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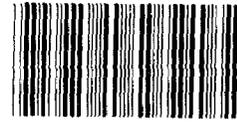
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Fact Sheet for the Honorable  
Les AuCoin, House of Representatives

May 1988

# EXPORT LICENSING

## Number of Applications Reviewed by the Defense Department



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United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-201919

May 13, 1988

The Honorable Les AuCoin  
House of Representatives

Dear Mr. AuCoin:

This report responds to your letter of February 9, 1988, requesting that we review the Department of Defense's (DOD's) Defense Technology Security Administration's role in export licensing of militarily significant commercial products, and compare it with that of the Department of Commerce's Bureau of Export Administration and provide information on each agency's budget, staffing, and licensing volume. As agreed with your office, this is an interim report providing data on the volume of export license applications involving such products reviewed by DOD. It does not include information on the number of export licenses for munitions items reviewed by DOD in support of the Department of State's munitions licensing. We plan to provide a more in-depth report at a later date.

The U.S. government has controlled the export of militarily significant commercial or dual-use products since 1949 by licensing the export of controlled products to almost all destinations. Under authority of the Export Administration Act of 1979, as amended in 1985, the Department of Commerce administers the control system and issues export licenses. The Act also authorizes DOD to review certain export licenses for dual-use products. Through the end of 1984, DOD reviewed export license applications to the Soviet bloc and the People's Republic of China, primarily for such high-technology products as computers and components, integrated circuits, machine tools, equipment for manufacturing electronic equipment, and electronic calibrating and testing equipment.

In January 1985, the President issued a directive to expand DOD's role in export control to include DOD's review of licenses for 8 product categories destined to 15 free world countries. The exact extent of DOD's review responsibilities had been a matter of continuing conflict

between Commerce and DOD and the directive clarified DOD's role in free world licensing. As of May 1988, the 15 countries covered by this directive for DOD review have been reduced to 8. DOD's review is no longer mandated for the other 7 countries, which have enhanced their export control systems.

LICENSE APPLICATIONS REVIEWED BY DOD

The number of license applications reviewed by DOD since fiscal year 1986, the first full year DOD was directed to review certain free world applications, has declined, as shown in table 1. This decline has occurred in free world license applications, consistent with the reduced number of free world countries included in DOD license review. DOD also reviews a small number of other license applications for free world destinations referred by Commerce, principally involving supercomputers, and by the Subgroup on Nuclear Export Coordination, an interagency group that reviews dual-use products that have nuclear-related applications. DOD officials did not have specific data on the number of these applications.

Commerce also maintains data on the number of export license applications referred to DOD for review. Its data indicate that these referrals for the same destinations in table 1 increased from 6,436 in the first half of fiscal year 1986 to 6,924 in the first half of 1987 and then declined to 5,467 applications in the first half of 1988. The bulk of these applications involved exports to certain free world countries. While Commerce's data differs from DOD's in absolute terms, both indicate a decline between both fiscal years 1986 and 1988 and 1987 and 1988 due to the reduced number of free world countries included in DOD license review. At this time we are unable to explain the difference in absolute numbers, but we plan to further pursue the matter and address it in our final report.

Table 1: Export license applications to selected destinations for dual-use products reviewed by the Department of Defense

<u>Destination</u>	<u>First half of fiscal year<sup>a</sup></u>			
	<u>1985<sup>b</sup></u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Certain free world countries	1,800	8,059	5,446	3,544
Soviet bloc	512	777	1,283	1,245
People's Republic of China	948	801	813	690
Total <sup>c</sup>	<u>3,260</u>	<u>9,637</u>	<u>7,542</u>	<u>5,479</u>

<sup>a</sup>Data are provided for the first half of each fiscal year (Oct. 1 - March 31) rather than the full fiscal year to allow for a comparison between the first 6 months of fiscal year 1988 and earlier fiscal years. In full fiscal 1985, DOD reviewed 13,434 applications for these destinations; in fiscal 1986, 18,951 applications; and in fiscal 1987, 14,181 applications.

<sup>b</sup>Includes only February and March for certain free world countries because DOD did not begin reviewing license applications in this category until February 1985.

<sup>c</sup>This figure does not include all DOD review activities.

Source: Department of Defense.

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In addition to reviewing dual-use export license applications referred by Commerce and the Subgroup on Nuclear Export Coordination, DOD is involved in reviewing proposals of other members of the Coordinating Committee on Multilateral Export Controls (COCOM) to export controlled commodities to proscribed destinations. COCOM is an informal organization composed of the United States, its NATO allies except Iceland, and Japan, which coordinates export control policy. The Department of State coordinates the review of these proposals and develops U.S. positions. DOD reviewed about 2,100 COCOM proposals in each of fiscal years 1986 and 1987.

To develop data on the number of license applications reviewed by DOD, we tabulated and compared data obtained from Commerce and DOD. We also talked with officials of both Departments concerning their licensing activities. We made our review in accordance with generally accepted government auditing standards, except that we did not independently validate the license data provided to us.

We discussed a draft of this report with officials from the Departments of Commerce and Defense and considered their comments in preparing the final report. As requested, we did not obtain official agency comments.

Unless you announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to the Secretaries of Commerce and Defense and to other interested parties upon request.

If you have any questions on the information provided, please contact me on (202) 275-4812.

Sincerely,



Allan I. Mendelowitz  
Senior Associate Director

(483488)

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