Overview

On April 16, 2013, the U.S. Departments of Commerce and State published final rules describing the initial implementation of Export Control Reform (ECR). These final rules fundamentally reform the U.S. export control system by changing the jurisdiction of thousands of military items, mostly parts and components, that do not provide a critical military or intelligence capability. Such items will move from the International Traffic in Arms Regulations (ITAR), which are administered by the State Department, to the Export Administration Regulations (EAR), which are administered by the Commerce Department.

Items transferring from the ITAR’s U.S. Munitions List (USML) to the EAR’s Commerce Control List (CCL) are identified under new Export Control Classification Numbers (ECCNs), known as the 600 series. The first category groups transitioned on October 15, 2013, and additional category groups will transition throughout 2014 and 2015. The items that have transitioned or are scheduled to transition are as follows:

<table>
<thead>
<tr>
<th>Item Group</th>
<th>600 Series</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft</td>
<td>9Y610</td>
<td>Oct. 15, 2013</td>
</tr>
<tr>
<td>Gas turbine</td>
<td>9Y619</td>
<td>Oct. 15, 2013</td>
</tr>
<tr>
<td>engines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vessels</td>
<td>8Y609</td>
<td>Jan. 6, 2014</td>
</tr>
</tbody>
</table>

*Items previously in USML Category XV are not 600 series items. Requirements for such items are generally similar to those for other dual-use items.*

Impact

Reducing Jurisdiction and Classification Confusion

Under ECR, military items meriting the strictest controls will be enumerated as specifically as possible on the USML by using performance characteristics or other specifications. When items cannot be specifically enumerated, they will be described as items “specially designed” for another military item. This construct will use a new definition for the term “specially designed,” which uses a catch-and-release approach where one answers a series of yes or no questions to determine if an item is “specially designed.” The same enumeration process and “specially designed” construct will be used for 600 series items on the CCL. By following this approach, ECR will allow reviewers to use more objective criteria rather than more subjective factors like design intent.

Tailoring Controls: No More One-Size-Fits-All Approach

Items subject to the ITAR are generally all subject to the same worldwide controls with little variation and few country-based exemptions. However, controls over items subject to the EAR can be tailored depending on the sensitivity of the item, country of destination, end use, and end user.

Most 600 series items will require a license to all countries except Canada, but many will be eligible for license exceptions. This will avoid the need for prior approval from the U.S. Government for transactions of less concern, such as trade with U.S. allies. By tailoring controls, ECR will allow for greater interoperability among the U.S., NATO countries, and other allied countries.

Some 600 series items are identified as “y” items and require a license to China, Cuba, Iran, North Korea, Russia, Sudan, Syria, and Venezuela. These items are extraordinarily low-level parts, such as windshield wipers specially designed for military aircraft. By focusing controls on items of greater sensitivity, the U.S. Government will be able to more efficiently direct its resources to reviewing items providing greater military utility or transactions of greater concern.

Enhancing Interoperability and Cooperation with Allies

Most 600 series items will be eligible for License Exception Strategic Trade
STA-Authorized Destinations

Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom

Providing Greater Predictability and Efficiency in Business Operations

By moving from the ITAR to the EAR, 600 series items may utilize license exceptions and less onerous licensing requirements to assist with business operations, including the following:

- If a 600 series item needs to be serviced in the U.S., non-U.S. companies may ship the item without having to alert the U.S. company to obtain a temporary import authorization from the U.S. Government.
- Most 600 series parts and components may be exported under a license exception to replace defective or worn parts and components abroad, as well as to return items serviced in the U.S. to non-U.S. customers.
- If a customer requests a sample 600 series commodity, it is possible to export the sample without needing a license. Shipments of most 600 series items valued at $1500 or below may be exported under a license exception to many destinations.

- If a U.S. reexport license is required, no purchase order is required to be submitted with the application. Thus, companies may anticipate future business opportunities in requesting authorization from the U.S. Government, which reduces the need for additional licenses. In addition, to apply for the reexport license, non-U.S. persons may use the same electronic system as U.S. persons. Thus, no paper General Correspondence request is needed.

Reduced Reexport Licensing Burden

Under the ITAR, military items incorporated into a non-U.S. origin item will subject that item to ITAR control, even if the non-U.S. origin item is commercial. Thus, such non-U.S. origin items would require reexport or retransfer authorization from the U.S. in addition to any local country requirements. Because of this “see-through” rule, non-U.S. companies may avoid U.S. content, even if the U.S. supplier offers a more cost-effective or higher-quality option.

Items subject to the EAR are generally not subject to this see-through rule. If 600 series items (excluding .y items) are incorporated into a non-U.S. origin item, the non-U.S. origin item will not be subject to U.S. jurisdiction under the EAR so long as: (1) the value of the controlled U.S. content comprises 25% or less of the total value of the item, and (2) the item will not be destined for a country subject to a U.S. arms embargo. If only 600 series .y items are incorporated into a non-U.S. origin item, the non-U.S. origin item will not be subject to U.S. jurisdiction under the EAR so long as the item will not be destined for China, Cuba, Iran, North Korea, Syria, or Sudan.

Ease in Determining Obligations and More Flexible Approvals

To assist non-U.S. persons in determining compliance obligations, U.S. exporters will be required to identify the 600 series ECCN on certain documents accompanying the shipment. In addition, existing State Department licenses or other approvals for 600 series items may continue to be used in accordance with the State Department’s transition plan. Also, for future transactions involving 600 series items that will be used in or with military items remaining on the ITAR, applicants may submit one license application to the State Department for the entire transaction.

Additional Information

Latest ECR Updates: www.export.gov/ecr
U.S. Department of Commerce
Website: www.bis.doc.gov
E-mail: rpd2@bis.doc.gov
U.S. Department of State
Website: www.pmddtc.state.gov
E-mail: DDTCResponseTeam@state.gov