



Los Angeles Area  
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## **Update: Momentum for Reform of U.S. Export Controls Will Continue in 2011**

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The Obama Administration launched an initiative to reform the antiquated U.S. export control system in 2009, and has recently taken steps to complete the second phase of the reform initiative in advance of beginning the work on the third and final phase of reforms during 2011.

Current U.S. export controls for a large number of items and technologies are governed by two separate control lists and are administered by three separate agencies – Defense, Commerce and Treasury. The current system has long been viewed as being overly complicated with too many redundancies and covering too many items which are readily available from third country sources, resulting in U.S. companies facing an unnecessary competitive disadvantage in overseas markets.

The primary objective of the Administration's initiative is to create a single modernized control list, as well as a single licensing agency, information technology system and enforcement coordination agency in order to better protect national security given the changing global economic and technology situations, as well as strengthen the competitiveness of U.S. exporters.

Work on the second phase of the reform initiative is well under way. In December 2010, the U.S. Departments of State and Commerce issued proposed regulations to reform their control lists – the U.S. Munitions List for defense-related exports and Commerce Control List for dual use goods respectively, which will lead to the creation of a single list. The Departments of State, Commerce and Treasury have consolidated their export screening lists into a common electronic format. In addition, the President recently established an Export Enforcement Coordination Center among the Departments of State, Treasury, Defense, Justice, Commerce, Energy and Homeland Security, which will serve as the primary point of contact between enforcement agencies and export licensing agencies. Operations are set to begin in early 2011 and will facilitate the creation of a single enforcement agency while in the near-term provide for improved coordination between enforcement and licensing matters for U.S. industries.

The Administration is planning to issue additional reform measures early this year, including, proposed further revisions to the Munitions Control List, proposed harmonized definitions, and a proposed common form that exporters can use to apply for export licenses from the Departments of State, Commerce and Treasury. In addition, the Administration is working on legislation which will be necessary to complete and implement the final third phase of reforms – to unify the two control lists, as well as create a single licensing agency and single enforcement agency. The legislation is currently expected to be submitted to Congress later this year.