



U.S.-China High Tech Working Group Summary of Discussion

September 26, 2011

Overview

- Challenges identified by HTWG Participants
- Recommendations from HTWG Participants

Key Challenges to Trade Facilitation

- Complicated U.S. export control laws and regulations create negative perception for Chinese companies. How do you measure lost business opportunities.
- How do we spread the word about high-tech trade that doesn't require a license or qualifies for a license exception?
- Current U.S. export controls are not always reflective of current technologies or foreign availability.
- Delays in license applications and VEU/SLC approvals and changes.
- Uncertainty in licensing/approvals can erode customer confidence and impede business decisions or investments – reduces business opportunities and increases trade costs.
 - “Design-out” of U.S.-origin components

Key Challenges to Trade Facilitation

- Numerous and inconsistent license conditions (even for same tool/same customer).
- Understanding of re-export restrictions on controlled U.S. technology.
- Civil-military comingled production facilities.
- U.S. companies understanding of China-specific export controls.
- Unilateral controls and deemed exports.
- Export control resources for small and medium-sized businesses
- Interagency silos do not promote coordination and communication on key policy and licensing decisions.
- Difference in complexity/timelines for U.S. licenses vs. European.

Key Challenges to Trade Facilitation

- Implementation of changes in multilateral regime controls.
- Certification barriers.
- Vague definitions in the regulations.
- Delays in VEU applications for Chinese companies.
- Concerns about classification of civilian vs. military applications.

Recommendations

- Continue public/private-sector dialogue.
 - Develop a forum in China where U.S. companies can get together with Chinese companies to discuss “best practices.” A joint workshop between MOFCOM and U.S. Commerce Department?
 - This HTWG meeting is useful, but industry/government representatives should meet more than once a year. Face-to-face meeting or a webinar?
- Exchanges between U.S. and Chinese companies, particularly those with strong supplier relationships.
 - Create export opportunities for small and medium-sized businesses.
- Improve perception of the U.S. export controls with Chinese partners.
 - Reduce “fear factor” in China. Develop better understanding of which products can be exported to China without a license (or under a license exception).
- Provide education – in China and in the U.S. – on how export control and licensing systems work.

Recommendations

- Speed up license review/process. U.S. companies would benefit from communicating early and often with their Chinese suppliers regarding the ultimate end-use and having an upfront dialogue with U.S. government before even submitting licenses.
- Clarify regulatory definitions.
- Ensure export control reform initiatives within U.S. government address updating control lists and developing great licensing efficiencies. Bring Export Control Reform initiative to completion.
- Continued outreach to U.S. Congress regarding Export Control Reform initiative and value of high-tech exports.
- Undertake a thorough review of indigenous and foreign availability in China.

Recommendations

- Revisit the Intra-Company Transfer (ICT) license exception proposal.
- Allow for parallel application of U.S. export license and End-User Statement (EUS).
 - A bulk EUS process by end-user for all U.S. technology ordered?
- Reduce conditions of license approval and harmonize conditions where possible.
- Transparent and instructive control policy and licensing mechanism, particularly for intangible/deemed exports that don't impact national security.
- Maintain and sustain strong compliance programs and training.
- Expand VEU program to stabilize trading expectations, lower trade costs.



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