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**STATEMENT BY THE PRESS SECRETARY**

**Administration Announces New Approach to Encryption**

One year ago today, Vice President Gore announced updates to the Administration's encryption policy to serve the full range of national interests: promoting electronic commerce, supporting law enforcement and national security, and protecting privacy. The announcement permitted the export of strong encryption to protect sensitive information in the financial, health, medical, and electronic commerce sectors. It also included support for the continued ability of the nation's law enforcement community to access, under strictly defined legal procedures, the plain text of criminally related communications and stored information. At that time the Administration committed to reviewing its policy in one year. Today, the Administration announces the results of that review, conducted in consultation with industry and privacy groups and the Congress.

The strategy announced today continues to maintain the balance among privacy, commercial interests, public safety and national security. This approach is comprised of three elements: information security and privacy, a new framework for export controls, and updated tools for law enforcement. First, the strategy recognizes that sensitive electronic information -- government, commercial, and privacy information -- requires strong protection from unauthorized and unlawful access if the great promise of the electronic age is to be realized. Second, it protects vital national security interests through an updated framework for encryption export controls that also recognizes growing demands in the global marketplace for strong encryption products. Finally, it is designed to assure that, as strong encryption proliferates, law enforcement remains able to protect America and Americans in the physical world and in cyberspace.

With respect to encryption export controls, the strategy announced today rests on three principles: a one-time technical review of encryption products in advance of sale, a streamlined post-export reporting system, and a process that permits the government to review the exports of strong encryption to foreign government and military organizations and to nations of concern. Consistent with these principles, the government will significantly update and simplify export controls on encryption.

The updated guidelines will allow U.S. companies new opportunities to sell their products to most end users in global markets. Under this policy:

- Any encryption commodity or software of any key length may be exported under license exception (i.e., without a license), after a technical review, to individuals, commercial firms, and other non-government end users in any country except for the seven state supporters of terrorism.
- Any retail encryption commodities and software of any key length may be exported under license exception, after a technical review, to any end user in any country, except for the seven state supporters of terrorism.
- Streamlined post-export reporting will provide government with an understanding of where strong encryption is being exported, while also reflecting industry business models and distribution channels.
- Sector definitions and country lists are eliminated.

The Administration intends to codify this new policy in export regulations by December 15, 1999, following consultations on the details with affected stakeholders.

In support of public safety, the President is today transmitting to the Congress legislation

that seeks to assure that law enforcement has the legal tools, personnel, and equipment necessary to investigate crime in an encrypted world.

Specifically, the Cyberspace Electronic Security Act of 1999 would:

- Ensure that law enforcement maintains its ability to access decryption information stored with third parties, while protecting such information from inappropriate release.
- Authorize \$80 million over four years for the FBI's Technical Support Center, which will serve as a centralized technical resource for Federal, State, and local law enforcement in responding to the increasing use of encryption by criminals.
- Protect sensitive investigative techniques and industry trade secrets from unnecessary disclosure in litigation or criminal trials involving encryption, consistent with fully protecting defendants' rights to a fair trial.

In contrast to an early draft version of the bill, the Administration's legislation does not provide new authorities for search warrants for encryption keys without contemporaneous notice to the subject. The bill does not regulate the domestic development, use and sale of encryption. Americans will remain free to use any encryption system domestically.

The Administration looks forward to continuing to work with the Congress, industry, and privacy and law enforcement communities to ensure a balanced approach to this issue.

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