NATIONAL FOREIGN TRADE COUNCIL, INC.

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July 3, 2013

Mr. Timothy Mooney
Regulatory Policy Division
Room 2099B
Bureau of Industry and Security
U.S. Department of Commerce
14th Street & Pennsylvania Ave., N.W.
Washington, D.C. 20230

Mr. Kerem Bilge
Acting Director
Office of Defense Trade Controls Policy
U.S. Department of State
2401 E Street, N.W.
Washington, D.C. 20037

Re: Control of Spacecraft Systems and Related Items the President Determines No Longer Warrant Control Under the United States Munitions List (USML) (*Federal Register* Notice of May 24, 2013; RIN 0694-AF87) and Revision of U.S. Munitions List Category XV and Definition of Defense Services (*Federal Register* Notice of May 24, 2013; RIN 1400-AD33)

Dear Messrs. Mooney and Bilge:

The National Foreign Trade Council (NFTC), a trade association of 200 global companies, has long supported the objectives of the Administration's Export Control Reform Initiative ("ECRI") and is an active participant in the Coalition for Security and Competitiveness, which has worked closely with the Administration to advance that project to its successful completion. We believe the proposed reforms will bring transparency and clarity to a field of regulation which has long been lacking both and will enhance both our national security and the competitiveness of American manufacturing and technology sectors in the process. In particular, the proposed revisions to USML Category XV, and, including the proposed elimination of USML XV (d), is consistent with ECRI goals by moving from the USML certain integrated circuits that meet certain technical parameters. This clarification of Category XV would help the government focus more closely on the items that are of the greatest security concern, and it provides regulatory clarity that would be helpful to the U.S. semiconductor industry. As a result, the NFTC supports the proposed revisions but believes the effective date should be significantly shortened.

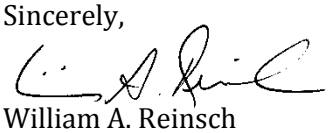
In light of the rapidly evolving nature of semiconductor technology, the NFTC is concerned that the lengthy implementation period that has been proposed (180 days) could lead to the USML effectively "capturing" many commercial integrated circuits (ICs) that meet or exceed the technical

parameters contained in Category XV (d). These commercial ICs were originally developed for civilian applications and are not specially designed for military use. We believe the best way to avoid this potential problem is by eliminating the 180 day implementation period and moving forward with this revision immediately.

As a general matter, the NFTC has supported lengthy implementation periods because of the concern by a number of our members that it will take substantial time to adjust their compliance procedures and reorganize their licensing operations, but in this particular case we believe the costs of delaying implementation of the final rule outweigh any benefits, and we note that that is the view of the directly affected companies as well.

As you know, the purpose of the President's Export Control Reform Initiative is to clarify and simplify the licensing process so the government can focus its resources on the most immediate and most serious threats to our security, and so our high-technology companies have clearer guidance on how to traverse the regulatory path. If substantial numbers of commercial products not subject to ITAR control at the beginning of this year became subject to ITAR control as a result of the proposed 180-day implementation period for the proposed elimination of USML XV (d), then the goals of the ECRI would be undermined. In order to avoid that consequence, we urge the Administration to waive the 180-day implementation period for the elimination of USML XV (d) as well as make the effective date of that change coincident with the publication date of the final rule.

Sincerely,



William A. Reinsch
President
National Foreign Trade Council