

# OFFICE OF FOREIGN ASSETS CONTROL

## REPORT OF LICENSING ACTIVITIES

### PURSUANT TO

### THE TRADE SANCTIONS REFORM AND EXPORT ENHANCEMENT ACT OF 2000

July-September 2002

## 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 July through September 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 13.1 percent decrease in the number of license applications received during this reporting quarter from the prior quarter (153 for Apr.-Jun. 2002, 133 for Jul.-Sep. 2002), most complete and eligible license applications<sup>1</sup> were not processed within the established time guidelines for license application review.<sup>2</sup> OFAC issued licensing determinations<sup>3</sup> on only 24.8 percent of the license applications received during the July -September 2002 period (compared to 58 percent for Apr.-Jun. 2002 period).

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 this quarter of operation. The 30-day extension of the nine-business day review period by other agencies is now taken for virtually all cases. Interagency review exceeded the 30-day extension period in 67 percent of licensed cases (compared to 60 percent for Apr.-Jun.

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<sup>1</sup> OFAC's Licensing Division forwards only complete and eligible license applications to the State Department.

<sup>2</sup> *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.

<sup>3</sup> 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, a telephone call, a fax, or an e-mail.

2002). Of these cases, the review period exceeded the 30-day extended period by an average of 32.9 business days (compared to 16.7 business days for Apr.-Jun. 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, causing additional delays in the review process.

## II. Program Operation

From July 1 to September 30, 2002, OFAC’s Licensing Division received a total of 133 license applications pursuant to Section 906(a)(1) of the TSRA. During this period, OFAC issued licensing determinations on 33 of the 133 license applications. A total of 33 licenses and 4 license amendments<sup>4</sup> were issued from July through September (**See Charts 1 and 2**). On average, licenses and license amendments were issued within 72.5 business days of receipt of the application. Upon completion, 97 percent (36 in total) (compared with 96 percent (80 in total) for Apr.-Jun. 2002) of the licenses and license amendments issued were sent via e-mail in Adobe Acrobat PDF format to licensees. In addition, OFAC issued four general information letters (average turnaround: 3.5 business days), 16 “return-without-action” letters (“RWA letters”) (average turnaround: 3.2 business days), six denial letters (average turnaround: 58 business days), and seven Congressional letters (average turnaround 7.4 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 49.1 business days, an increase of 67.5 percent compared with last quarter’s average of 29.3 business days. The total licenses issued, general information letters, RWA 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	66	18	49	133
Licenses Issued	21	3	9	33
License Amendments Issued	3	0	1	4
Applications Denied	1	0	5	6

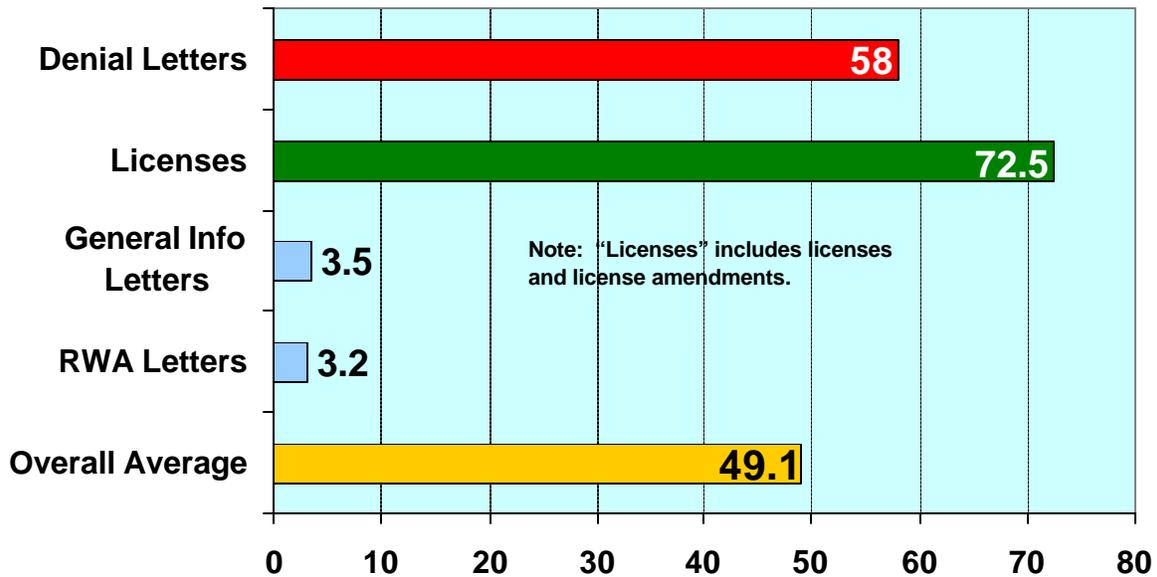
<sup>4</sup> A “license amendment” is an amendment to an existing license previously issued by OFAC. Some license amendment applications require interagency review, such as adding an additional end-user or additional commodities to an existing license.

**CHART 2**  
**Number of License Applications and Licenses Issued by Country**

	Iran	Libya	Sudan	TOTAL
License Applications	98	23	12	133
Licenses Issued	26	5	2	33
License Amendments Issued	4	0	0	4
Applications Denied	3	2	1	6

**GRAPH 1**

**Average Time for Issuing Licensing Determinations (business days)**



**III. Conclusion**

The average processing time for issuing licenses rose by 55.9 percent to 72.5 business days in this quarter of operation from 46.5 business days previously, and the average time for issuing licensing determinations rose by 67.5 percent to 49.1 business days versus 29.3 business days in the preceding quarter.