

**SUPPORTING STATEMENT
U.S. Department of Commerce
Bureau of Industry and Security
Multipurpose Application**

**Final Rule: Revisions and Clarification of Export and Reexport Controls for the
People=s Republic of China (PRC); New Authorization Validated End-User;
Revision of Import Certificate and PRC End-User Statement Requirements
OMB No. 0694-0088
EAR Part 748.15**

A. Justification

1. Explain the circumstances that make the collection of information necessary.

This information collection is needed to implement certain export licensing and enforcement responsibilities under [the](#) Export Administration Regulations (EAR). The specific responsibilities are described more fully in the answer to question 2. The EAR were issued under authority of Section 15(b) of the Export Administration Act of 1979 (as amended). The Export Administration Act has expired. The regulations remain in force pursuant to [Executive Order](#) 13222 of August 17, 2001 and annual extensions of [the national emergency](#) declaration under the International Emergency Economic Powers Act (IEEPA).

This amendment to existing collection authority OMB 0694-0088 is requested to implement the final rule ARevisions and Clarification of Export and Reexport Controls for the People=s Republic of China (PRC); New Authorization Validated End-User.®

2. Explain how, by whom, how frequently, and for what purpose the information will be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, then explain how the collection complies with all applicable Information Quality Guidelines.

Approved collection OMB 0694-0088 authorizes the Multipurpose Application form, commodity classifications and advisory opinions (CCATS), Encryption Review requests, and License Exception AGR notification and associated documentation and recordkeeping, as required by Section 748 of the EAR.

New License Requirement for PRC

This amendment imposes a new control based on knowledge of a military end-use on exports to the PRC of certain CCL items that otherwise do not require a license to the PRC. The items primarily affected by the revisions are items controlled for anti-terrorism reasons under the EAR.

Validated End-User (VEU)

The rule establishes a new authorization, validated end-user (VEU) in section 748.15 of the EAR. This authorization would allow the export, reexport, and transfer of eligible items to specified end-users in an eligible destination, including the PRC. Prospective validated end-users are evaluated under a new advisory opinion procedure described in section 748.15(a). This new advisory opinion is similar in scope to the other types of advisory opinions but is solely for the purpose of evaluating eligibility for VEU.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological techniques or other forms of information technology.

BIS currently receives more than 80% of all submissions electronically through the Simplified Network Application Processing system or SNAP. BIS is redesigning the SNAP system to enhance security, support electronic submission of supporting documents and provide increased functionality. This new effort has been designated ASNAP-R.@

4. Describe efforts to identify duplication.

The information received when applying for an export license, Classifications and advisory opinions, Encryption Review request, or License Exception AGR is unique to each application. The information is not duplicated anywhere else in Government nor is it available from any other source.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

The information required when applying for an export license, Classification requests, advisory opinions, Encryption Review requests, and License Exception AGR notification must be submitted by exporters or their designated agents, regardless of size. This procedure, as part of the EAR, is governed by national security, foreign policy and proliferation of weapons of mass destruction requirements. BIS maintains an active seminar and counseling program to help all businesses understand and comply with BIS requirements. BIS also maintains an informative web site that provides detailed instructions on how to comply with our paperwork requirements. This web site is located at: www.bis.doc.gov.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

If this information were submitted less frequently, U.S. exporters would not be able to

benefit from the validated end user authorization and be required to file for individual validated licenses.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

There are no special circumstances that require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.6.

8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

The notice requesting public comment for the regulation and paperwork burden will be published in the in the Federal Register concurrent with review of this document.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

There is no plan to provide any payment or gift to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

Section 12(c) of the EAA provides for the confidentiality of export licensing information submitted to the Department of Commerce.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

There are no questions of a sensitive nature.

12. Provide an estimate in hours of the burden of the collection of information.

There are approximately 25 burden hours associated with this amendment to the existing collection of information. The cost to the public is estimated at \$875. This is based on

exporters spending 25 (13 + 12) hours at a cost of \$35 an hour.

BIS believes that the new licensing requirement for anti-terrorism items, where the exporter knows the items are intended for a military end user in the PRC, is not likely to generate a significant paperwork burden. BIS estimated in the proposed rule that 47 ECCN's would be subject to the end use control, however only 31 ECCNs will be subject to the end-use controls. BIS expects that the number of additional license applications submitted as a result of this control will be very small, likely less than 10 per year. The few applications that may be submitted will likely involve cautious exporters submitting license applications when they are concerned that end-uses might be military. Using a very high estimate of \$40,000 per license application, the total cost of preparing these additional 10 license applications is estimated to be less than \$500,000 per year. The burden hours associated with this collection of information is 12 hours (10 applications x 70 minutes per application).

This rule modifies the requirement for exporters to obtain End-User Statements (EUS) and Import Certificates for the export of any items to the PRC that require a license for any reason (i.e, nuclear, chemical, biological, and missile proliferation). The net annual effect of the revised EUS requirement on the economy would be minimal because the rule increases the threshold from \$5,000 to \$50,000, for licensed exports that require EUS, except for certain night-vision products and high performance computers. This change will keep the overall number of EUS required for exports to China about the same as in previous years. Only about 540 of the 1,078 licenses approved in 2006 had a value over \$50,000, and would now be subject to the EUS requirement in the final rule. This is approximately the same as the number of EUS required in 2006.

The rule also raised the threshold dollar amount from \$5,000 to \$50,000, for items that require import certificates for national security reasons to any destination listed in section 748.9(b)(2). This change would result in a decrease in the number of import certificates submitted to BIS.

BIS estimates that the new validated end-user procedure will result in an increase of 25 advisory opinions per year. Each opinion requires approximately 30 minutes to prepare and comply with reporting and recordkeeping requirements.

25 x 30 minutes = 13 hours

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in #12 above).

Since no special equipment is required for this activity, there are no capitalized costs associated with this collection of information.

14. Provide estimates of annualized cost to the Federal government.

The annual cost to the Federal Government is approximately \$919. This is based on a licensing officer spending 45 minutes to review 25 advisory opinions at \$35 per hour, and 45 minutes to review 10 license applications at \$35 per hour.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB 83-I.

A net increase of 25 annual burden hours is requested with this amendment. This increase is the result of a program change as described in this document.

16. For collections whose results will be published, outline the plans for tabulation and publication.

BIS publishes information based on aggregate data from export license applications. It does not publish information that would identify the details of specific applications or requests. Section 12(c) of the EAA restricts release of such detailed data to Congress, the GAO, or to situations in which the Secretary (authority delegated to the Under Secretary for Industry and Security) determines that release is in the national interest.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.

Not applicable.

18. Explain each exception to the certification statement identified in Item 19 of the OMB 83-I.

Not applicable.