

**Key Points from General Jones' Remarks
Before the Senate Aerospace Caucus
June 30, 2010**

- The General spoke about our plans across the three phases, highlighting some specific actions that we have taken or have in-process for Phases I and II.
- Discussed the four components of our reform efforts: control lists; licensing policies and practices; enforcement; and the IT infrastructure.
- The General touched on actions in each of these, but focused most on the control lists, because getting the control lists right has been our highest priority in Phase I, as everything else flows from what we control.
- He explained the tiering criteria concept and why we want to put items in tiers.
 - (1) Will give us a way to quickly add and remove technologies from the lists;
 - (2) Will help us focus our resources better, with more stringent controls on the most critical items, and more flexible licensing mechanisms in the lower tiers.
 - (3) Will help us prioritize how we process license applications.
- A key announcement is that we are moving into Phase II for the **Control Lists**. We have finalized two draft documents for use in opening up one entire category on the U.S. Munitions List (the USML) and the related entries on the Commerce Control List (the CCL).
 - (1) The first document maps out a “bright line” process to determine what items should be on the USML or the CCL. The process involves looking at actual licensing data and developing technical parameters for everything in the category to draw that line. So we will be creating a positive list within that category, replacing the more general narrative description. We need to do this to then apply the criteria.
 - (2) Next, we will apply the draft criteria, so that for that category, we will have the USML and CCL in identical tiered structures.
- When we complete this first category, we will use the results to make refinements to both the criteria and bright-line documents.
- This process will finally resolve the jurisdiction disputes, category by category.
 - We have selected USML Category 7 for Military Vehicles, because it is a manageable case load, has little passion in disputes between the agencies, and the items are more easily understood.
- Our plan is to meet with Congressional staff to provide the criteria, the results of the “bright line” review, and the dataset up, to show how the process worked in a first category and how we are likely to make refinements based on the results of the exercise.

- We are committed to work with the Congress as they consider how to handle the Congressional notifications as we anticipate that some USML lower level items [parts and components] may move either to the Commerce Control List or be decontrolled so would require statutory notifications.
- For **Licensing**, he mentioned that the encryption regulation published last Friday, and that dual-nationals will be published soon. We have engaged Congressional staff on the dual-nationals issue and feel that the latest draft is a much better document as a result of staff inputs.
- For **Enforcement**, he announced that we have been working on the terms of reference that will be used to prepare an Executive Order to create the Fusion Center.
- On the **IT infrastructure**, the decision has been made to migrate the licensing agencies to USXPORTS, a Defense database system. State's munitions office is already in the process of migrating. Follow on steps will migrate Commerce and Treasury, and the other agencies involved in the interagency review of license applications.
- Last, the General announced the Administration's **goals for Phase III**, which we have briefed you about already but have not yet informed industry or the public:
 - (1) The Administration supports the creation of the single licensing agency as an independent entity, governed by a Board of Directors, reporting to the President; and
 - (2) Merging Commerce's Export Enforcement branch and ICE's Counter-Proliferation Program into a single dedicated export enforcement unit within ICE.
- He concluded by saying that we want to work with Congress on the detail of our proposals and consider options for Phase III legislation.