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A 6-MONTH PERIODIC REPORT DECLARED BY EXECUTIVE ORDER 12924

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A 6-MONTH PERIODIC REPORT ON THE NATIONAL EMERGENCY DECLARED BY EXECUTIVE ORDER 12924 OF AUGUST 19, 1994, TO DEAL WITH THE THREAT TO THE NATIONAL SECURITY, FOREIGN POLICY, AND ECONOMY OF THE UNITED STATES CAUSED BY THE LAPSE OF THE EXPORT ADMINISTRATION ACT OF 1979, PURSUANT TO 50 U.S.C. 1703(c)

SEPTEMBER 13, 1999.—Referred to the Committee on International Relations and ordered to be printed

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THE WHITE HOUSE,
Washington, August 12, 1999.

Hon. J. DENNIS HASTERT,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: As required by section 204 of the International Emergency Economic Powers Act (50 U.S.C. 1703(c)) and section 401(c) of the National Emergencies Act (50 U.S.C. 1641(c)), I transmit herewith a 6-month periodic report on the national emergency declared by Executive Order 12924 of August 19, 1994, to deal with the threat to the national security, foreign policy, and economy of the United States caused by the lapse of the Export Administration Act of 1979.

Sincerely,

WILLIAM J. CLINTON.

President's Periodic Report on the National Emergency

Caused by the Lapse of the Export Administration Act of 1979

for

February 19, 1998, to August 19, 1998

1. On August 19, 1994, in Executive Order No. 12924, I declared a national emergency under the International Emergency Economic Powers Act (IEEPA) (50 U.S.C. 1701 et seq.) to deal with the threat to the national security, foreign policy, and economy of the United States caused by the lapse of the Export Administration Act of 1979, as amended (50 U.S.C. App. 2401 et seq.) and the system of controls maintained under that Act. In that order, I continued in effect, to the extent permitted by law, the provisions of the Export Administration Act of 1979, as amended, the Export Administration Regulations (15 C.F.R. 730 et seq.), and the delegations of authority set forth in Executive Order No. 12002 of July 7, 1977 (as amended by Executive Order No. 12755 of March 12, 1991), Executive Order No. 12214 of May 2, 1980, Executive Order No. 12735 of November 16, 1990 (subsequently revoked by Executive Order No. 12938 of November 14, 1994), and Executive Order No. 12851 of June 11, 1993. As required by the National Emergencies Act (50 U.S.C. 1622(d)), I issued notices on August 15, 1995, August 14, 1996, August 13, 1997 and August 13, 1998, continuing the emergency declared in Executive Order No. 12924.

2. In 1996, I issued two Executive Orders in order to take additional steps with respect to the national emergency described and declared in Executive Order No. 12924. On October 12, 1996, I issued Executive Order No. 13020 in order to provide for appropriate controls on the export of commercial communication satellites and hot-section technologies for the development, production, and overhaul of commercial aircraft engines transferred from the United States Munitions List to the Commerce Control List. On November 15, 1996, I issued Executive Order No. 13026 in order to provide for appropriate controls on the export and foreign dissemination of encryption products.

3. I issued Executive Order No. 12924 pursuant to the authority vested in me as President by the Constitution and laws of the United States, including, but not limited to, IEEPA. At that time, I also submitted a report to the Congress pursuant to section 204(b) of IEEPA (50 U.S.C. 1703(b)). Section 204 of IEEPA requires follow-up reports, with respect to actions or changes, to be submitted every six months. Additionally, section 401(c) of the National Emergencies Act (50 U.S.C. 1641(c)) requires that the President, within 90 days after the end of each six-month period following a declaration of a national emergency, report to the Congress on the total expenditures directly attributable to that declaration. To comply with these requirements, I have submitted combined activities and expenditures reports for the six-month periods ending February 19, 1995, August 19, 1995, February 19, 1996, August 19, 1996, February 19, 1997, August 19, 1997, and February 19, 1998. The following report covers the six-month period from

February 19, 1998, to August 19, 1998. Detailed information on export control activities is contained in the most recent Export Administration Annual Report and the 1997 Report on Foreign Policy Export Controls, required by section 14 and section 6(f) of the Export Administration Act, respectively, which the Department of Commerce continues to submit to the Congress under a policy of conforming actions under the Executive Order to the provisions of the Export Administration Act, as appropriate.

4. Since the issuance of Executive Order No. 12924, the Department of Commerce has continued to administer and enforce the system of export controls, including anti-boycott provisions, contained in the Export Administration Regulations (EAR). In administering these controls, the Department has acted under a policy of conforming actions under Executive Orders No. 12924, 13020, and 13026 to the provisions of the Export Administration Act, insofar as appropriate.

5. The expenses incurred by the Federal Government in the six-month period from February 19, 1998, to August 19, 1998, that are directly attributable to the exercise of authorities conferred by the declaration of a national emergency with respect to export controls were largely centered in the Department of Commerce, Bureau of Export Administration (BXA). Expenditures by the Department of Commerce are anticipated to be $20,273,000, most of which represents program operating costs, wage and salary costs for Federal personnel, and overhead expenses.

6. Since my last report to the Congress, there have been several significant developments in the area of export controls:

A. Multilateral Developments

Wassenaar Arrangement. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies is a multilateral regime currently consisting of 33 member countries. Its purpose is to contribute to regional and international security and stability by promoting transparency and greater responsibility in international transfers of conventional arms and dual-use goods and technologies.

♦ In January 1998, BXA published comprehensive changes to the Export Administration Regulations to implement the Wassenaar Arrangement's List of Dual-Use Goods and Technologies into the Commerce Control List. To simplify the conversion process for exporters, BXA also harmonized items on the Wassenaar list to conform to the European Union dual-use list and lists of other international control regimes to which the United States belongs. This January 1998 rule also imposed new requirements on exporters to report to BXA exports of certain items made under the authority of specified license exceptions. BXA provides this information, other than the exporter's name, to other participating countries in order to enhance international security and stability. In August 1998, BXA received the first semiannual reports from exporters for exports made between January 15, 1998, and June 30, 1998.

♦ The U.S. Government has continued to participate in submissions of transfer data made by member countries in the regime since the November 1996 implementation of the Wassenaar dual-use export control list. Such submissions of certain transfer data are required on a semiannual basis.

♦ Additionally, representatives from BXA attended the first official annual List Review of the Wassenaar Arrangement in April 1998, and the first Wassenaar Arrangement meeting on Licensing and Enforcement in June 1998. Future meetings include Technical Working Group meetings scheduled for September and October 1998, a General Working Group meeting scheduled for November 1998, and a plenary session scheduled for the end of 1998.

Australia Group. The Australia Group (AG), an informal multilateral forum, cooperates in curbing the proliferation of chemical and biological weapons through the harmonization of export controls, the exchange of information, and other diplomatic means. The group currently has 30 member countries.

In accordance with the AG-agreed control list, BXA maintains export licensing requirements for precursor chemicals, microorganisms and toxins, equipment, whole plants, and technology that may be used in the production of chemical or biological weapons.

BXA provides technical and policy analysis for the review of the list of AG-controlled items. This review permits continued updating and refinement of the controls to optimize their non-proliferation impact and keep current with today's chemical and biological trade patterns. At the AG Plenary Session, held October 12-15, 1998, BXA participated in the Technical Experts Group's review of a number of chemical and biological equipment items and biological agents.

BXA supports and observes the AG's "no undercut" policy that provides for the notification of all members of export license denials for AG-controlled items. The purpose is to prevent a member from undercutting another member's denial without consultation on the reasons for the denial. The "no undercut" policy has worked well in closing the loophole for potential diverters who shop around to acquire items for proliferation purposes.

In addition to export controls, the AG seeks to stem the proliferation of chemical and biological weapons through outreach to non-participating countries. BXA contributes to this effort by inviting foreign export control officials to a variety of forums to discuss national export laws and regulations, including the purpose of the AG and its control list. A number of non-AG countries -- including Bulgaria, Russia, and Ukraine -- have taken steps to adopt AG-type controls. The United States continued to encourage countries outside of the AG to observe similar export control provisions.

Nuclear Suppliers Group. The Nuclear Suppliers Group (NSG), currently composed of 35 member countries, maintains a control list of nuclear related dual-use items and trigger list items for their control. The NSG is in the final stages of completing a reformatting and restructuring of

the dual-use control list in an effort to standardize the language and to ensure uniform compliance by all member countries. The NSG has undertaken a series of seminars for non-NSG member countries in an effort to show the openness and transparency of the regime. The first seminar was held at the International Atomic Energy Agency in October 1997. Additional seminars are scheduled for New York in 1999, to prepare for the Nuclear Nonproliferation Treaty discussions at the United Nations, and in late 1998 or early 1999 in Mexico, to focus on the Americas.

The NSG has initiated an international working group on intangible technology controls and the Department of Commerce has responded with briefing and presentation materials on the U.S. controls of such technology.

BXA continues to issue license denials for NSG dual-use controlled items as part of the "no-undercut" provision. Under this provision, a denial notification received from an NSG member country precludes other member countries from approving similar transactions, thereby assuring that the earlier denial is not undercut. There are procedures for member countries to consult on specific denials if they wish to disagree with the original denial.

Missile Technology Control Regime (MTCR). The MTCR is an informal group of countries founded in 1987 by the United States and its G-7 trading partners to coordinate their national export controls for the prevention of missile proliferation. With the addition of the Czech Republic, Poland, and Ukraine in May 1998, the MTCR now has 32 members. Each member, under its own laws and practices, has committed to adhere to the MTCR Guidelines for export licensing policy for items found on the MTCR Equipment and Technology Annex. The United States continued to maintain its multilateral MTCR controls as well as its unilateral Enhanced Proliferation Control Initiative controls during the reporting period.

♦ In May and June 1998, to foster further international cooperation on non-proliferation, BXA played a leading role in two multilateral export control seminars, one focused on "catch-all" controls, intangible technology transfers, and brokering, and the other on licensing and end-user risk assessments. These seminars were attended by 27 countries, including both Missile Technology Control Regime members, selected non-member countries with major transshipment centers, and other countries, such as Israel and South Korea, that unilaterally adhere to the MTCR Guidelines.

B. Bilateral Cooperation/Technical Assistance

As part of the Administration's continuing effort to encourage other countries to strengthen their export control systems, the Department of Commerce and other agencies conducted a wide range of discussions with a number of foreign countries.

Hong Kong. Under the Hong Kong Policy Act of 1992, the U.S. Government will continue its export licensing treatment for Hong Kong as long as Hong Kong maintains an effective and autonomous export control program. The Bureau of Export Administration aggressively monitors the status of Hong Kong's post-reversion export control program to ensure that it continues to be

effective and autonomous from that of mainland China. By openly and vigilantly observing Hong Kong's program, BXA supports Hong Kong's efforts to maintain the separation of its export control system from that of the rest of China.

In addition to the use of statistical analysis, safeguards visits, and other conventional means, BXA's monitoring capabilities were greatly enhanced by an Agreed Minute on Strategic Commodities Trade Controls signed by Secretary Daley and his Hong Kong counterpart, Secretary for Trade and Industry Denise Yue, in October 1997. The Agreed Minute calls for semiannual meetings, the first of which occurred in Hong Kong in January 1998, and the second in Washington, D.C., in July 1998. BXA thus remains prepared to recommend an appropriate policy response to any changes in Hong Kong's system or practices.

Nonproliferation and Export Control Cooperation. During the period February 19 to August 19, 1998, BXA, in conjunction with representatives from the Departments of State, Defense, and Energy; and the U.S. Customs Service, hosted or coordinated approximately 16 export control cooperation programs. The central theme for these technical exchange programs was to familiarize governments with the five major elements that constitute an effective, international-standard export control system, and to assist them in developing their own national export control systems. These functional areas include: Legal and Regulatory Framework for an effective export control system, Licensing Procedures and Control Lists, Enforcement Mechanisms, Industry-Government Relations, and System Administration and Automation Support. The programs conducted during this reporting period are highlighted below. The programs have helped to reduce the proliferation threat from and through the participating countries.

Legal and Regulatory Framework

♦ Legal and regulatory development programs were presented for the delegations from Azerbaijan (May 11-15) and Kyrgyzstan (June 1-3). In each program, experts focused on the legal foundation needed for a comprehensive and effective export control system. Topics included: controls on exports of dual-use items; arms; nuclear equipment, materials, and technology; embargoes; arms imports; defense authority and perspective; customs authority; and transit authorities. In addition, the Azerbaijan and Kyrgyzstan participants described their export control authorities.

Licensing Procedures and Control Lists

♦ Technical exchanges on licensing procedures and practices were held for representatives from the Czech Republic (March 23-27), Uzbekistan and Kyrgyzstan (April 6-10), Ukraine (May 2-9), and Slovakia (May 18-22). The exchanges focused on standards, practices, and procedures in export licensing for officials responsible for interpreting and implementing export control laws and decrees.

Enforcement Mechanisms

♦ BXA hosted an Export Enforcement-Industry Cooperative Workshop for officials from Russia (April 13-17). This forum was designed to convey the importance of cooperation between industry and government for effective enforcement and to afford firsthand observation of methods used to achieve this in the United States. The exchange emphasized that voluntary industry compliance with export regulations is essential for effective export controls and illustrated the value, in a market economy, of an independent industry perspective on export controls and strong industry support.

Industry-Government Relations

♦ An Industry-Government Executive Forum on Export Controls was held in Prague, the Czech Republic (June 23-24). Approximately 100 Czech industry executives, senior Czech government officials, and a delegation of U.S. industry representatives and government officials participated in the Forum.

♦ To further industry-government cooperation on export controls within Russia, BXA held a U.S. Russia Industry-Government Forum in Chicago (June 7-10) and Washington, D.C. (June 11-12). Visits to various high-technology U.S. companies provided the Russians the opportunity to see how U.S. business applies export controls, and demonstrated the importance of a cooperative relationship on export controls between industry and government.

System Automation

♦ During the reporting period, BXA actively helped to improve the systems automation efforts in several Central European and NIS countries. BXA participated in a site survey in Sofia, Bulgaria (February 15-21) to assess the system requirements for future installation of the "Tracker" automated export licensing system software within Bulgaria. BXA also hosted a program (March 28-April 4) in Washington, D.C. to acquaint Lithuania, Latvia, and Estonia with current developments in "Tracker" software and the various programs available with the use of this software. This technical exchange allowed the Baltic States' export control officers to gain an understanding of complex aspects of export license processing through in-depth training and visits to appropriate agencies. BXA hosted a Licensing Automation and Tracker Evaluation Workshop for Ukraine (May 4-8) to evaluate the current version of the Tracker 97 software through a hands-on demonstration. Other technical issues covered discussion of the "Tracker" operating environment, including security and telecommunications. Finally, in June 1998, a BXA automation specialist participated in the installation, configuration, and testing of hardware and software that will be used for an export control training program by the government of Belarus. The software, located at the government's National Security Institute, will be used to train export control licensing officers and included the export control Licensing Officers Information System (LOIS) and model internal control program (ICP) software that Belarusian enterprises can install and tailor to their specific needs.

Special Activities

♦ BXA hosted the Fifth Annual Symposium for Foreign Export Control Officials, held July 6-10, 1998, in conjunction with BXA's Update '98. Senior export control officials from 22 countries attended the event, including, for the first time, representatives from Central Asian and Transcausasian countries. This year's theme was "National Support of International Control Regimes," and featured presentations on the organizational goals and the benefits of membership or adherence by representatives of the Missile Technology Control Regime, the Nuclear Supplier Group, the Australia Group, and the Wassenaar Arrangement. Representatives from U.S. agencies also discussed how their agencies prepare for regime meetings. In addition, each country gave presentations on current developments in its own national export system.

♦ During June 29 - July 1, 1998, BXA also participated in an Export Control Seminar in Yakaterinburg, Russia, sponsored by the Moscow-based Center for Export Control (CEC). During the program, U.S. participants demonstrated the latest version of the Internal Control Program (ICP) training tool jointly developed by BXA and CEC for use by Russian enterprises. The CEC will install and demonstrate prototype software at several Russian companies toward the end of 1998. In addition, the software provides company export control officials with a self-paced training platform to learn and understand the process for setting up an ICP within their own companies. For dual-use items, there are templates that provide a working methodology to properly assign the correct classification number based on Russian National Control Lists. Templates are also provided that may be filled out by the user to produce a manual for the company.

C. Regulatory Actions: Published and Pending

U.S. Sanctions on India and Pakistan. In accordance with the Arms Export Control Act, President Clinton reported to Congress in May 1998, his determinations that India and Pakistan had each detonated nuclear explosive devices. The President directed the relevant agencies to take the necessary actions that the Act required. BXA announced a policy of denial for all exports and reexports of U.S. origin items controlled for nuclear and missile nonproliferation reasons to India and Pakistan. In addition, BXA drafted a regulation to list Indian and Pakistani entities determined to be involved in nuclear or missile activities, to which BXA will have a general policy of denial for exports and reexports of all U.S. origin items. BXA also drafted a regulation to list Indian and Pakistani military entities, to whom the United States will have a general policy of denial for most exports and reexports.

Exports to the Federal Republic of Yugoslavia (Serbia and Montenegro): Imposition of Foreign Policy Controls. To implement U.N. Security Council Resolution 1160 (March 31, 1998), BXA published a rule on July 14, 1998, establishing a denial policy for exports of arms-related items and certain other items on the Commerce Control List (CCL) that could be used for terrorist activities or to repress the civilian population. In addition to strengthening controls on items already on the CCL, BXA imposed controls on items not previously listed, including water cannons, detonation equipment, and certain explosive material.

Additions to the Entity List: Russian Entities. On July 29, 1998, BXA published a rule listing certain Russian entities that are under investigation by the Russian government for suspected export control violations involving weapons of mass destruction and missile technology. This rule imposed a license requirement, and established a policy of presumption of denial of license applications, for exports and reexports of all items subject to the EAR to the listed entities.

Regulations pursuant to the Chemical Weapons Convention (CWC). During the reporting period, BXA drafted regulations that would amend the EAR to implement certain trade-related requirements of the Chemical Weapons Convention. The interagency community is currently reviewing these provisions.

D. Licensing of Items Transferred from the International Traffic in Arms Regulations

Encryption Items Transferred from the U.S. Munitions List to the Commerce Control List.

During the fiscal year, BXA carried out a number of activities to implement the President's encryption policy initiative. These activities included license processing, participation in multilateral discussions, participation in interagency discussions on policy and licensing, and public outreach.

BXA managed a significant licensing workload in FY '98, including review of export license applications, requests for license exception eligibility for certain encryption products, industry plans to develop key recovery encryption products, and requests for approval of key recovery agents. Reviews of key recovery plans, products, and agents support the President's goal of encouraging the widest possible dissemination of encryption products that allow for properly authorized law enforcement access to plain text of encrypted data.

BXA participated in two multilateral working groups established by Ambassador David Aaron, the President's Special Envoy for Cryptography. The Encryption Export Controls Working Group, which BXA chairs, seeks to harmonize countries' encryption export control regimes, and its work supports multilateral discussions in the Wassenaar Arrangement. The Compatible Infrastructures Working Group, on which BXA serves as a member, is charged with developing common technical approaches to digital commerce in areas such as digital signatures, certificate authorities, and encryption for confidentiality.

BXA continued to work with other agencies of the U.S. Government to streamline both encryption policy and licensing. In July, Secretary William M. Daley announced new guidelines allowing the export of strong encryption to banks and financial institutions for securing private financial communications and transactions. As a member of the Interagency Working Group on Cryptography Policy, BXA worked to implement these guidelines, and to clarify and refine encryption policy in order to make it more transparent to the exporting community and to the public. BXA also worked with licensing agencies to improve the encryption licensing process in order to ensure timely licensing decisions and to minimize undue burdens on U.S. industry.

Finally, BXA participated in a number of public events during the reporting period to educate exporters and the general public on the goals of the Administration's encryption export control policy and the details of the Bureau's licensing requirements. In addition to participating in a number of seminars, representatives of the Encryption Division provided training to Commerce representatives in BXA's Western Regional Office so that they could be more responsive to the numerous Silicon Valley companies affected by the controls. BXA also established the President's Export Council Subcommittee on Encryption. This committee fulfills Vice President Gore's commitment to establish a formal mechanism to provide industry, users, State and local law enforcement, and other private sector representatives with the opportunity to advise the U.S. Government on the future of commercial encryption policy.

E. Export License Information

During the reporting period, BXA continued to receive many requests for export licensing information in enforcement proceedings and under the Freedom of Information Act. BXA continues to withhold from public disclosure information obtained for the purpose of consideration of, or concerning, export license applications, unless the release of such information is determined by the Under Secretary to be in the national interest, pursuant to Executive Order No. 12924's directive to carry out the provisions of the Export Administration Act, to the extent permitted by law.

F. Export Enforcement

Export Enforcement (EE) continued, through its three constituent offices, its programs of prevention of diversions, investigation/enforcement of the export control provisions of the Export Administration Regulations, and enforcement of the antiboycott provisions of the Export Administration Regulations.

Prevention Activities. Export Enforcement's prevention activities included selecting transactions for pre-license checks and post-shipment verifications by representatives of U.S. diplomatic posts, and "safeguards" visits, in which Export Enforcement personnel traveled to other countries to verify the details of sensitive export transactions and to advise the host governments on export control issues. Finally, EE's prevention activities included outreach visits to domestic firms and programs to foster enforcement cooperation with other governments (see section B. above). The statistics on EE's prevention activities during the reporting period are as follows.

Pre-license checks initiated	227
Pre-license checks completed	154
Post-shipment verifications initiated	78
Post-shipment verifications completed	41

Additional pre-license checks and post-shipment verifications initiated and completed as part of safeguards visits (2/19/98 - 8/2/98)	
(a) PLCs	20
(b) PSVs	149
Export license applications reviewed (total flagged applications)	2,889
Outreach visits by Office of Export Enforcement agents	474

Investigations

Shipper's Export Declaration Program
The Office of Enforcement Analysis (OEA) reviews copies of the Shipper's Export Declarations (SEDs) filed by exporters and, using a computerized index of data fields, produces a list of SEDs targeted for closer review, focusing particularly on licensed shipments, shipments bound for destinations of concern, shipments of strategic commodities of proliferation concern, and other criteria. Through this review, OEA identifies SEDs that may indicate violations of the Export Administration Regulations and refers them to the Office of Export Enforcement. OEA made 210 such referrals during the reporting period.

Office of Antiboycott Compliance Activities
The Office of Antiboycott Compliance continued to supply the State Department with information on boycott requests received by U.S. persons. The State Department uses this information in its discussions with boycotting countries concerning ending the Arab boycott of Israel. Quarterly summary data were supplied in February, April, and July of 1998. The Office of Antiboycott Compliance opened 12 and closed 12 investigations between February 19, 1998, and August 19, 1998.

Office of Export Enforcement
The Office of Export Enforcement opened 486 and closed 598 investigations during the reporting period. The following paragraphs summarize the results of the major cases that the Office of Export Enforcement closed.

♦ **IBM East Europe/Asia Ltd**:

On July 31, 1998, IBM East Europe/Asia Ltd., a Russian subsidiary of International Business Machines Corporation, pleaded guilty in U.S. District Court in Washington, D.C., to charges that it exported $1.5 million worth of computers in 1996 and 1997 to a Russian nuclear weapons laboratory, Arzamas-16, knowing that the computers would be used "directly or indirectly" in

research, design, and testing of nuclear explosives. The court imposed an $8.5 million criminal fine, the maximum permitted for the charges to which the company pled guilty. In a related administrative action, BXA ordered IBM East Europe/Asia to pay $171,000 and denied its export privileges for two years. Imposition of the denial period was suspended provided the company does not commit any violations. Additionally, IBM East Europe/Asia agreed not to use license exception Composit Theoretical Performance, and will not to engage in any transactions involving nuclear or military end-users.

♦ EVI, Inc.

On June 30, 1998, the Commerce Department imposed a $40,000 civil penalty on EVI, Inc., of Houston, Texas, to settle allegations that EVI, Inc., through its former subsidiary, Energy Ventures Mid-East, Inc., exported oil field equipment to Iran without obtaining the required export licenses. The Department also alleged that, in connection with each export, EVI, through its former subsidiary, Energy Ventures Mid-East, Inc., made false and misleading statements of material fact on export control documents. At the time, the products were controlled for export to Iran for foreign policy reasons.

♦ Gateway 2000, Inc.

On June 19, 1998, the Commerce Department imposed a $402,000 civil penalty on Gateway 2000, Inc. ("Gateway 2000"), of North Sioux City, South Dakota, to settle allegations that, on 30 separate occasions, Gateway 2000 exported U.S.-origin computer systems to 16 countries, including Iran, Syria, and China, without the required validated export licenses that it knew or had reason to know were required by the Export Administration Regulations. The Department also alleged that, on 27 separate occasions, Gateway 2000 filed Shipper's Export Declarations containing false or misleading statements of material fact.

♦ Hamid Abdol Rashidian

On June 8, 1998, a federal judge in Portland, Oregon, sentenced Hamid Abdol Rashidian to serve 21 months in prison, followed by three years' supervised release for his participation in a conspiracy to violate U.S. export laws and regulations on trade with Iran. Rashidian had pled guilty to his part in a conspiracy to export gas turbine parts valued at approximately $900,000 and impregnated alumina valued at approximately $2,200,000 to Iran through the United Arab Emirates without the required export authorization. As part of his guilty plea, Rashidian agreed to forfeit $10,000 to the United States.

♦ Hitachi Data Systems

On June 5, 1998, the Commerce Department imposed a $6,000 civil penalty on Hitachi Data Systems Corporation (HDS) of Santa Clara, California, to settle allegations that HDS exported a mainframe computer and related components from the United States to the Republic of South

Africa without obtaining a validated license from the Department of Commerce, and that it made a false statement in connection with that shipment.

♦ **Republic-Lagun Machine Tool Company**

On March 15, 1998, the Commerce Department imposed a $20,000 civil penalty on Republic-Lagun Machine Tool Company, of Carson, California, to settle allegations that the company exported a vertical milling machine with a computer numeric controller (CNC) from the United States to the People's Republic of China without obtaining a validated export license. Exports of CNC-equipped milling machines are controlled for national security and nuclear nonproliferation reasons.

♦ **Marc Leveille**

On March 12, 1998, the Commerce Department imposed a $10,000 civil penalty on Marc A. Leveille, a French national and manager of BE Aerospace, S.A. in Paris, to settle allegations that he made false statements in connection with the export of aircraft parts, including aircraft seats, to France for installation on aircraft belonging to Iran Air. Earlier this year, BE Aerospace, the U.S. company that manufactured the aircraft seats, pleaded guilty to export control violations and was sentenced to pay a $2,500,000 criminal fine. PTC Aerospace, a division of BE Aerospace, was ordered to pay a $500,000 civil penalty.

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