

# OFFICE OF FOREIGN ASSETS CONTROL

## REPORT OF LICENSING ACTIVITIES

### PURSUANT TO

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

July – September 2005

## 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 2005. On July 12, 2001, OFAC issued 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 and Sudan under the one-year specific licensing regime set forth in Section 906 of the TSRA.

There was a minor increase in the number of license applications received during this reporting quarter from the prior quarter (229 for Jul.-Sep. 2005, 228 for Apr.-Jun. 2005). A majority of the complete and eligible license applications<sup>1</sup> processed in this quarter were processed within the established time guidelines for license application review.<sup>2</sup> OFAC was able to issue licensing determinations<sup>3</sup> on 59.8 percent of all the license applications received during the July – September 2005 period (compared to 61.8 percent for the Apr.-Jun. 2005 period).

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. A 30-day extension of the nine-business day review period by other agencies occurs in nearly all cases. Interagency review exceeded the 30-day extension period in 12.5 percent of licensed cases (compared to 42.9 percent for Apr.-Jun. 2005). Of these cases, the review

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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 interpretative letter, a denial letter, a telephone call, a fax, or an e-mail.

period exceeded the 30-day extended period by an average of 8.1 business days (compared to 37.7 business days for Apr.-Jun. 2005).

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, 2005, OFAC’s Licensing Division received a total of 229 license applications pursuant to Section 906(a)(1) of the TSRA. During this period, OFAC issued licensing determinations on 137 of the 229 license applications. A total of 151 licenses and 9 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 25.2 business days of receipt of the application. Upon completion, 90.6 percent (145 in total)<sup>5</sup> 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 one general information letter (turnaround: eight business days), 35 “return-without-action” letters (“RWA letters”) (average turnaround: 5.3 business days), and 7 denial letters (average turnaround: 33.8 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 22 business days, a decrease of 26.7 percent compared with last quarter’s average of 30 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.

As in past quarters, the preponderance of license applications submitted and licenses/license amendments issued was for Iran (**See Chart 3**). A total of 195 license applications (85.2%) was received for Iran, in contrast to 34 (14.8%) for Sudan. Likewise, 137 licenses/license amendments (85.6%) were issued for the sale of agricultural commodities, medicine, and medical devices to Iran, versus 23 (14.4%) for Sudan. In keeping with the program’s trend, the majority of license applications (52.4%) and just under half of the licenses/license amendments (43.1%) were for the export of medical devices to Iran and Sudan. Of the 195 license applications for Iran, 66 (33.9%) were for agricultural commodities, 26 (13.3%) for medicine, and 103 (52.8%) for medical devices. Of the 137 licenses/license amendments issued for Iran, 51 (37.2%) were for agricultural commodities, 21 (15.3%) for medicine, and 65 (47.5%) for medical

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<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 those adding an additional end-user or additional commodities to an existing license.

<sup>5</sup> Compared with 94.5 percent (154 in total) for Apr.-Jun. 2005.

devices. Although fewer in number, the percentage breakdown of the 34 license applications for Sudan is analogous: 13 (38.2%) for agricultural commodities, four (11.8%) for medicine, and 17 (50%) for medical devices. Of the 23 licenses/license amendments issued for Sudan, 16 (69.6%) were for agricultural commodities, three (13.0%) for medicine, and four (17.4%) for medical devices. The disparity in the number of license applications and licenses/license amendments for the two countries reflects their respective economic development and political situation.

**CHART 1  
Number of License Applications and Licenses Issued by Product**

	<b>Agricultural Commodities</b>	<b>Medicine</b>	<b>Medical Devices</b>	<b>TOTAL</b>
<b>License Applications</b>	79	30	120	<b>229</b>
<b>Licenses Issued</b>	61	21	69	<b>151</b>
<b>License Amendments Issued</b>	6	3	0	<b>9</b>
<b>Applications Denied</b>	2	1	4	<b>7</b>

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

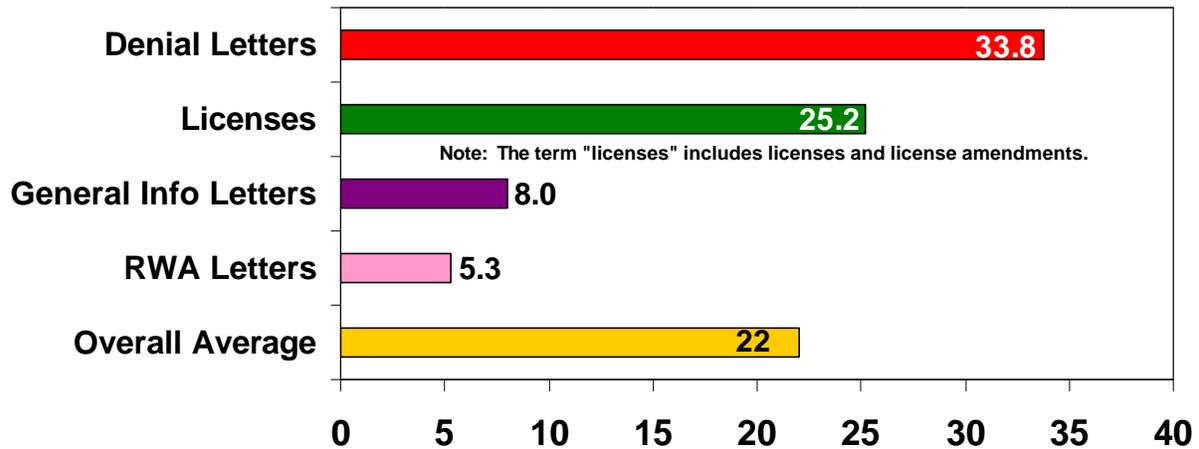
	<b>Iran</b>	<b>Sudan</b>	<b>TOTAL</b>
<b>License Applications</b>	195	34	<b>229</b>
<b>Licenses Issued</b>	129	22	<b>151</b>
<b>License Amendments Issued</b>	8	1	<b>9</b>
<b>Applications Denied</b>	6	1	<b>7</b>

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

	<b>Agricultural Commodities</b>	<b>Medicine</b>	<b>Medical Devices</b>	<b>TOTAL</b>
<b>IRAN</b>				
<b>License Applications</b>	66	26	103	<b>195</b>
<b>Licenses and License Amendments Issued</b>	51	21	65	<b>137</b>
<b>SUDAN</b>				
<b>License Applications</b>	13	4	17	<b>34</b>
<b>Licenses and License Amendments Issued</b>	16	3	4	<b>23</b>

**GRAPH 1**

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



**III. Conclusion**

The average processing time for issuing licenses decreased by 31.5 percent to 25.2 business days in this quarter of operation, and the average time for issuing licensing determinations decreased by 26.7 percent to 22 business days versus 30 business days in the preceding quarter.

In August 2003, in consultation with the State Department, OFAC implemented a process that permits OFAC to issue agricultural commodities licenses without interagency review where the commodity and the end-user had been approved through the interagency review process within the past twelve months. During this quarter, 15 licenses were issued under this exception to the interagency review process, enabling OFAC to issue these agricultural commodities licenses on average within seven days of receipt of the license application.