DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

FAC No. Gen – 198038

MEMORANDUM FOR JOHN M. DUNCAN
ASSISTANT SECRETARY
(LEGISLATIVE AFFAIRS)

DEC 28 2001

FROM: R. RICHARD NEWCOMB
DIRECTOR
OFFICE OF FOREIGN ASSETS CONTROL

SUBJECT: First Quarterly Report to the Congress on Activities Pursuant to Section 906(a)(1) of the Trade Sanctions Reform and Export Enhancement Act of 2000.

Under § 906(b) of the Trade Sanctions Reform and Export Enhancement Act of 2000 (Title IX of P. L. 106-387)(the "Act"), the Office of Foreign Assets Control ("OFAC") is required to submit a quarterly report to the appropriate congressional committees on any activities undertaken pursuant to § 906(a)(1) of the Act during the preceding calendar quarter. The attached report serves as OFAC's first quarterly report since the publication of the implementing regulations on July 26, 2001, and is the template for all future reports. I am forwarding these documents to you for your signature and submission to the Congress.

Background

The Act requires that, unless certain conditions are met, the President terminate unilateral restrictions on the exportation of agricultural commodities, medicine and medical devices ("Ag/Med exports") to a foreign country or foreign entity imposed by the United States for reasons of foreign policy or national security. Under Section 906(a)(1) of the Act, however, Ag/Med exports to Cuba or to the government of a country that has been determined by the Secretary of State to have repeatedly provided support for acts of international terrorism ("terrorism-list countries") (currently Cuba, North Korea, Libya, Iran, Iraq, Sudan and Syria), or to any other entity in such a country, may only take place pursuant to one-year licenses, which licenses shall be denied to any entity within such country promoting international terrorism. The Bureau of Export Administration of the Department of Commerce authorizes Ag/Med exports to Cuba and licensing activity with respect to those exports will be reported directly to the Congress by that agency. The Act, as amended by Sec. 221 of the USA Patriot Act, exempts exports to Syria and North Korea from this license requirement. Exports to Iraq are also not affected by the Act, since they are administered pursuant to a multilateral regime mandated by the United Nations Security Council. Therefore, the report covers only activities undertaken with respect to OFAC licensing of Ag/Med exports to Iran, Libya and Sudan.

Recommendation

That you sign the attached letters to the Chairpersons and ranking minority members of the six relevant committees of the House and Senate.

Enclosures

OFFICE OF FOREIGN ASSETS CONTROL

REPORT OF LICENSING ACTIVITIES

PURSUANT TO

THE TRADE SANCTIONS REFORM AND EXPORT ENHANCEMENT ACT OF 2000

July-September 2001

I. Overview

This report covers activities undertaken by the Treasury Department's Office of Foreign Assets Control ("OFAC") under Section 906(a)(1) of the Trade Sanctions Reform and Export Enhancement Act of 2000 ("TSRA") from July through September 2001. On July 12, 2001, OFAC issued interim regulations with a request for public comment, implementing the TSRA. The regulations went into effect on July 26, 2001. Prior to TSRA, a similar licensing program was in effect pursuant to a presidential policy initiative. In implementing these regulations, OFAC worked with the Commerce Department's Bureau of Export Administration to implement jointly-devised procedures for handling export authorization requests subject to the TSRA. Under these procedures OFAC processes license applications requesting authorization to export agricultural commodities, medicine, and medical devices to Iran, Libya, and Sudan under the one-year specific licensing regime set forth in Section 906 of the TSRA.

OFAC accomplishments in effectively implementing the TSRA during its first quarter of operation (last fiscal quarter for 2001) include the following:

- Clear and concise license application guidelines were published on the World Wide Web shortly after the regulations were published in the Federal Register;
- Efficient and innovative electronic processing procedures were established by OFAC to refer license applications to the State Department for interagency review;
- The established time limits for license application review by OFAC and the State Department were strictly adhered to;
- The backlog of applications (45 in total) pending at the State Department from the previous program was cleared up under the TSRA procedures; and
- The average number of business days for the OFAC Licensing Division to issue a licensing determination[1] under the TSRA regulations was only eight (8) business days.

II. Program Operation

From July 26, 2001, the effective date of the TSRA regulations, to the end of the last fiscal quarter of 2001, OFAC's Licensing Division processed a total of 143 license applications pursuant to Section 906(a)(1) of the TSRA, 98 of which were new license applications received

[1]A licensing determination is defined as any action, either intermediate or final, that OFAC takes on a license application. It may take the form of a license, a "return-without-action" letter, a general information letter, a denial letter, or in rare instances, a phone call.

after the effective date of the TSRA regulations and 45 of which were previously submitted under the predecessor program. During this period, OFAC issued licensing determinations on 139 of the 143 license applications. A total of 56 licenses were issued under the TSRA regulations from July through September (***See Charts 1 and 2***). On average, licenses were issued within 12.8 business days of receipt of the application. With respect to the remaining license applications, OFAC issued 19 general information letters (average turnaround: five business days), 27 "return-without-action" letters ("RWA letters") (average turnaround: 2.8 business days), two denial letters (average turnaround: 18 business days), and two Congressional letters (average turnaround: 5.5 business days) (***See Graph 1***). The average number of business days for the Licensing Division to issue a licensing determination in response to submissions to OFAC on any license application under the TSRA regulations was eight business days. The total of licenses issued, general information letters, "return-without-action" letters, and denial letters is fewer than the number of license applications received because in some instances multiple applications from the same license applicant were combined into one license, and two cases were handled via telephone.

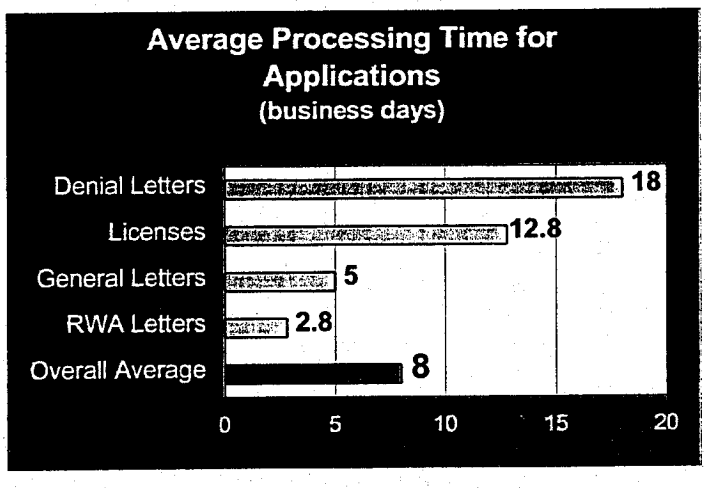
CHART 1
Number of License Applications and Licenses Issued by Product

	Agricultural Commodities	Medicine	Medical Devices	TOTAL
License Applications	56	9	78	**143**
Licenses Issued	24	3	29	**56**
Applications Denied	0	2	0	**2**

CHART 2
Number of License Applications and Licenses Issued by Country

	Iran	Libya	Sudan	TOTAL
License Applications	114	21	8	**143**
Licenses Issued	48	8	0	**56**
Applications Denied	2	0	0	**2**

GRAPH 1



III. Conclusion

We consider implementation of the TSRA in its first quarter of operation a success. We believe this was due in large part to the efficient manner by which OFAC processed license applications and forwarded them when appropriate for review by the State Department.[2] Average processing time for issuing licenses was 12.8 days, facilitated by efficient and innovative use of electronic processing capabilities both within OFAC and as a means to refer license applications to the State Department. Subsequent to September 11, a variety of factors, most significantly a substantial diversion of resources to the President's initiative on terrorism, has had an impact on the expedited processing of these applications. Nonetheless, license determinations are still being issued within 30 days on average.

[2]OFAC's Licensing Division only forwards complete and eligible applications to the State Department.