

OFFICE OF FOREIGN ASSETS CONTROL

REPORT OF LICENSING ACTIVITIES

PURSUANT TO

THE TRADE SANCTIONS REFORM AND EXPORT ENHANCEMENT ACT OF 2000

April - June 2006

I. Overview

This report is submitted pursuant to Section 906(b) of the Trade Sanctions Reform and Export Enhancement Act of 2000 ("TSRA") and covers activities undertaken by the Treasury Department's Office of Foreign Assets Control ("OFAC") under Section 906(a)(1) of the TSRA from April through June 2006. Under the procedures established in its TSRA-related regulations, OFAC processes license applications requesting authorization to export agricultural commodities, medicine, and medical devices to Iran and Sudan under the one-year specific licensing regime set forth in Section 906 of the TSRA.

There was a 25.2 percent decrease in the number of license applications received during this reporting quarter from the prior quarter (184 for Apr.-Jun. 2006, 246 for Jan.-Mar. 2006). OFAC was able to issue licensing determinations¹ on 48.3 percent of all the license applications received during the April – June 2006 period (compared to 36.2 percent for the Jan.-Mar. 2006 period), and issued additional determinations after the quarter ended. The average processing time for issuing licenses increased by 41.3 percent to 48.2 business days in this quarter of operation, and the average time for issuing licensing determinations increased by 35.1 percent to 44.3 business days versus 32.8 business days in the preceding quarter.

The increased complexity and length of license applications (the majority of applications pertain to the export of medical devices to Iran) coupled with the more protracted scrutiny on the part of other reviewing agencies continued to affect processing time of license applications in this quarter. 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.

II. Program Operation

From April 1 to June 30, 2006, OFAC's Licensing Division received a total of 184 license applications pursuant to Section 906(a)(1) of the TSRA. During this period, OFAC issued

¹A 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 license amendment, a "return-without-action" letter, a general information letter, an interpretative letter, a denial letter, a telephone call, a fax, or an e-mail.

licensing determinations on 89 of the 184 license applications. One hundred thirty five (135) licenses and seven license amendments² were issued from April through June (**See Charts 1 and 2**). On average, licenses and license amendments were issued within 48.2 business days of receipt of the application. Upon completion, 91.5 percent (130 in total)³ of the licenses and license amendments issued were sent via e-mail in Adobe Acrobat PDF format to licensees, a service that generated very favorable comment by licensees. In addition, OFAC issued 35 “return-without-action” letters (“RWA letters”) (average turnaround: 22.8 business days), and six denial letters (average turnaround: 79.0 business days – also subject to interagency review) (**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 44.3 business days, an increase of 35.1 percent compared with last quarter’s average of 32.8 business days. The total number of licenses/license amendments, RWA letters, and denial letters issued 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.

As in past quarters, the preponderance of license applications submitted and licenses/license amendments issued was for Iran (**See Chart 3**). A total of 166 applications (90.2%) was received for Iran, in contrast to 18 (9.8%) for Sudan. Likewise, 119 licenses/license amendments (83.8%) were issued for the sale of agricultural commodities, medicine, and medical devices to Iran, versus 23 (16.2%) for Sudan. In keeping with the program’s trend, the majority of license applications (57.1%) and roughly half of the licenses/license amendments (43.0%) were for the export of medical devices to Iran and Sudan. Of the 166 license applications for Iran, 53 (31.9%) were for agricultural commodities, 16 (9.6%) for medicine, and 97 (58.4%) for medical devices. Of the 119 licenses/license amendments issued for Iran, 50 (42.0%) were for agricultural commodities, 15 (12.6%) for medicine, and 54 (45.4%) for medical devices. The percentage breakdown of the 18 license applications for Sudan is: seven (38.9%) for agricultural commodities, three (16.7%) for medicine, and eight (44.4%) for medical devices. Of the 23 licenses/license amendments issued for Sudan, nine (39.1%) were for agricultural commodities, seven (30.4%) for medicine, and seven (30.4%) for medical devices.

CHART 1
Number of License Applications and Licenses Issued by Product

	Agricultural Commodities	Medicine	Medical Devices	TOTAL
License Applications	60	19	105	184
Licenses Issued	57	18	60	135
License Amendments Issued	2	4	1	7
Applications Denied	0	0	6	6

² A “license amendment” is an amendment to an existing license previously issued by OFAC. Some license amendment applications require interagency review, such as those adding an additional end-user or additional commodities to an existing license.

³ Compared with 90.3 percent (84 in total) for Jan.-Mar. 2006.

CHART 2
Number of License Applications and Licenses Issued by Country

	Iran	Sudan	TOTAL
License Applications	166	18	184
Licenses Issued	113	22	135
License Amendments Issued	6	1	7
Applications Denied	5	1	6

CHART 3
Number of License Applications and Licenses Issued by Country and Product

	Agricultural Commodities	Medicine	Medical Devices	TOTAL
IRAN				
License Applications	53	16	97	166
Licenses and License Amendments Issued	50	15	54	119
SUDAN				
License Applications	7	3	8	18
Licenses and License Amendments Issued	9	7	7	23

GRAPH 1

Average Time for Issuing Licensing Determinations
(business days)

