



# EXPORT CONTROLS

## Department of Commerce Controls over Transfers of Technology to Foreign Nationals Need Improvement

Highlights of [GAO-02-972](#), a report to the Chairman of the Subcommittee on National Security, Veterans Affairs, and International Relations; Committee on Government Reform; House of Representatives.

### Why GAO Did This Study

Countries that pose national security concerns to the United States could upgrade their military forces with U.S. civilian technologies. The Department of Commerce deems certain domestic transfers of such technologies to foreign nationals to be exports. U.S. firms may be required to obtain a “deemed export” license before they may transfer technology to foreign national employees. GAO was asked to assess Commerce efforts to ensure that firms (1) apply for these licenses when required to do so and (2) comply with security conditions in the licenses.

### What GAO Found

Vulnerabilities in the Department of Commerce’s deemed export control system could help China and other countries of concern improve their military capabilities. GAO found two key weaknesses.

- To detect foreign nationals potentially subject to deemed export licensing, Commerce annually screens tens of thousands of overseas visa applications selected by Department of State visa officials. However, GAO found that this screening process does not include thousands of immigration change-of-status applications from foreign nationals already in the United States who may seek work in U.S. high tech firms.
- Because it rejects very few deemed export license applications, Commerce relies on security conditions in the licenses to help ensure that foreign nationals do not obtain unauthorized access to controlled technologies. These conditions are jointly developed by Commerce, the Department of Defense, and other agencies involved in the licensing process. However, GAO found that Commerce does not have an effective monitoring program in place to determine whether firms comply with these conditions.

### What GAO Recommends

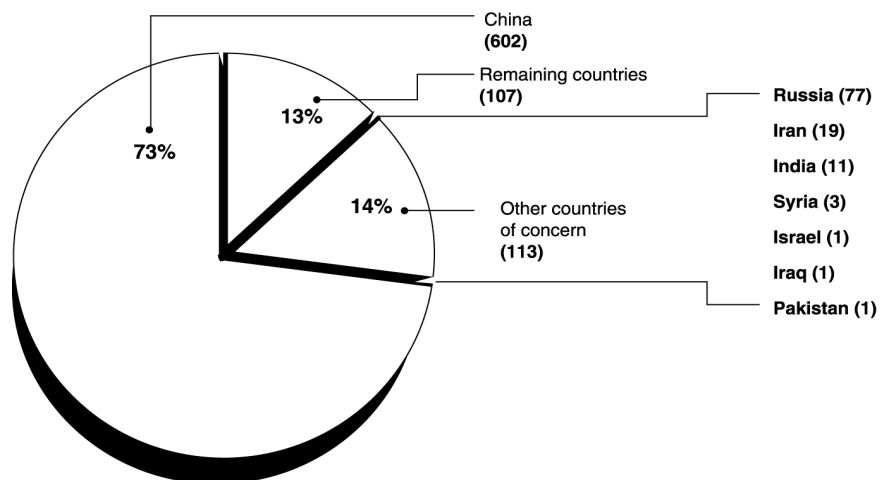
The Secretary of Commerce should

- use all existing U.S. immigration data to identify foreign nationals who could be subject to deemed export licensing requirements and
- work with the departments of Defense, State, and Energy to develop a risk-based program for monitoring compliance with deemed export licenses.

Although Commerce asserted that it has an effective monitoring system, it stated that it would explore the practicality of GAO’s recommendations. The Department of Defense concurred with GAO’s recommendations.

These weaknesses call for a reexamination of the current approach to controlling foreign national access to technology in the United States.

**China and 7 Other Countries of Concern Accounted for Most of the 822 Deemed Export Licenses that the Department of Commerce Approved in Fiscal Year 2001.**



Source: GAO analysis of Department of Commerce data.