



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

July 27, 2005

The Honorable Donald Manzullo
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Manzullo:

Thank you for taking the time out of your busy schedule to meet with me at the Commerce Department on Friday. I understand the concerns you raised about the rule the Commerce Department has had under consideration implementing a U.S. international commitment at the Wassenaar Arrangement to require a license before dual-use items may be exported for a military end-use in countries subject to arms embargoes.

As Chairman of the Small Business Committee, you are uniquely positioned to understand the needs of small and medium sized exporters. I understand the concerns you raised about the impact of export controls on these exporters. As the voice for business within the Administration, the Department of Commerce, and our nearly 40,000 dedicated employees, are tireless advocates for the needs of America's employers and workers. The Department strives to balance the needs of our vibrant economy with our duty to protect the national security of the United States.

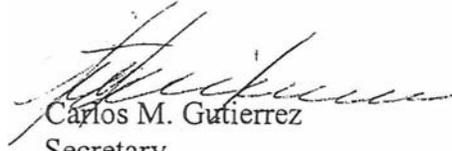
I particularly appreciated hearing the concerns that you have about the potential impact of this rule on U.S. exports to China. I want to assure you that it is very important to the Department to craft our export control policy in a way that carefully promotes both U.S. national security and economic interests, and does not adversely impact small and medium size businesses. Further, U.S. export controls should be coordinated with our allies, wherever possible, in order to promote a level playing field. We must avoid actions that compromise the international competitiveness of U.S. industry without any appreciable national security benefits.

The Department has developed its proposal regarding the military end-use rule with those goals in mind. For example, the rule would only apply when an exporter actually knows that a specific export is destined for military end-use in a country subject to a U.S. arms embargo. The rule would not apply simply because an item is capable of a military end-use. Based on Commerce Department data, the volume of U.S. exports to Chinese military end-uses is small. Moreover, the rule would only apply to items that the U.S. Government considers as dual-use items, which is a small portion of our exports to

•
China. Furthermore, most of these dual-use items already require a license for export to China; the principal additional items covered would be those that are controlled for anti-terrorism reasons.

In addition, the Department, together with the Department of State, intends to continue existing discussions with our allies regarding the implementation of the Wassenaar agreement, and will work hard to ensure that any final regulations regarding the export of dual-use items for military end-use in countries subject to arms embargoes are consistent with a level playing field for U.S. exporters. The Administration will proceed in light of those discussions and consultations with you and others in Congress. If you have any further questions, please do not hesitate to contact me or Nat Wienecke, Acting Assistant Secretary for Legislative and Intergovernmental Affairs at (202) 482-3663.

Sincerely,



Carlos M. Gutierrez
Secretary