

# OFFICE OF FOREIGN ASSETS CONTROL

## REPORT OF LICENSING ACTIVITIES

### PURSUANT TO

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

July - September 2006

#### 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 2006. Under the procedures established in its TSRA-related regulations, 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 26.1 percent increase in the number of license applications received during this reporting quarter from the prior quarter (232 for Jul.-Sep. 2006, 184 for Apr.-Jun. 2006). OFAC was able to issue licensing determinations<sup>1</sup> on 22.0 percent of all the license applications received during the July – September 2006 period (compared to 48.3 percent for the Apr.-Jun. 2006 period), and issued additional determinations after the quarter ended. The average processing time for issuing licenses decreased by 7.3 percent to 44.7 business days in this quarter of operation, and the average time for issuing licensing determinations decreased by 7.0 percent to 41.2 business days versus 44.3 business days in the preceding quarter.

The increased complexity, volume, 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. 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.

#### II. Program Operation

From July 1 to September 30, 2006, OFAC's Licensing Division received a total of 232 license applications pursuant to Section 906(a)(1) of the TSRA. During this period, OFAC issued licensing determinations on 51 of the 232 license applications. Fifty-five (55) licenses and six

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<sup>1</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 license amendment, a "return-without-action" letter, a general information letter, an interpretative letter, a denial letter, a telephone call, a fax, or an e-mail.

license amendments<sup>2</sup> were issued from July through September (*See Charts 1 and 2*). On average, licenses and license amendments were issued within 44.7 business days of receipt of the application. Upon completion, 90.2 percent (55 in total)<sup>3</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 27 “return-without-action” letters (“RWA letters”) (average turnaround: 34.0 business days), and one denial letters (turnaround: 28.0 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 41.2 business days, a decrease of 7.0 percent compared with last quarter’s average of 44.3 business days. The total number of licenses/license amendments, RWA letters, and denial letters issued 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 210 license applications (90.5%) was received for Iran, in contrast to 21 (9.1%) for Sudan. Likewise, 57 licenses/license amendments (93.4%) were issued for the sale of agricultural commodities, medicine, and medical devices to Iran, versus four (6.6%) for Sudan. In keeping with the program’s trend, half of the license applications (50.0%) and 39.3 percent of the licenses/license amendments were for the export of medical devices to Iran and Sudan. Of the 210 license applications for Iran, 91 (43.3%) were for agricultural commodities, 14 (6.7%) for medicine, and 105 (50.0%) for medical devices. Of the 57 licenses/license amendments issued for Iran, 29 (50.9%) were for agricultural commodities, four (7.0%) for medicine, and 24 (42.1%) for medical devices. The percentage breakdown of the 21 license applications for Sudan is: nine (42.9%) for agricultural commodities, two (9.5%) for medicine, and 10 (47.6%) for medical devices. Of the four licenses/license amendments issued for Sudan, one (25.0%) was for agricultural commodities, three (75.0%) for medicine, and zero (0%) for medical devices.

**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>	100	16	116	<b>232</b>
<b>Licenses Issued</b>	27	5	23	<b>55</b>
<b>License Amendments Issued</b>	3	2	1	<b>6</b>
<b>Applications Denied</b>	0	0	1	<b>1</b>

<sup>2</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>3</sup> Compared with 91.5 percent (130 in total) for Apr.-Jun. 2006.

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

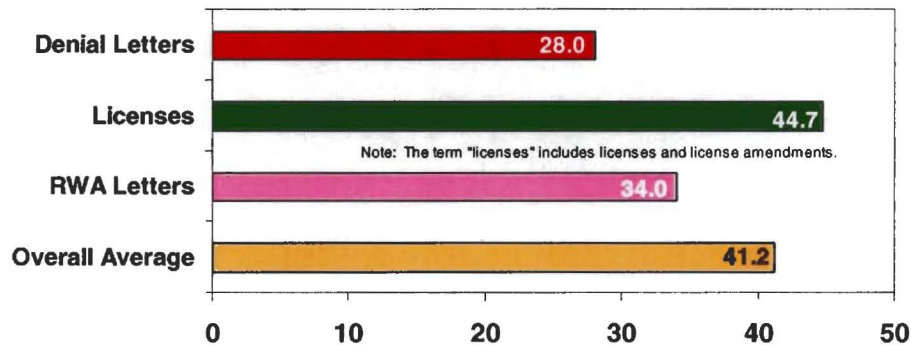
	Iran	Sudan	TOTAL
License Applications <sup>4</sup>	210	21	232
Licenses Issued	52	3	55
License Amendments Issued	5	1	6
Applications Denied	1	0	1

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

	Agricultural Commodities	Medicine	Medical Devices	TOTAL
<b>IRAN</b>				
License Applications	91	14	105	210
Licenses and License Amendments Issued	29	4	24	57
<b>SUDAN</b>				
License Applications	9	2	10	21
Licenses and License Amendments Issued	1	3	0	4

**GRAPH 1**

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



<sup>4</sup> OFAC received one license application for Syria in this quarter of operation. On December 12, 2003, President Bush signed the Syria Accountability and Lebanese Sovereignty Restoration Act ("SAA") (Public Law 108-175). On May 11, 2004, President Bush issued Executive Order 13338 to implement §§ 5(a)(1), 5(a)(2)(A), and 5(a)(2)(D) of the SAA. Section 5(a)(1) of the SAA requires a prohibition on the export to Syria of all items on the Commerce Control List. Section 5(a)(2)(A) prohibits the export or reexport to Syria of all products of the United States, with the exception of food and medicine. The result of the implementation of §§ 5(a)(1) and 5(a)(2)(A) of the SAA is to restrict the export and reexport of all items subject to the Export Administration Regulations to Syria. The Department of Commerce's Bureau of Industry and Security is responsible for licensing exports and reexports, including food and medicine, to Syria.