

## NEWS ADVISORY

### Committee on International Relations

U.S. House of Representatives

Henry Hyde (R-IL), Chairman

Contact: (202) 225-5021

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For IMMEDIATE Release

# Hyde Releases GAO Report Detailing U.S. Exports of Dual-Use Technology

WASHINGTON, D.C. – U.S. Rep. Henry J. Hyde (R-IL), Chairman of the House Committee on International Relations, released the most complete study undertaken to date by the Government Accountability Office (GAO) of exports of dual-use goods and technology.

“This groundbreaking study raises fundamental questions about whether U.S. export controls have become inadequate at a time when the United States faces a growing number of threats to our interests around the world – threats which are becoming more complex precisely because dangerous regimes and terrorist groups are moving up the technology ladder,” Hyde remarked. “It also challenges conventional wisdom about the relative burden to U.S. exporters of controls on sensitive dual-use technology. That burden appears to be quite undemanding overall,” he added.

Major findings of the GAO study are:

Sensitive dual-use goods and technologies specially designated on the Commerce Control List (CCL) only rarely require a license before being exported: 98.5% of such goods and technology totaling more than \$69 billion were exported in 2005 without any U.S. Government review or license. This includes 98% of all “controlled” dual-use goods and technologies that were exported to China without a license in 2005 (some \$6.2 billion) which is up from 93% in 2004.

Similarly, other dual-use goods and technologies almost never require a license before being exported: 99.9% of so-called “EAR 99” (Export Administration Regulations) merchandise totaling more than \$555 billion was exported in 2005 without any license – including 99.9% of EAR 99 merchandise exported to China, worth more than \$33 billion.

The leading commodities of EAR 99 merchandise exported without any license in 2005 were industrial machinery (\$61 billion), computers, peripherals and semiconductors (\$59 billion) and chemicals (\$58 billion) – and not, as is often suggested, goods unrelated to military capabilities such as paper products and paper clips.

Of the 1.5% of the CCL goods and technologies which did require a license in 2005, the leading “commodity” was a category of munitions formerly controlled by the State Department.

Noting the unexpectedly high quantity of unlicensed exports of sensitive technology to China, Hyde urged, “The Administration should immediately follow through on the Commerce Department’s commitment to the International Relations and Armed Services Committees to eliminate regulatory loopholes permitting unlicensed exports to China for military or intelligence purposes.”

BACKGROUND:

These reports on the Commerce Department's dual-use system were requested by Chairman Hyde as part of a comprehensive review by GAO of whether U.S. Government export controls have been reoriented and strengthened to deal with the heightened security threats facing the United States since the onset of the war on terror.

The GAO Report released today is entitled, "Analysis of Data for Exports Regulated by the Department of Commerce." It supplements a June 26, 2006 report by GAO (GAO-06-638) which found that improvements were needed in the post-9/11 security environment to correct weaknesses in Commerce's dual-use system, including the omission of certain known terrorist groups from its watch list which the Department had agreed to undertake.

Dual-use goods and technologies on the CCL are generally those which are major or key elements for the indigenous development, production, use or enhancement of military capabilities. EAR 99 merchandise includes dual-use goods and technologies not currently designated on the Commerce Control List which are nevertheless potentially subject to the Export Administration Regulations administered by the Department of Commerce (though GAO's findings suggest EAR merchandise is essentially deregulated).

Two earlier reports by GAO released by Hyde on April 7, 2005 found that the Department of State had done little since the 2001 terrorist attacks to address weaknesses in the International Traffic in Arms Regulations designed to prevent illegal exports of U.S. weapons and military technology (GAO-05-234 and GAO-05-468R).

On July 20, 2005, the House passed legislation, sponsored by Chairman Hyde, which included provisions requiring a comprehensive review of U.S. strategic export controls in the post-9/11 environment, improvements in the standards of service provided by the Executive Branch to U.S. firms, and rationalization of the disparate personnel and budget resources allocated among the departments for export controls. The bill has not been taken up by the Senate to date.

The full text of the GAO report released today is available at [www.gao.gov](http://www.gao.gov).

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