key element of the reform is moving tens of thousands of items – mostly parts and components – from the U.S. Munitions List to the more flexible Commerce Control List. The move will enable more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. This will strengthen the U.S. defense industrial base by removing incentives for foreign manufacturers to avoid U.S. parts and components. U.S. exporters of such items, particularly small and medium-sized firms, will be more competitive.

resources to meet national defense and emergency preparedness requirements.

Section 3.2: Strategies for Objectives

BIS has primary responsibility, in coordination with several other agencies, for implementing U.S. export control policy on Export Administration Regulations (EAR) commodities, software, and technology. To accomplish its objectives, BIS administers, and amends as necessary, the EAR. The EAR set forth license requirements and licensing policy for the exports of CCL items.

Enforcement is an essential aspect of the BIS mission. Enforcement efforts encourage compliance, prevent and deter violations, disrupt illicit activities, and bring violators to justice. BIS achieves these important objectives through a law enforcement program focused on parties engaged in exports of sensitive commodities, software, and technology to end uses, end users, and destinations of concern.

BIS plays a significant role in the four major multilateral export control regimes and three treaties which deal with specific industry sectors: the Australia Group (chemical and biological nonproliferation), the Missile Technology Control Regime, the Nuclear Suppliers Group, the Wassenaar Arrangement (conventional arms and related dual-use goods, software, and technologies), the CWC (chemical weapons nonproliferation), the Additional Protocol to the U.S.-International Atomic Energy Agency Safeguards Agreement (nuclear weapons nonproliferation) and the Biological Weapons Convention (biological weapons nonproliferation).

BIS consults closely with industry on the development of regulatory policy through its Technical Advisory Committees (TACs). The TACs provide valuable input regarding industry perspectives on trends in technology and the practicality and likely impact of export controls. BIS also conducts numerous outreach events through the United States and overseas to educate and update the public on export controls and policy.

Outreach and education are also fundamental parts of BIS's activities. BIS offers seminars on a regular basis, at locations around the country and overseas, on a variety of export control-related topics related from introductory overviews to topic-specific in-depth instruction. BIS also offers educational tools, including videos, training modules and webinars, on its website, participates in trade shows and other events that offer opportunities for contact with the exporting public, offers counseling services via telephone and e-mail, and organizes teleconferences and town hall meetings on specific topics on an as-needed basis.

FY 2014 Accomplishments

Since the initial implementation of Export Control Reform (ECR), BIS and the Department of State have published, in final form, fifteen of the twenty-one U.S. Munitions List (USML) categories and applicable corresponding Commerce Control List (CCL) controls, which include more tailored controls for commercial satellites and less-sensitive military items. During the fiscal year, BIS processed 7,100 license applications, with an average processing time of 15 days, for less-sensitive military items that moved from the USML to the CCL. BIS continued to educate the public on changes made under ECR by conducting over 125 ECR outreach activities that reached over 11,700 participants. BIS also continued to utilize web-based decision tools to assist exporters. Since BIS posted decision tools on order of review and classifying items subject to the EAR, the decision tools have received over 48,000 hits on the BIS website.

In FY 2014, BIS continued its strong commitment to protecting US national security interests and foreign policy objectives by ensuring a credible deterrence and seeking appropriate penalties to address EAR violations. BIS enforces the EAR utilizing approximately 115 Special Agents located in sixteen locations throughout the United States and six locations abroad of strategic diversion concern. Their subject matter expertise and singular focus on enforcement of and compliance with the EAR led to over \$137 million in criminal fines and nearly \$60.5 million in administrative penalties. BIS Special Agents made the highest number of seizures than any year during the past five years - almost double the number made in FY 2013 - and brought administrative charges against more persons in FY 2014 than any year during the past five years. In addition to outreach with the public, BIS continued to support U.S. Customs and Border Protection (CBP) and other law enforcement agencies around the United States with updated training materials in support of ECR. In addition, BIS completed four Antiboycott cases with administrative fines of over \$79,000. In terms of "Return on Investment," BIS brought back (in fines alone) almost double its entire annual budget.

In FY 2014, BIS oversaw completion of 1,044 end-use checks (EUCs) in 51 countries to ensure the proper disposition of US-origin items. Of these, 62% were conducted by its Export Control Officer (ECO) program and Foreign Commercial Service officers (6%), while the remainder were accomplished by Sentinel Program (32%) visits conducted by BIS Special Agents. BIS published the final rule revising the Unverified List (UVL), defining the BIS authorization necessary to trade with entities whose bona fides could not be established during an EUC, adding 29 entities to the UVL. Office of Enforcement Analysis (OEA) intelligence, export, and licensing screening generated 305 enforcement leads, which resulted in 112 enforcement outreaches, 20 enforcement cases, 16 detentions, and 6 warning letters. OEA initiated 84 Entity List nominations, which involved efforts to stem WMD, military modernization, and improvised explosive device proliferation efforts. OEA also provided case support to 53 OEE field office investigations.

BIS's Export Administration analyzed 24,972 export license applications valued at over \$823 billion during FY 2014. In addition, 5,577 commodity classifications were completed. Export Administration was instrumental in enforcement actions taken by BIS, FBI and Homeland Security by completing over 2,252 requests for license determinations.

During the fiscal year, the President signed an Executive Order on "21st Century Trade Facilitation" to establish policy principles and an implementation plan for the development of the International Trade Data System (ITDS) by December 2016, and establish an interagency structure responsible for developing policies and processes to enhance interagency coordination related to certain border management functions in order to improve supply chain processes and identification of illicit shipments. BIS, as a Phase I agency required to have initial capability by April 30, 2014, has successfully completed its full integration into ITDS. BIS's license application is fully automated through its Simplified Network Application Program, and BIS sends nightly information from the license applications to U.S. Customs and Border Protection (CBP) upon a determination being made on the license. CBP makes the license application information available to authorized enforcement officers to ensure that the export filings from exporters are consistent with the BIS license, and the license information is used to validate the export shipment filing of the licensed shipment. BIS has authorized access to the Automated Export System information through a "single window" to identify violations of the Export Administration Act, and other U.S. laws and regulations; evaluate the effectiveness of export controls, and improve outreach and compliance with the Export Administration Regulations.

BIS enabled the U.S. Government to expeditiously aid the international effort to verify and destroy Syria's chemical weapons program. BIS rapidly identified and classified items on a list of critically needed U.S.-origin items provided by the United Nations/Organization for the

Prevention of Chemical Weapons (OPCW) Joint Mission in Syria, including chemical detectors, protective gear, nerve agent antidotes and hazardous material container. Taking into consideration the diverse equities of several U.S. Government agencies, BIS crafted license conditions acceptable to all agencies and issued licenses which allowed the Joint Mission to perform its functions in a safe and expeditious manner. On behalf of the interagency, BIS drafted the bilateral agreements between the United States and OPCW Technical Secretariat that were necessary to ensure the Department of Commerce could facilitate the on-site OPCW verification requirements contained in Decisions adopted by the OPCW policy-making organs in accordance with U.S. laws and regulations. The agreements were drafted in coordination with the affected private entities and were successfully negotiated with the OPCW Technical Secretariat. BIS subsequently assisted the port and destruction company during three OPCW on-site inspections in 2014.

Public Benefits

BIS protects the U.S. public by advancing U.S. national security, foreign policy, and economic objectives that ensure that America maintains its strategic competitive advantage in critical areas affecting economic and national security. BIS accomplishes its mission by maintaining and strengthening adaptable, efficient, and effective export control and treaty compliance systems. BIS administers and enforces controls on the export of items with chiefly commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses; less sensitive military items being transferred from the Department of State under the President's Export Control Reform (ECR) Initiative; and certain crude oil and timber. BIS administers and enforces these controls in coordination with several other U.S. federal agencies. BIS implements these controls primarily through the Export Administration Regulations (EAR). The EAR set forth license requirements and licensing policy for the exports of these items.

The Bureau processes export license applications for controlled items to be exported or reexported in accordance with the EAR. Enforcement is an essential aspect of the BIS mission. Enforcement efforts encourage compliance, prevent and deter violations, disrupt illicit activities, and bring violators to justice. BIS achieves these important objectives through a law enforcement program focused on parties engaged in the export of sensitive commodities, software, and technology to end uses, end users, and destinations of concern. Some examples of BIS efforts that directly impact the public include:

- Conducting educational outreach to the exporting community;
- Investigating, indicting, and convicting those who willfully violate the provisions of the EAR;
- Targeting illegal procurement networks supporting terrorist regimes through focused analysis;
- Stopping unauthorized military end-use of U.S.-origin items;
- Bringing back millions of U.S. dollars to the Treasury in the form of fines and forfeitures from criminal and civil violators;
- Denying export privileges for convicted felons;
- Uncovering diversions to unauthorized end-users/uses;
- Screening license applications for end-use and end-user concerns;
- Conducting end-use checks abroad to confirm the *bona fides* of foreign parties to export transactions;
- Confirming compliance with license conditions or the use of license exceptions;
- Leveraging interagency resources to identify unauthorized exports (including deemed exports); and,
- Reviewing Automated Export System (AES) filings to identify potential export control violations.

The Bureau facilitates compliance with U.S. export controls by keeping U.S. and foreign firms informed of export control regulations through an extensive domestic and foreign outreach program.

Outreach activities educate U.S. businesses on export control requirements and include how to identify suspicious transactions. Identifying suspicious transactions leads to successful preventive and investigative actions. Screening license applications allows the Bureau, with other agencies, to deny transactions with a high risk of diversion. The Bureau's Special Agents investigate significant proliferation, terrorism, and military end-use/user export control violations, and vigorously pursue criminal and administrative penalties.

End-use checks continue to serve as a valuable safeguard and preventive enforcement tool for verifying the bona fides of foreign end users, ensuring that exported items have been or will be used as authorized, and that license conditions are met. BIS end-use checks have been effective in revealing unauthorized end-uses and end users, including the improper or unauthorized diversion of items subject to BIS jurisdiction. When improper or unauthorized diversion is identified, appropriate measures are taken to deny further exports of licensed materials to violators.

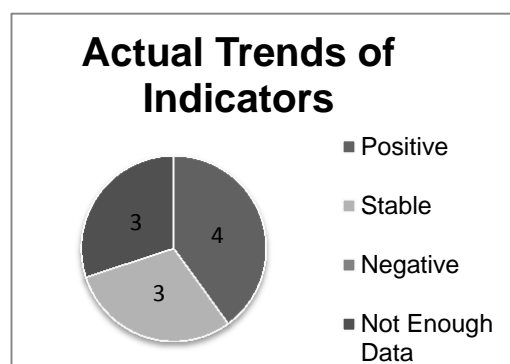
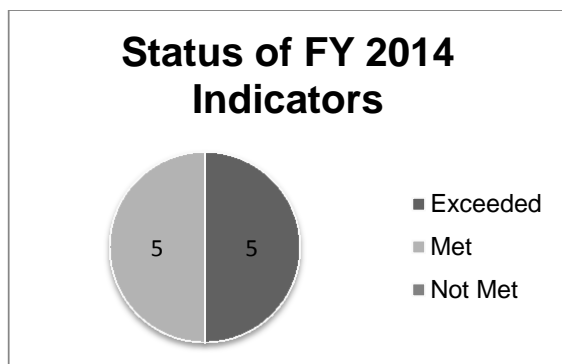
Pursuant to the Export Control Reform (ECR) initiative, BIS is participating in a broad-based, interagency review of the U.S. export control system to reduce complexity and allow the U.S. Government to focus on the most critical national security priorities. ECR will improve U.S. military interoperability with allied countries; strengthen the U.S. industrial base by reducing incentives for foreign manufacturers in allied countries to design out and avoid using U.S.-made content; and allow the U.S. Government to focus resources on the most serious national security and proliferation concerns. The objectives of the reform effort will be met in large part by moving jurisdiction of tens of thousands of less sensitive items from the State Department to the Commerce Department, which has a more flexible regulatory structure.

BIS also works to strengthen the export control systems of other countries, assess the viability of key sectors of the defense industrial base, review the national security impact of foreign acquisitions of U.S. companies, and assure the timely availability of industrial resources to meet national defense and emergency preparedness requirements. Finally, the Department also serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC). Further information on these tasks is available on <http://www.bis.doc.gov/index.php/about-bis/newsroom/publications>.

Section 3.4 Next Steps

The Bureau of Industry and Security will continue to hold a regular schedule of seminars and outreach events to educate exporters about export control requirements and compliance thereof. In addition to its premier conferences, the Update Conference on Export Controls and Policy, which is held in Washington, DC every summer, and West Coast Forum, which is held in California in February, BIS will participate in at least thirty other events scheduled for locations around the country. BIS will also continue to offer a wide variety of on-line educations offerings and electronic or in-person counseling offerings.

Part 4: Performance Goals and Indicators



Section 4.2 Summary of Indicator Performance

Objective 1.2: Increase U.S. exports by broadening and deepening the U.S. exporter base

Summary of FY 2014 Indicator Performance

Indicator	Target	Actual	Status	Trend
Recurring				
Number of Exporters Educated and Trained through Outreach Activities related to Export Control Reform	28,000	69,948	Exceeded	Not enough data
Number of Export Control Reform rules issued	4	9	Exceeded	Not enough data
Percent of licenses requiring interagency referral referred within nine days	98%	98%	Met	Stable
Percent of attendees rating seminars highly	93%	91%	Met	Positive
Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge/action	1,100	1,473	Exceeded	Positive
Percent of licenses requiring Information Triage Unit (ITU) report completed by Export Enforcement (EE) within ten Executive Order (EO) days of referral	90%	96%	Exceeded	Not enough data
Number of End-Use Checks (EUCs) completed	850	1,044	Exceeded	Positive
Number of post shipment verifications completed and categorized above the 'unfavorable' classification	315	344	Met	Positive
Median processing time for new regime regulations (months)	2	2	Met	Stable
Percent of declarations received from U.S. industry in accordance with CWC time lines that are processed in time for the U.S. to meet treaty obligations	100%	100%	Met	Stable

Section 4.3 Detailed Indicator Plans and Performance

New or Recurring Indicators

Objective 1.2: Increase U.S. exports by broadening and deepening the U.S. exporter base

Indicator: Number of Exporters Educated and Trained through Outreach Activities related to Export Control Reform								
Description: A key element of the Export Control Reform (ECR) Initiative is moving tens of thousands of items -- mostly parts and components -- from the U.S. Munitions List to the more flexible Commerce Control List. The move will enable more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. Through our outreach programs, BIS will educate and train exporters on these importance ECR changes.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	NA	NA	NA	NA	4,000	28,000	48,000	48,000
Actual	NA	NA	NA	NA	4,000	69,948	NA	NA
Status	NA	NA	NA	NA	Met	Exceeded	NA	NA
Trend: Not enough information								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken		
In House Records	Quarterly	Electronic Files	BIS will verify the information used to report on this performance indicator against supporting documentation.		None	None		

Indicator: Number of Export Control Reform rules issued								
Description: A key element of the Export Control Reform (ECR) Initiative is moving tens of thousands of items -- mostly parts and components -- from the U.S. Munitions List to the more flexible Commerce Control List. The move will enable more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. Through our outreach programs, BIS will educate and train exporters on these importance ECR changes.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	NA	NA	NA	NA	7	4	4	4
Actual	NA	NA	NA	NA	7	9	NA	NA
Status	NA	NA	NA	NA	Met	Exceeded	NA	NA
Trend: Not enough information								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures			Data Limitations	Actions to be Taken	
Federal Register	Quarterly	Federal Register	BIS will verify the information used to report on this performance indicator against supporting documentation.			None	None	

Indicator: Number of export transactions completed under the new authority of Commerce export licenses and license exceptions								
Description: A key element of the Export Control Reform (ECR) Initiative is moving tens of thousands of items -- mostly parts and components -- from the U.S. Munitions List to the more flexible Commerce Control List. The move will enable more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. Through our outreach programs, BIS will track shipments of such items made under the Automated Export System.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	NA	NA	NA	NA	NA	NA	80,000	100,000
Actual	NA	NA	NA	NA	NA	42,837	NA	NA
Status	NA	NA	NA	NA	NA	NA	NA	NA
Trend: Not enough information								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures			Data Limitations	Actions to be Taken	
In House Records	Quarterly	Electronic Files	BIS will verify the information used to report on this performance indicator against supporting documentation.			None	None	

Indicator: Percent of licenses requiring interagency referral referred within nine days								
Description: Generally, export license applications for dual-use items (products that may have both civilian and military applications) and munitions items transferred from the USML to the new 600-Series CCL fall into two categories: 1) referred licenses, includes those licenses that require a recommendation from another agency (i.e., Department of Defense, State, and Energy, and where appropriate, other U.S. governments departments or agencies) thus the name “referred licenses;” and 2) non-referred licenses, which are those license requests that BIS may review/approve without being referred to any other federal agency. Referred licenses comprise approximately 85% of BIS license applications, with the remaining 15% being non-referred licenses. This measure is designed to measure the effectiveness of BIS in meeting the target of referring 98% of those licenses requiring referral within 9 days. If BIS does not meet the metric of 98% of license applications referred within 9 days, BIS is not maintaining effective management of the license application review process. According to Section 3 of Executive Order 12981, BIS must complete its initial review and refer to appropriate agencies the application and other pertinent information within 9 days.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	95%	95%	98%	98%	98%	98%	98%	98%
Actual	99%	90%	88%	97%	98%	98%	NA	NA
Status	Met	Met	Not Met	Met	Met	Met	NA	NA
Trend: This is a maintain standard measure. Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures			Data Limitations	Actions to be Taken	
ECASS	Quarterly	ECASS	Export Administration (EA) will verify ECASS reports by running similar reports to determine if they produce the same results.			None	None	

Indicator: Percent of attendees rating seminars highly								
Description: This metric is designed to measure the overall effectiveness of the entire export control outreach seminar program. Given the volume of trade from the United States, informing U.S. and foreign businesses of the requirements of the EAR is a critical component of our dual-use and 600-Series export control system. The target is for at least 93% of the seminar attendees to give the seminar an overall rating of at least 4 (out of a 5 level scale).								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	85%	85%	93%	93%	93%	93%	93%	93%
Actual	93%	94%	94%	93%	91%	91%	NA	NA
Status	Exceeded	Exceeded	Met	Met	Met	Met	NA	NA
Trend: Both the target and actual trends are positive.								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken			
Seminar Evaluations	Quarterly	EA office files	BIS will verify the information used to report on this performance indicator against supporting documentation.	Data is dependent upon voluntary responses of seminar participants and is based on respondent opinion. Opinions may or may not be a factual indicator of performance.	None			

Indicator: Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge/action								
Description: This performance indicator captures the number of Export Enforcement deterrence actions, cases that result in a prevention of a violation, criminal/administrative actions, and administrative settlement orders. The number will reflect the actual number and type of preventive enforcement actions conducted including: detentions of suspect exports, seizures of unauthorized shipments, industry outreach, issuance of warning letters, recommended denials of license applications based on enforcement concerns, and recommendations for parties to be added to the Entity List and Unverified List. The measure also includes Office of Antiboycott Compliance (OAC) advice line inquiries that result in prevention or deterrence.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	850	850	850	850	850	1,100	1,000	1,000
Actual	876	806	1,073	1,162	1,403	1,473	NA	NA
Status	Exceeded	Met	Exceeded	Exceeded	Exceeded	Exceeded	NA	NA
Trend: Both the target and actual trends are positive.								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures			Data Limitations	Actions to be Taken	
EE Investigative Management System (IMS)	Monthly	IMS	OEE, OEA and OAC will perform two types of checks to ensure data is entered where it should be (system integrity) and to ensure that the data is accurate and valid.			None	None	

Indicator: Percent of licenses requiring Information Triage Unit (ITU) report completed by Export Enforcement (EE) within ten Executive Order (EO) days of referral								
Description: The ITU, for which EE provides the majority of intelligence product outputs, drafts bona fides information reports on foreign transaction parties to license applications. The reports are either requested at the direction of a licensing officer or self-selected by EE. EE must, within the established EO timeframe, complete such reports in 10 EO days from referral to enable timely interagency review of license applications. This measure is designed to measure the effectiveness of BIS in meeting the target of completing 90% of ITU reports produced by EE within 10 EO days of referral.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	NA	NA	NA	NA	NA	90%	90%	90%
Actual	NA	NA	NA	NA	NA	96%	NA	NA
Status	NA	NA	NA	NA	NA	Exceeded	NA	NA
Trend: Not enough information								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures			Data Limitations	Actions to be Taken	
ECASS	Quarterly	ECASS	OEA will verify ECASS reports by running similar reports to determine if they produce the same results.			None	None	

Indicator: Number of End-Use Checks (EUCs) completed								
<p>Description: A key element of BIS’s policy formulation and implementation toward other key countries is conducting EUCs to verify that targeted dual-use exports and munitions items transferred from the USML to the new 600-Series CCL will be or have been properly used by the proper end-users. End-use checks are comprised of both Pre-license Checks (PLCs) and PSVs. PLCs are used to determine if an overseas person or firm is a suitable party to a transaction involving controlled U.S. origin items. A PSV confirms whether or not goods exported from the United States actually were received by the party named on the license or other export documentation, and whether the goods are being used in accordance with the provisions of that license (where applicable) and the Export Administration Regulations (EAR). The primary means for conducting EUCs are through BIS ECOs stationed abroad with the Department of Commerce’s Foreign Commercial Service (FCS), augmented by Sentinel visits (formerly known as “Safeguards”) conducted by Special Agent-led teams as well as FCS officers. ECOs are located in six countries and are responsible for conducting EUCs in their respective areas of responsibility covering 43 countries in all. During Sentinel trips, which generally consist of two-person teams of BIS Special Agents on two-week assignments to visit foreign consignees and end-users of U.S. commodities and technology, agents attempt to verify bona fides of consignees named on a BIS license, and confirm that the equipment is being used in conformance with the EAR. By conducting PSVs, BIS can provide a level of assurance that foreign end-users are aware of EAR requirements and comply with them. EUCs also identify diverted transactions and reveal untrustworthy end-users and intermediate consignees.</p>								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	850	850	850	850	850	850	850	850
Actual	737	708	891	994	1,033	1,044	NA	NA
Status	Not Met	Not Met	Met	Exceeded	Exceeded	Exceeded	NA	NA
Trend: Both the target and actual trends are positive.								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures			Data Limitations	Actions to be Taken	
ECASS & IMS	Monthly	ECASS & IMS	OEA will perform two types of checks to ensure data is entered where it should be (system integrity) and to ensure that the data is accurate and valid.			None	None	

Indicator: Number of post shipment verifications completed and categorized above the 'unfavorable' classification								
Description: Post Shipment Verifications (PSVs) confirm whether items exported from the United States actually were received by the party named on the license or other export documentation, and whether the items are being used in accordance with the provisions of that license. PSVs are selected through the use of a strategic targeting plan. In addition, BIS enforcement analysts research other potential factors to make a final determination on whether to initiate an end-use check to include PSVs. While PSVs are a key component of compliance verification, they also identify diverted transactions and reveal untrustworthy end-users and intermediate consignees. By conducting PSVs, BIS can provide a level of assurance that foreign end-users are aware of BIS license restrictions and comply with them as well as identifying if controlled items were shipped to unauthorized end-users or for unauthorized end uses.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	260 PSVs	260 PSVs	315 PSVs	315 PSVs	315 PSVs	315 PSVs	315 PSVs	315 PSVs
Actual	314 PSVs	256 PSVs	382 PSVs	343 PSVs	240 PSVs	344 PSVs	NA	NA
Status	Met	Met	Met	Met	Not Met	Met	NA	NA
Trend: Both the target and actual trends are positive.								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations		Actions to be Taken	
ECASS & IMS	Monthly	ECASS & IMS	OEA will perform two types of checks to ensure data is entered where it should be (system integrity) and to ensure that the data is accurate and valid.		None		None	

Indicator: Median processing time for new regime regulations (months)								
Description: Regulatory changes resulting from multilateral regime plenary sessions are those agreed to by our export control partners. If those changes result in tighter controls, they must be implemented to address national security or proliferation concerns, and if they result in liberalizations, they must be implemented to ensure that U.S. industry is not disadvantaged vis-à-vis our allies. Therefore, it is important to refer the draft multilateral changes for interagency review in three months or less in order to meet our multilateral obligations, maximize U.S. competitiveness, and enable economic growth for American industries, workers, and consumers. Effective and efficient adaptation of export controls advances responsible economic growth and trade while protecting American security.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	3	3	2	2	2	2	2	2
Actual	2	3	2	2	2	2	NA	NA
Status	Exceeded	Met	Met	Met	Met	Met	NA	NA
Trend: This is a maintain standards measure. Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations		Actions to be Taken	
Paper & Electronic	Quarterly	EA office files	BIS will verify the information used to report on this performance indicator against supporting documentation.		None		None	

Indicator: Percent of declarations received from U.S. industry in accordance with CWC time lines that are processed in time for the U.S. to meet treaty obligations								
Description: The CWC establishes a verification regime (e.g., declaration requirements, on-site inspections, and trade restrictions) for weapons-related toxic chemicals and precursors that have peaceful applications. BIS's CWC Regulations require U.S. industry exceeding certain chemical activity thresholds to submit declarations and reports. BIS processes, validates, and aggregates the declarations and reports to develop the U.S. CWC Industrial Declaration, which is forwarded to the State Department, within established time frames mandated under the CWC, and to submit it to the Organization for the Prohibition of Chemical Weapons (OPCW).								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	100%	100%	100%	100%	100%	100%	100%	100%
Actual	100%	100%	100%	100%	100%	100%	NA	NA
Status	Met	Met	Met	Met	Met	Met	NA	NA
Trend: This is a maintain standards measure. Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations		Actions to be Taken	
Paper records of declarations	Quarterly	EA office files	BIS will verify the information used to report on this performance indicator against supporting documentation.		None		None	

Indicator: Percent of electronic export information (EEI) transactions reported in the Automated Export System (AES) in compliance with the Export Administration Regulations (EAR)								
Description: This indicator evaluates how effective the BIS export control system is in ensuring that items exported and reported as electronic export information transactions in the AES are in compliance with the EAR. BIS will measure exporter compliance with the EAR by reviewing, on a quarterly and annual basis, the entire compilation of export transactions under the jurisdiction of BIS (i.e., BIS licensed, license exception and No License Required Shipments) and determine what percentage are in compliance with the EAR following any BIS intervention as necessary. BIS interventions will comprise actions taken to mitigate or resolve non-compliance findings (i.e., counseling, outreach, compliance letters, and enforcement referral).								
BIS anticipates that data evaluation period for this metric will run from July 1 – June 30 annually, which is based on the estimated time lag of receipt of shipment information from the Census Bureau (monthly data is released approximately 45 days after the close of the statistical month) and BIS analysis of and action on the data.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	NA	NA	NA	NA	NA	NA	99%	99%
Actual	NA	NA	NA	NA	NA	NA	NA	NA
Status	NA	NA	NA	NA	NA	NA	NA	NA
Trend: Not Enough Data								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken		
ECASS & AES	Quarterly	EA office files	BIS will use information reported by exporters in the AES and measure against ECASS and the EAR.		None	Compliance letters		

Indicator: Percent of defense industrial base assessments completed within the time frame set forth in the Memorandum of Understanding (MOU) between the BIS and the survey sponsoring agency or entity.								
Description: Percent of defense industrial base assessments completed within the time frame set forth by regulation or in MOUs between the BIS and the survey sponsoring agency or entity. The Office of Technology Evaluation (OTE) provides assessments to inform decisions in a way that maintains the competitiveness and economic viability of the health and competitiveness of the U.S. Defense Industrial Base and other industry sectors. In addition to conducting defense industrial base studies to meet this objective, OTE conducts technology assessments and foreign availability assessments that address the adequacy of current export controls, economic status of the relevant industry sector, foreign availability, and foreign country export control practices. Assessment topics can arise from discussions with other agencies, licensing offices, industry, technical advisory committees, or other sources. Completion is defined as building the survey, surveying respondents, collection, writing the report and publishing the report.								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Targets	NA	NA	NA	NA	NA	NA	100%	100%
Actual	NA	NA	NA	NA	NA	NA	NA	NA
Status	NA	NA	NA	NA	NA	NA	NA	NA
Trend: Not Enough Data								
Explanation (if not met in FY 2014): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								
Validation and Verification								
Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken			
Survey responses and additional research information	Quarterly	EA office files	BIS will verify the information used to report on this performance indicator against supporting documentation.	Delays in survey responses	Written Report or Data provided to sponsor agency			

Part 5: Other Indicators

None

Part 6: Agency Priority Goals

BIS is not a leader of or a participant in any Agency Priority Goals.

Part 7: Resource Requirements

(Dollar amounts in millions)

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Enacted	FY 2016 Base	Increase / Decrease	FY 2016 Request
OSIES ³	4.8	5.8	4.4	12.0	11.5	11.4	11.3	11.8	0.0	11.8
NPTC ⁴	15.2	18.2	16.4	16.2	15.9	16.3	16.2	16.8	0.0	16.8
OEXS ⁵	13.1	15.7	12.5	12.7	13.0	13.3	13.3	13.7	0.0	13.7
NSTTC ⁶	11.2	13.4	12.6	12.0	12.1	13.6	13.6	14.0	0.5	14.5
OTE ⁷	3.6	4.3	3.8	5.1	5.5	4.6	4.6	4.8	0.0	4.8
OEA ⁸	5.8	6.9	6.2	6.1	5.9	6.6	6.7	7.1	5.7	12.8
OAC ⁹	2.5	3.0	3.6	2.6	2.3	2.2	2.3	2.4	0.0	2.4
OEE ¹⁰	27.5	33.0	43.4	34.3	30.5	33.5	34.5	35.7	2.6	38.3
Total Funding	83.7	100.3	102.9	101.0	96.7	101.5	102.5	106.3	8.8	115.1
Direct	83.7	100.3	102.9	101.0	96.7	101.5	102.5	106.3	8.8	115.1
Reimbu- -rsable	1.8	2.2	3.0	3.1	2.7	1.8	2.9	2.9	0.0	2.9
Total	85.5	102.5	105.9	104.1	99.4	103.3	105.4	109.2	8.8	118.0
Total FTE	329	322	351	369	379	365	392	392	24	416

³ OSIES – Office of Strategic Industries and Economic Security⁴ NPTC – Office of Nonproliferation and Treaty Compliance⁵ OEXS – Office of Exporter Services⁶ NSTTC – Office of National Security and Technology Transfer Controls⁷ OTE – Office of Technology Evaluation⁸ OEA – Office of Enforcement Analysis⁹ OAC – Office of Antiboycott Compliance¹⁰ OEE – Office of Export Enforcement

Part 8: Other Information

Section 8.1: Major Management Challenges

The FY 2016 request is tailored to support BIS's ongoing programs and to address BIS's ability to advance the Bureau's Performance Goal: Implement an effective export control reform program to advance national security and overall economic competitiveness.

BIS will continue to improve and advance the aggressive posture it has assumed in response to the Administration's mandates in the arena of counter proliferation and export enforcement. Doing so will place BIS in the best possible position to execute its critical mission of ensuring that sensitive U.S. dual-use and munitions items and technologies are not misused by proliferators, terrorists, and others working contrary to the national security interests of the United States.

Section 8.2: Cross-Agency Collaborations

BIS works with the Departments of State, Defense and Energy on a daily basis to achieve objectives, priority goals, and performance goals. A few examples include:

- Review and approval or denial of export license applications.
- Collaboration on recommendations to the international export control regimes in which the United States participates.
- Close interagency cooperation on the Presidential initiative to reform the U.S. export control system.

BIS collaborates with the Census Bureau and U.S. Customs and Border Protection on the Automated Export System (AES) and International Trade Data System (ITDS) to ensure timely changes are made to the AES to ensure exporters' are educated of and comply with changes to the EAR, and to ensure that BIS equities are taken into account when the International Trade Data System "single window" export clearance approach is developed.

BIS works closely with defense and civilian agencies to leverage its unique authorities and analytical capabilities to accomplish its mission of maintaining and enhancing the U.S. defense industrial base.

BIS participates on the interagency Committee on Foreign Investment in the United States (CFIUS) and on the interagency Defense Production Act (DPA) Committee established in 2011 to promote the more effective use of DPA authorities to support military, energy, homeland security, emergency preparedness, and critical infrastructure programs.

BIS works with the Department of Justice (DOJ) to impose criminal sanctions for violations, including incarceration and fines, and with the Office of Chief Counsel for Industry and Security to impose civil fines and denials of export privileges. BIS also works closely with other Federal law enforcement agencies, including the Federal Bureau of Investigation (FBI) and the Department of Homeland Security (DHS), when conducting investigations or preventative actions.

Section 8.3: Evidence Building

BIS's Export Administration created the Office of Technology Evaluation (OTE) in 2006 with primary responsibilities to conduct foreign availability assessments; monitor and evaluate technology developments; conduct assessments of the impact of U.S. export control policies on industry sectors; conduct assessments on the health and competitiveness of the Defense Industrial Base; and ensure the effectiveness of the BIS export control system.

In order to meet these responsibilities heavily focused on assessing policy changes and evaluating BIS programs and initiatives, OTE began using data analytics in 2007. OTE gained authorized access to data from export shipment transactions, license applications, and international import and export aggregate information and effectively analyzed these data to accomplish organizational goals.

For example, in 2007, OTE established a benchmark on how compliant U.S. exporters were with meeting requirements in the Export Administration Regulations with regard to exports of items subject to BIS license requirements. The benchmark identified was 87%. OTE added edits and validations to the Automated Export System and implemented an external engagement strategy to ensure that reporting of items subject to BIS licensing requirements was complete, accurate and timely. By 2009, exporters' compliance rate rose to 99% and has continued to maintain this level.

Similarly, OTE established a benchmark of the licensing and export shipment situation prior to the implementation of the Administration's Export Control Reform (ECR) in July 2011 and again on October 2013. Periodically, OTE assesses the impact of ECR on export shipments and licensing using data analytics. Results show that items exported in a pre-ECR environment subject to the State Department's International Traffic and Arms Regulations have successfully transferred to the Commerce Department's jurisdiction. Many exporters accustomed to obtaining a license from the State Department in a pre-ECR environment are now using Commerce licenses, license exceptions, or a "No License Required" designation to move their defense articles, parts, components and accessories out of the U.S. OTE's data visualizations of properly processed statistics have shown results of effective implementation of ECR.

The data analytics aspect of OTE has been very beneficial to BIS in assessing the impact of new policies on exports, licensing and competitiveness. In 2014, when the federal government was identifying the sanctions to be imposed on Russia, OTE turned data analytics into insights on how Russian sanctions would impact U.S. exporters in specific industry sectors.

With respect to outreach efforts, BIS requests evaluations from seminar attendees and uses the feedback provided to improve its materials and performance. BIS uses a quarterly Government Performance and Results Act (GPRA) statistic to evaluate the feedback. The evaluations request scores on a scale of one to five (with five being the highest) of a variety of factors, including the clarity of material presented and whether or not the presentations are appropriately tailored for the time available. For every seminar that BIS participates in, the number of attendees, the number of evaluations received, the sum of evaluations with ratings of either four or five, and the percentage of evaluations with ratings greater than three are tracked on a quarterly basis. For the first three quarters of Fiscal Year 2014, BIS's quarterly statistic averaged 92%.

BIS also uses the seminar evaluations to gauge the content of its presentations and regularly updates its material in response to the feedback (in addition to regulatory changes). In response to public feedback, BIS has also expanded its web-based educational materials and teleconference presence in recent years.

Specific to ECR, in addition to offering regular seminars specific to the subject, BIS has participated in numerous outreach events in both the United States and overseas. Additionally, BIS has made three web-based decision tree tools available on its website. One of the tools is designed to assist users with the Commerce Control List's order of review; the second tool helps users to determine if an item subject to the EAR is "specially designed"; and the third tool is designed to help users use and comply with the requirements of License Exception "Strategic Trade Authorization (STA)."

BIS analyzes multifaceted datasets to determine how best to allocate its enforcement resources domestically and abroad to identify and redress non-compliance with the Export Administration Regulations. To effectively enforce export controls, OEE Special Agents are located in or near major, domestic concentrations of specific industrial sectors involved in the development, manufacture, and use of key export-controlled items. Upon evaluation of reports and data on exports, licenses, counter-proliferation investigative trends, and foreign national access to technology, BIS allocates resources to high risk areas that require enforcement coverage by a Special Agent or Field Office.

Internationally, BIS Export Control Officers (ECOs), augmented by domestic based, Special Agent-led "Sentinel Teams" and Commercial Service personnel stationed in embassies abroad, provide worldwide coverage against diversions or transshipments of critical dual-use and military items. To ensure that ECOs are stationed in the most worthwhile locations and end-use checks are focused on the most high-risk targets, BIS evaluates controlled dual-use exports, controlled munitions exports, foreign trading relationships with countries of concern, and other national security considerations, including the potential for establishment of front companies. A key factor in these activities, which also is used to identify license applications requiring additional enforcement and intelligence scrutiny, involves agreement among licensing officers at BIS and the Departments of Defense, Energy, and State on a subset of the most sensitive controlled items and most sensitive destinations.

In FY 2014, with available resources, BIS achieved significant enforcement-related outcomes, including: 39 criminal convictions and criminal fines of \$137.8 million; \$60 million in administrative penalties, 272 warning letters, and 16 export denial orders; 1,044 end-use checks in 51 countries; and designation of 155 and 29 persons on the Entity List and Unverified List, respectively.

Section 8.4: Hyperlinks

BIS's most recent Annual Report can be found at the following link:
<http://www.bis.doc.gov/index.php/about-bis/newsroom/publications>.

Section 8.5: Data Validation and Verification

The FY 2014 Summary of Performance and Financial Information includes in the Secretary's Statement, an assessment of the reliability and completeness of the Department's performance data.

Section 8.6: Lower-Priority Program Activities

"The President's Budget identifies the lower-priority program activities, where applicable, as required under the GPRA Modernization Act, 31 U.S.C. 1115(b) (10). The public can access the volume at: <http://www.whitehouse.gov/omb/budget>."