DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

July 5, 2002

The Honorable George R. Nethercutt, Jr.
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Nethercutt:

Enclosed is the quarterly report submitted under § 906(b) of the Trade Sanctions Reform and Export Enhancement Act of 2000 (the "Act"). The report discusses activities undertaken by the Treasury Department's Office of Foreign Assets Control in the administration of the one-year licensing regime set forth in § 906(a)(1) of the Act with respect to the exportation of agricultural commodities, medicine and medical devices to Iran, Libya, and Sudan.

Sincerely,

Kenneth E. Lawson
Assistant Secretary
(Enforcement)

Enclosure

OFFICE OF FOREIGN ASSETS CONTROL

REPORT OF LICENSING ACTIVITIES

PURSUANT TO

THE TRADE SANCTIONS REFORM AND EXPORT ENHANCEMENT ACT OF 2000

April - June 2002

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 April through June 2002. 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. 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.

Despite a 10.5 percent decrease in the number of license applications during this reporting quarter from the prior quarter (171 for Jan.-Mar. 2002, 153 for Apr.-Jun. 2002), most complete and eligible license applications[1] were not processed within the established time guidelines for license application review.[2] However, OFAC consistently operated within its internal time guidelines by using no more than ***2.7 business days on average*** in both forwarding license applications to other agencies for review, and processing license applications following receipt of an approval or denial memorandum from other agencies. OFAC issued licensing determinations[3] on 58 percent of the license applications received during the Apr.-Jun. 2002 period (compared to 50 percent for Jan.-Mar. 2002).

The increased complexity and length of license applications coupled with the more protracted scrutiny on the part of other reviewing agencies continued to affect processing time of license applications in the program's fourth quarter of operation. The 30-day extension of the nine-

---

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

[2] *Federal Register/Vol. 66, No. 134/Thursday, July 12, 2001/Rules and Regulations, 36685, provides the following guidelines:* The expedited process will include, when appropriate, referral of the one-year license request to other government agencies for guidance in evaluating the request. If no government agency raises an objection to or concern with the application within nine business days from the date of any such referral, OFAC will issue the one-year license, provided that the request otherwise meets the requirements set forth in this rule. If any government agency raises an objection to the request within nine business days from the date of referral, OFAC will deny the request for the one-year license. If any government agency raises a concern short of an objection with the request within nine business days from the date of referral, OFAC will delay its response to the license request for no more than thirty additional days to allow for further review of the request.

[3] 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, an interpretation letter, a denial letter, or in rare instances, a telephone call, fax, or e-mail.

business day review period by other agencies is now taken for virtually all cases. Interagency review exceeded the 30-day extension period in 66 percent of cases (compared to 41 percent for Jan.-Mar. 2002). Of these cases, the review period exceeded the 30-day extended period by an average of 17 business days (compared to 13 business days for Jan.-Mar. 2002).

These cases are evaluated by other agencies both in terms of whether the foreign entities involved in the transaction "promote international terrorism" as required in section 906 of the TSRA and in terms of whether the commodities at issue implicate independent export control regimes involving chemical or biological weapons or weapons of mass destruction as provided in section 904(2)(C) of the TSRA. Scrutiny of these cases on these grounds often results in requests for additional information by the reviewing agency which neither the applicant nor OFAC can anticipate, at times causing additional delays in the review process.

II. Program Operation

From April 1 to June 30, 2002, OFAC's Licensing Division received a total of 153 license applications pursuant to Section 906(a)(1) of the TSRA. During this period, OFAC issued licensing determinations on 88 of the 153 license applications. A total of 68 licenses and 15 license amendments[4] were issued from April through June (***See Charts 1 and 2***). On average, licenses and license amendments were issued within 46.5 business days of receipt of the application. Upon completion, 96 percent (80 in total) (compare with 96 percent (78 in total) for Jan.-Mar. 2002) of the licenses and license amendments issued were sent via e-mail in Adobe Acrobat PDF format to licensees. In addition, OFAC issued 2 general information letters (average turnaround: 1 business day), 54 "return-without-action" letters ("RWA letters") (average turnaround: 1.4 business days), and four denial letters (average turnaround: 58 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 29.3 business days, an increase of 43.6 percent compared with last quarter's average of 20.4 business days. The total of licenses issued, general information letters, "return-without-action" letters, and denial letters does not equal the number of license applications received because: 1) not all license applications received during this quarter were closed in this quarter; 2) some license applications pending from prior quarters of operation were closed in this quarter; 3) in some instances multiple applications from the same license applicant were combined into one license; and 4) a few license applications were handled via telephone, fax, or e-mail.

CHART 1
Number of License Applications and Licenses Issued by Product

	Agricultural Commodities	Medicine	Medical Devices	TOTAL
License Applications	69	4	80	**153**
Licenses Issued	41	9	18	**68**
License Amendments Issued	15	0	0	**15**
Applications Denied	2	0	2	**4**

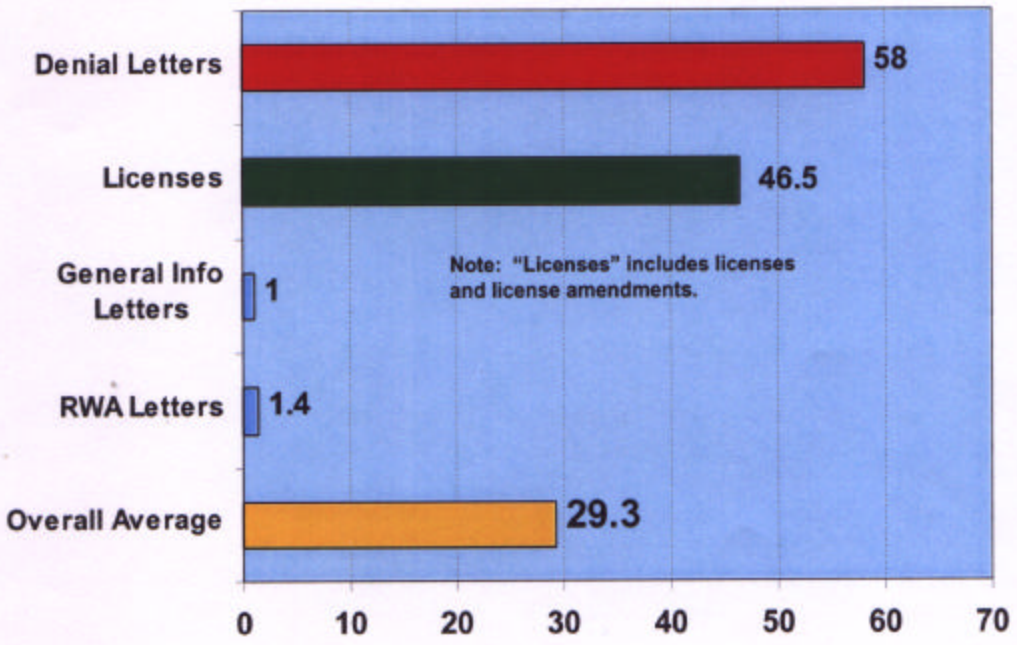
[4] A "license amendment" is an amendment to an existing license previously issued by OFAC. Some license amendment applications require interagency review, such as adding an additional end-user or additional commodities to an existing license.

CHART 2
Number of License Applications and Licenses Issued by Country

	Iran	Libya	Sudan	TOTAL
License Applications	99	40	14	153
Licenses Issued	46	14	8	68
License Amendments Issued	14	0	1	15
Applications Denied	3	1	0	4

GRAPH 1

Average Time for Issuing Licensing Determinations (business days)



III. Conclusion

Despite the slowdown in the processing of license applications, OFAC continues to administer the TSRA successfully by using no more than 2.7 business days on average in both forwarding license applications to other agencies for review and processing license applications following receipt of an approval or denial memorandum from other agencies. The average processing time for issuing licenses rose considerably (54 percent) to 46.5 business days in this quarter of operation from 30.2 business days previously, and the average time for issuing licensing determinations rose by 43.6 percent to 29.3 business days versus 20.4 business days in the preceding quarter.