

ALL-VOLUME OVERVIEWi

CHAPTER 9

Statutory and Regulatory Controls: The Export of Our Militarily Sensitive Technology

CHAPTER SUMMARY 2

STATUTORY AND REGULATORY CONTROLS:

THE EXPORT OF OUR MILITARILY SENSITIVE TECHNOLOGY 6

Export Administration Act 6

National Security Controls 9

Foreign Policy Controls 10

Short Supply Controls 10

CONTROLS MAINTAINED IN COOPERATION WITH OTHER NATIONS ... 11

COCOM (Coordinating Committee on Multilateral Export Controls) 11

Wassenaar Arrangement 14

Australia Group 17

Missile Technology Control Regime 18

Nuclear Suppliers Group 19

ENHANCED PROLIFERATION CONTROL INITIATIVE 20

EXPORT ADMINISTRATION REGULATIONS 21

ARMS EXPORT CONTROL ACT 24

INTERNATIONAL TRAFFIC IN ARMS REGULATIONS 24

OMINBUS TRADE AND COMPETITIVENESS ACT OF 1988 25

ECONOMIC ESPIONAGE ACT OF 1996 25



EXPORT LICENSES FOR MILITARILY SENSITIVE TECHNOLOGY:

DEPARTMENT OF COMMERCE 26

Export License Processing Until December 1995 27

License Processing Since Executive Order 12981 in December 1995 29

Pre-License Checks and Post-Shipment Verifications 31

 Roles of Other Departments and Agencies in Commerce’s

 Export Licensing Policy 32

Department of State 32

Department of Defense 33

Central Intelligence Agency 34

Enforcement 34

Voluntary Disclosures 35

Penalties for Violation of the Export Administration Regulations 35

Penalties Under the 1979 Act (Expired Since 1994) 35

Administrative Sanctions 36

Penalties Under the International Emergency Economic Powers Act 37

Customs Enforcement 37

Commodity Classification Requests Under the Commerce Control List 37

EXPORT LICENSES FOR MILITARILY SENSITIVE TECHNOLOGY:

DEPARTMENT OF STATE 39

Procedures for Referral to Other Departments and Agencies of Requests

 to Export U.S. Munitions List Items 39

Commodity Jurisdiction Process 41

Registration of Exports 42

Congressional Oversight and Required Reports 42

Foreign-Origin Items with U.S. Content 43

Enforcement 44

Penalties for Violations of the Arms Export Control Act and ITAR 44

Voluntary Disclosures 45

BLUE LANTERN Checks 45

EXPORT CONTROL POLICY TOWARD THE PRC 46

Background 46

Launch of Satellites on PRC Rockets 47



Satellite Launches in the PRC Following Tiananmen Square 49
Missile Proliferation Sanctions on the PRC 53
U.S. Munitions List Changes Regarding Satellites 55
 Relaxation of Satellite Export Rules 55
 The Trade Promotion Coordinating Committee Recommends
 Moving Satellites to Commerce Department Jurisdiction 57
 The 1996 Transfer of Jurisdiction Over Commercial Satellites to Commerce 60
 The 1999 Return of Jurisdiction Over Commercial Satellites to the State Department .. 62
High Performance Computers 64
Machine Tools 70
Treatment of Hong Kong 71
John Huang, Classified U.S. Intelligence, and the PRC 73

CHAPTER 10

Manufacturing Processes: PRC Efforts to Acquire Machine Tool and Jet Engine Technologies

CHAPTER SUMMARY 80

**MANUFACTURING PROCESSES: PRC EFFORTS TO ACQUIRE
MACHINE TOOL AND JET ENGINE TECHNOLOGIES** 82

PRC TARGETING OF ADVANCED MACHINE TOOLS 84
 Export Controls on Machine Tools 86
 Export Administration Regulations 88
 The PRC’s Machine Tool Capabilities and Foreign Acquisitions 88

CASE STUDY: McDONNELL DOUGLAS MACHINE TOOLS 89
 Findings of the U.S. General Accounting Office 89
 The U.S. Government’s Actions in Approving the Export Licenses 92
 Intelligence Community Assessments 94
 Changes to the Trunkliner Program 98
 Discussions in the Advisory Committee for Export Policy 99



| | |
|--|-----|
| <i>The License is Issued</i> | 100 |
| McDonnell Douglas's Plans | 102 |
| <i>McDonnell Douglas's Limited Role at the Machining Center</i> | 102 |
| <i>Trunkliner Program</i> | 102 |
| Commerce Department Delays Investigating Machine Tool | |
| Diversion for Six Months | 103 |
| <i>The Commerce Department's Actions in April 1995</i> | 103 |
| <i>The Commerce Department's Actions in October 1995</i> | 104 |
| <i>Allegation that the Commerce Department Discouraged</i> | |
| <i>the Los Angeles Field Office's Investigation</i> | 105 |
| <i>The Office of Export Enforcement's Los Angeles Field Office's Request</i> | |
| <i>for a Temporary Denial Order Against CATIC</i> | 107 |
| PRC Diversion of Machine Tools | 108 |
| <i>CATIC Letter Suggests Trunkliner Program at Risk</i> | 108 |
| <i>CATIC's Efforts to Create the Beijing Machining Center</i> | |
| <i>with Monitor Aerospace</i> | 109 |
| Diversion of the Machine Tools to Nanchang Aircraft Company | 112 |
| Nanchang Accepts Responsibility | 114 |

CHRONOLOGY OF KEY EVENTS 117

**PRC TARGETING OF U.S. JET ENGINES
AND PRODUCTION TECHNOLOGY** 123

CASE STUDY: GARRETT ENGINES 128

| | |
|--|-----|
| PRC Targeting of Garrett Engines | 129 |
| U.S. Government Approval of the Initial Garrett Engine Exports | 131 |
| Commerce Department Decontrol of the Garrett Jet Engines | 132 |
| The Interagency Review of the Proposed Export of Garrett Jet Engines | 134 |
| Consideration of Enhanced Proliferation | |
| Control Initiative Regulations | 135 |
| Consideration of COCOM and Export Administration Regulations | 137 |
| Resolution of the Garrett Engine Controversy | 140 |



**THE PRC CONTINUES TO ACQUIRE JET ENGINE
PRODUCTION PROCESSES** 143

**TECHNICAL AFTERWORD: The PRC’s Acquisition of Machine Tools, Composite
Materials, and Computers for Aircraft and Missile Manufacturing** 144

CHAPTER 11
Recommendations 166

NOTES 178

APPENDICES 206

THE INVESTIGATION 206

MEMBERS AND STAFF 214

H. RES. 463 220

HEARINGS AND MEETINGS 229

INTERVIEWS, DEPOSITIONS, AND DOCUMENT REQUESTS 235

GLOSSARIES 246





