

**Testimony of
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Before the
Subcommittee on International Security, Proliferation,
and Federal Services
Committee on Governmental Affairs
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Chairman Akaka and Members of the Subcommittee:

Thank you for the opportunity to testify at this hearing. For several years, the Department of Commerce (Commerce) has played a significant role in the U.S. government's international nonproliferation programs in the independent states of the former Soviet Union (FSU) and elsewhere. My testimony will give an overview of Commerce's role and then address the specific questions in Chairman Akaka's invitation letter.

Overview of the Commerce's Role in the U.S. Government's Nonproliferation Programs in the FSU

Since the end of the Soviet Union, Commerce has participated in the U.S. government's nonproliferation programs in the FSU countries. Commerce's role in these programs has been to work closely with the Departments of State, Defense, and Energy and the Customs Service of the Department of the Treasury to design and implement programs to enhance, and in some cases establish, export control systems in these states. The Bureau of Export Administration (BXA) and the Office of Chief Counsel for Export Administration are the units responsible for Commerce's work in this export control cooperation program. Commerce strongly believes that bilateral and multilateral export control cooperation is an important part of the U.S. government's effort to stem the proliferation of weapons of mass destruction and conventional arms. Experience has shown that export controls are most effective when producing, consuming and transit countries all cooperate and maintain similar export controls.

The overarching objective of the U.S. export control cooperation program is to assist countries in: 1) controlling the export, reexport, and transit of all items on the lists of the four multilateral export control regimes (the Wassenaar Arrangement, the Nuclear Suppliers Group, the Australia Group, and the Missile Technology Control Regime); 2) implementing catch-all controls to ensure less significant items do not support weapons of mass destruction programs; and 3) controlling activities, such as brokering and financing, that would contribute to the proliferation of weapons of mass destruction and conventional arms. This is the goal not only for the FSU countries, but for all countries with which the United States has export control cooperation programs, including the Central European and Baltic countries, transit countries and others.

Commerce's export control cooperation efforts consist primarily of bilateral technical workshops on specific export control issues, multilateral conferences, and seminars targeted

specifically at key exporting companies in certain FSU countries. The technical workshops are designed to assist countries in developing and enhancing the elements essential for an effective export control system. These workshops cover legal authorities, control lists, licensing procedures, enforcement, and industry outreach. The multilateral conferences are designed to encourage neighboring countries to cooperate with each other on export controls. The seminars are targeted at foreign exporting companies, train them to establish internal control programs, and provide them a software tool to assist them, so the companies can comply with their own government's export control requirements. Over the past several years, Commerce has conducted over 200 workshops and seminars with personnel of virtually all of the FSU countries.

Commerce's efforts have made a significant contribution to the major strides taken by a number of the FSU and other countries in establishing effective national export control systems. Notable accomplishments in the FSU countries include:

Five of the 12 FSU countries have enacted comprehensive export control laws and many of the remaining countries are likely to do so within the next year.

Most of the countries of Central Asia and the Caucasus are working on a regional transit agreement to facilitate legitimate trade in the region, but enhance the ability to control items destined for use in weapons of mass destruction programs.

In 2000, Kazakhstan became the first FSU country to promulgate a national control list using the U.S. and European Union structure and nomenclature. Kazakhstan's control list includes all the items controlled by the Nuclear Suppliers Group, the Australia Group, the Wassenaar Arrangement, and the Missile Technology Control Regime. Use of this control list will facilitate trade and increase the effectiveness of controls. Most of the Central Asian and Caucasus countries have announced their intention to adopt this control list.

Commerce enforcement officials have received leads on possible violations of U.S. export control laws from contacts developed through the export control cooperation program.

To date, over 900 defense enterprises and other exporters in Russia and Ukraine have participated in training and have received software to enable them to establish their own internal control programs. Internal control programs help ensure that these enterprises comply with their countries' export control systems.

Software to train foreign export control licensing officers has been developed and distributed to nine FSU countries.

In addition, BXA's enforcement arm now has an export control attache posted in the U.S. Embassy in Moscow. This attache works cooperatively with Russian officials in implementing enforcement procedures designed to halt the diversion of U.S. and Russian strategic items to countries of concern. The attache is also responsible for confirming the reliability of Russian end-users for products exported from the United States for internal Russian consumption.

Thus, the export control cooperation program plays an important role in the U.S. government's overall nonproliferation efforts.

Specific Questions

I will now address the specific questions posed by Chairman Akaka in the letter inviting Commerce to testify at this hearing.

1. How does the Department participate in nonproliferation activities with federal partners using multilateral export control regimes?

Commerce's Bureau of Export Administration is responsible for implementing U.S. national controls over the export of dual-use items (goods, software, and technology with civilian and military applications) covered by the four multilateral export control regimes. Commerce reviews approximately 7,500 export license applications for items controlled pursuant to these regimes. In addition, Commerce works closely with the Departments of State, Defense, and Energy to formulate proposals for the regimes and positions on proposals made by other regime members. For example, at the initiative of Commerce, the Wassenaar Arrangement adopted a "best practices" standard for effective enforcement of export controls at its December 2000 plenary session. This was the first time that a multilateral nonproliferation regime had adopted enforcement standards. Enforcement is an essential element of any export control system and adoption of this standard will enhance the effectiveness of the Wassenaar Arrangement.

Commerce also participates in efforts by the regimes to get non-member states to adopt nonproliferation policies and practices. For example, Commerce has participated in Missile Technology Control Regime (MTCR) outreach programs to key transshipment countries. Commerce has used this MTCR outreach program as the basis for the ongoing interagency effort to have these countries develop and implement effective transshipment controls, especially enforcement mechanisms. The initial step was the adoption of effective transshipment practices (modeled on those adopted by the Wassenaar Arrangement). Commerce is involved in ongoing efforts (both bilateral and regional) to strengthen export, reexport, and transit controls in these countries.

In addition to regime-based efforts, Commerce has involved other nations – principally some of our major allies (the United Kingdom, Germany, Japan, Sweden) – in the technical workshops it conducts with the FSU countries. This involvement has included cooperating countries sending officials to participate as members of the workshop "faculty" and having officials of those countries make presentations in multilateral conference programs.

2. How well do federal nonproliferation programs interact with U.S. commercial interests?

The export control cooperation program includes constructive interaction with U.S. commercial interests in two regards. First, Commerce's programs frequently include representatives of U.S. exporting companies. Participation by these company experts is particularly important in the exchanges focused on industry outreach and compliance. These experts can speak authoritatively about their companies' compliance with U.S. export control

requirements. They also can credibly describe how government consultation with exporters helps create an effective, workable export control system that best serves both national security and economic objectives. Second, Commerce also works with U.S. companies involved in nonproliferation assistance programs to ensure their exports conform with U.S. export control requirements.

3. How would the establishment of an interagency committee make these programs and efforts more effective? How would the Department's membership on this committee affect the development of a national nonproliferation strategy?

Such a committee - the Proliferation Strategy Policy Coordinating Committee - already exists. Commerce participates in this committee when it addresses export control issues. Commerce also participates on a regular basis in a standing interagency working group on export control cooperation programs. This working group coordinates substantive programs and is the vehicle for U.S. government agencies to seek funding for such programs from the Department of State. Consequently, Commerce does not believe requiring a committee by statute would change the effectiveness of the U.S. export control cooperation programs.

Once again, thank you for the opportunity to testify on this important subject. I would be happy to answer any questions you may have for me.