



Global Watch[®]

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China Mainland and Hong Kong Enter "Closer Economic Partnership Arrangement"



Effective 1 January 2004, Hong Kong and the Chinese mainland will enter into a free trade agreement called "Closer Economic Partnership Arrangement" (CEPA).

The implementation of the CEPA agreement is expected to liberalize the huge China market especially for goods and services. The Agreement eliminates trade and investment obstacles between Hong Kong and the Chinese mainland and will serve to create more business opportunities for both markets. Hong Kong's status as the platform for Chinese business will receive a further boost as with its preferential access to China's market.

In the initial phase, 273 categories of goods have been identified to qualify under this agreement. There will be zero tariffs applied to these goods exported to China and distributors of these goods will enjoy the benefits of tax exemption from 1 January 2004. A product will be qualified for the tariff exemption if it fulfills the Hong Kong origin rules using the "specific manufacturing process" criterion which has also been adopted in the CEPA rules.

Made in Hong Kong

Manufacturers and distributors who have goods identified to be one of the 273 categories assigned by CEPA need to satisfy the following requirements: the goods must have at least 30% of value added in Hong Kong (R&D and design costs), the goods must be "substantially transformed" and described as "Made in Hong Kong" and the company does not have to be based in Hong Kong. Provision has also been made to help 18 service sectors in gaining faster and easier access to the Chinese market, enabling manufacturers in China to use Hong Kong's services.

To be able to enjoy the benefits under CEPA in the service sectors, the Company must be incorporated under the laws of Hong Kong; must be subject to the Hong Kong profits tax, must engage at least 50% of its

(China - con't. page 5)

STRENGTHENING MULTILATERAL EXPORT CONTROLS

A report by the University of Georgia Center for International Trade and Security (CITS) on multilateral export controls concluded that rapid economic globalization and the digital and telecommunication technology revolution have made it increasingly difficult for governments to coordinate efforts to craft a unified multilateral response to terrorist threats.

Governments face a growing number of challenges to controlling strategic technologies and goods in a global environment. Existing control regimes designed to regulate trade in sensitive WMD-related components and conventional arms, are struggling to keep pace with the rapid changes including the Australia Group (AG), the Missile Technology Control Regime (MTCR), the Nuclear Suppliers Group (NSG), and the Wassenaar Arrangement (WA). One recommendation of the report was that countries participating in the multilateral regimes should invest greater resources in developing and using technologies that help track the flow of controlled goods and technologies.

Source: http://www.uga.edu/cits/documents/pdf/regime_report.pdf

INSIDE THIS ISSUE

IIEI Director's Notes	2
Certification Board	3
In Compliance	4
Reporting Violations	5
BIS Penalty Guidance	5
Logistics Degree Emphasis	7



Certification Board of Governors
launches new web site
www.industrycertification.org

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GlobalWatch

Diana Larowe, Editor-in-Chief

Notes from the Executive Director



Leverage Technology to Gain Global Marketplace Access

by Dr. Donald Burton

When I heard that the topic of this GlobalWatch® issue was to be technology, I began to imagine how every country and their connection to the rest of the modern world hinges on their use of technology. The Asean countries this past year put Internet connectivity of member countries at the top of the list of most important concerns. Why? Should this be a priority to all countries? Maybe you have the answers.

Here are some of the other questions that I thought of that might surround this issue. You may think of other questions that I missed. What happens if a country (or for that matter a company) does not connect to the Internet? What other ways does the use of technology impact participation in the global marketplace? What other specific technologies can impact success in the global marketplace? What advantages might a user of technology have over less technologically advanced competitors? How can a less developed country, or company, gain a technology foothold? Is there some way that technology bridges can be developed to insure that less developed countries can participate in the leveraging of technology to gain access to broader markets for their products and services? How can someone in a less developed region or country leverage technology now? I imagine that our readers might have answers or suggestions regarding these issues. Please let us know your thoughts. The more notable ideas received will be published in future issues of GlobalWatch®.

Direct your responses to response@expandglobal.com.

The next U.S.
**Customs Broker
 Examination**
 is the first Monday
 in **April 2004**

Logistics & Security
 in the
 January / February
 issue of
GlobalWatch®
 Ad Space Available
 contact
ads@expandglobal.com

10 Month Jail Sentence for violating EAR

Omega Engineering, Inc., and its Chief Financial Officer Settle Charges

(Washington, DC) The U.S. Government is getting very serious about export violations, resulting in stiffer fines and penalties for violators. In an announcement by the U.S. Department of Commerce, Omega Engineering Inc. ("Omega"), of Stamford, Connecticut, will pay \$187,000 in civil penalties to settle charges

that it illegally exported laboratory equipment to Pakistan. The Commerce Department's Bureau of Industry and Security (BIS) charged that Omega exported certain laboratory equipment to Pakistan in 1997, although the Commerce Department had denied a license for the same shipments earlier that year. In addition, Omega and its Vice President, Ralph Michel, will have their export privileges to Pakistan denied for five years.



In a following court action, on April 29, 2003, in U.S. District Court in Hartford, Connecticut, Omega and Michel pleaded guilty to violating the International Emergency Economic

(Jail - con't. page 6)

IIEI Adds Two New Compliance Instructors

The International Import Export Institute is pleased to welcome two new compliance instructors to its ranks. With the heightened demand for export compliance training, IIEI has expanded the number of instructors in this critical area.

Richard Seamans brings many years of industry experience into the classroom. For over 30 years, he was the Export Compliance Manager for the Communications sector of Motorola Inc.

Dan Squire, an Export Licensing Officer with the Department of Commerce, has already taught his first Understanding EAR class for IIEI.

Welcome to both of you!



Certification Board of Governors Welcomes Colleges & Universities

Certification Program Participation

The Certification Board of Governors (CBG) welcomes all government agencies, colleges, universities and training organizations worldwide to participate, sponsor and support this nonprofit international trade certification standards program. Nearly three hundred colleges and universities worldwide recognize and support this program. Individuals currently pursuing or holding industry certification reside in over 140 countries.

If your organization would like to support this program, either through direct participation or through your supporting activities, please contact the certification program administrator.

Approved Provider Program

Have your organization become an approved provider of training.

To participate in the CBG's Approved Provider Program, an organization must be an accredited college or university (in the U.S.), or be a government approved college, university or trade school in its country of operation (outside the U.S.), or be a licensed, recognized training organization that meets the intent of these qualifications. An organization must also demonstrate business stability and ethical business practices. Organizations that meet these initial requirements are eligible to formally apply to the program. Certain restrictions and conditions apply. For complete details and an application, contact the Program Director.

For more information email: roxford@expandglobal.com

In Compliance....

Recognizing and Reporting Possible Violation of the U.S. Export Administration Regulations

If one of the parties to your transaction has a name or address that is similar to an entity on the U.S. Department of Commerce's List of Denied Persons or if the transaction has circumstances similar to one of those listed in the Commerce Department's (BIS's) Red Flag Indicators, you should contact the Bureau of Industry and Security's (BIS) Office of Export Enforcement.

If you are asked to participate in a transaction that you believe may be a violation of the Export Administration Regulations you are encouraged to contact an Export Enforcement office immediately.

If you are being asked to participate in the Arab boycott of Israel, or if you are being asked questions like: "What are the nationalities of the members of your Board of Directors?" "Is your firm related to the ABCXYZ company?" "Will you send us a list of your proposed suppliers?" Before you respond you are encouraged to call BIS's Antiboycott Compliance Office Advice Line immediately.

Any response you make to these types of questions, regardless of whether the answer is a "yes" or a "no," may be a violation of the U.S. Department of Commerce's antiboycott regulations. You may be required to report the boycott requests you receive. The advice line duty officer will assist you in

(Violation - con't. page 6)

Expert Advice on:

Electronic Screening of Denied Entities

by Mr. John Priecko

In response to many inquiries regarding his article, SCREENING FOR DENIED ENTITIES, in the last issue of GlobalWatch, Mr. John Priecko, a Senior Export Compliance Officer for the DoD, offers further information regarding Electronic Screening.

"Based on my quick research, I came up with a list of seven key vendors who (along with other trade and related services) provide software to electronically screen denied entities. There are more, but these should give you a good cross-section of what's out there. The hard part will be determining which one's best for your company. Having surveyed vendors in this arena before, they all generally provide about the same thing, but there's an enormous difference in cost from very high to relatively inexpensive. This list (see below) is an extract of

vendors who recently exhibited at the Department of Commerce Update 2003, their annual Conference on Export Controls and Policy, held in Washington DC on October 20-21 2003.

I personally believe that anyone who says that they manually screen denied entities is either not doing it or are doing an incomplete job. Electronic screening is the way to go, but there are many considerations. However, insure that whatever software you buy screens all the U.S. Government denied entities lists (i.e. Departments of Commerce, State and Treasury, and the General Services Administration). The Internet Resources chart on the bottom of page 4 in the September/October 2003 GlobalWatch® article is a good reference. You could use each of the Internet sites listed separately to check denied entities, but some do not have search capability. The right vendor provided software will

(Electronic - con't. page 6)

Vendors of Electronic Compliance Software

ISSI: TradeSense
MK Data Services
MSR International Inc.
NextLinx Corporation
OCR Services, Inc
Open Harbor
Vastera

www.importerssoftware.com
www.mkdenial.com
www.ecustoms.com
www.NextLinx.com
www.ocr-inc.com
www.openharbor.com
www.vastera.com

U.S. Bureau of Industry and Security
 Proposes Penalty Guidance for Settlement
 of Administrative Enforcement Cases

The Commerce Department's Bureau of Industry and Security (BIS) recently published in the Federal Register its proposed penalty guidance for the settlement of administrative enforcement cases under the Export Administration Regulations (EAR).

In announcing the publication of the proposed guidance, Under Secretary of Commerce for Industry and Security Kenneth I. Juster stated: "Providing the public with greater transparency and predictability in how BIS approaches these issues will promote both effective enforcement and fair resolution of cases."

The proposed guidance provides the public with a comprehensive description of how BIS determines what penalties are appropriate in the

settlement of administrative enforcement cases. Because many such cases are resolved through settlements, the settlement process is integral to BIS's export enforcement program.

The proposed guidance, which BIS developed with input from its Regulations and Procedures Technical Advisory Committee, identifies both general factors, such as the destination of the export and degree of willfulness involved in violations, and specific mitigating and aggravating factors that BIS typically takes into account in determining an appropriate penalty. It also describes factors usually considered in deciding whether to issue a warning letter, rather than bring an administrative enforcement case. The proposed guidance encourages parties to provide information to BIS that would be helpful in the application of the

guidance to their cases. BIS will give serious consideration to such information.

Under the proposed rule, voluntary self-disclosure of violations would be given "great weight" as a mitigating factor, and also would typically be considered in deciding whether violations should be addressed by a warning letter, rather than a penalty. Aggravating factors that would receive "great weight" include a deliberate effort to hide or conceal violations and a serious disregard for export compliance responsibilities.

In view of the importance of this subject matter, BIS published this guidance as a proposed rule, so that BIS can receive and consider public comments on these issues. BIS encourages all interested persons to submit such comments. The deadline for public comments was November 17, 2003. The proposed rule may be accessed on the BIS Web site.

Source: BIS Press release 9/17/03

Nominations for Certification Board of Governors' Various Committees Needed

The Certification Board of Governors is accepting nominations for volunteers to serve on the various committees that help set the standards and policies of industry certification. Read more on their web site at:

www.industrycertification.org
 Point at CONTACT then click "volunteers" for more information.

China -continued from page 1.

total employees in Hong Kong. Companies in various services industries will have to meet additional criteria to ensure that they have been in the core business operations of an industry for at minimum period of three to five years in Hong Kong.

Detailed information on the CEPA can be accessed on-line at

<http://www.tdctrade.com/cepa/>
 and
<http://www.edlb.gov.hk/edb/eng/welcome/index.htm>

Source: Expeditors Newsflash
 December 02, 2003 - #76

Industry Certification Test Fees Increase

Effective December 1, 2003, the following increase in test fees were approved by the Certification Board of Governors

Description	Price
Registration	US \$30.00
CITLS	US \$295.00
CITDS	US \$295.00
CITMS	US \$295.00
CITFS	US \$295.00
CITP	US \$370.00
CITM	US \$590.00
Retest (all)	US \$175.00



Electronic - continued from page 4.

allow you to check them all simultaneously and provide a permanent record as well. Electronic screening and the related record keeping are important elements in any comprehensive international trade compliance program.

When surveying your vendors, there are many questions that should be asked. There is not a one-size fits all answer and going through the process it is essential to find the one that fits your company's unique needs. The selection will probably be further complicated by different business units under your company umbrella and their requirements. Along with the many questions that were addressed in the article in the last issue of Global Watch®, here are a two others that are specific to any such selection process.

- Do you only want denied entities software? Or, do you want a complete order management system? If you only want denied entities screening, will that module be integrated into an already existing order management system?

- Do you want to pay for denied entities screening by each individual transaction or through an unlimited contract? How will you pay the total cost (corporate or spread between business units)?

From having gone through this, there are many relevant questions but as a place to start, I suggest you have someone from your trade administration and compliance staff check with some of your industry counterparts to see what they are doing.

Bottom line: I trust I am preaching to the choir here, but to achieve the objectives that drive most companies and remain a viable manufacturer for the industry, you can not afford not to be on the leading edge of technology to abide by the letter and spirit of the law. There are too many of your industry counterparts who have learned the hard way. As a company that has products, services and technology under jurisdiction of both the Commerce and State Department,

screening denied entities (which can change daily) in the most efficient and effective way is essential to your company's future health and well-being."

Mr. Priecko is a Senior Technical Director with Anteon Corporation and the Senior Export Administration and Compliance Officer for the Office of the Deputy Assistant Secretary of the Army, Defense Exports & Cooperation [ODASA (DE&C)]. He oversees the export administration for Headquarters U.S. Army, including the overall licensing process, and assists in developing and maintaining the related export policies along with other international technology transfer and cooperative efforts. He can be reached at john.priecko@hqda.army.mil

Violations - Continued from page 4

determining your reporting requirements. Callers to the BIS Advice Line may remain anonymous if they wish. The telephone number is (202) 482-4811.

Source:
www.bis.doc.gov/Enforcement/report.htm

Jail - continued from page 4

Powers Act and the Export Administration Regulations on related charges. The U.S. District Court sentenced Michel to 10 months of confinement, followed by three years of supervised probation, and fined him \$50,000 in penalties. The U.S. District Court fined Omega \$313,000 in penalties, placed the company on corporate probation for five years and ordered the company to implement an export compliance program.

To read more about this and other actions by the Bureau of Industry and Security visit:

www.bis.gov

OTHER BIS WEB ADDRESSES OF INTEREST:

Recent Changes to the Denied Person's List
<http://www.bxa.doc.gov/dpl/recentchanges.asp>

Red Flag Indicators
<http://www.bxa.doc.gov/Enforcement/redflags.htm>



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Logistics Degree Emphasis Announced for 2004

A Degree Emphasis in International Logistics is to be added to the Institute's Bachelor of Science in International Trade Management degree program in mid-2004, said Dr. Donald N. Burton, IIEI's President. "This is in response to numerous requests from companies and individuals worldwide."

The courses to be added are:

- Warehousing: Principles and Practices in a Global Economy
- Advanced Logistics Management
- International Transportation
- Purchasing for International Business
- Global Supply Chain Management

"These courses can be substituted for existing courses

in the degree program," said Dr. Burton. "By choosing this degree emphasis, a student will be adding two additional courses to the total length of their program."

Non-degree seeking students will be eligible to take the courses so long as they meet the prerequisite requirements, said Burton. These courses will be 300 or 400 level and all will require previous course work in logistics and international trade to register.

For more information about the start dates for individual courses, contact your Enrollment Advisor.

(800) 474-8013 or 01-602-648-5750

Bachelor Degree in International Trade Management Launch a Success

New Semester Starting

After gaining national accreditation by the Distance Education and Training Council for its Bachelor of Science in International Trade Management degree program in June of this year, the International Import-Export Institute has successfully launched the first group of degree seeking students in this new online program.

People enrolled in the degree completion program come from

very diverse backgrounds and countries but they all have one thing in common: they see the future in international trade as the opportunity they were seeking.

The next enrollment start date for the bachelor degree program is January 15, 2004. For complete details and requirements contact:

Jim Paxton (800) 474-8013
Outside the U.S. 01-602-648-5750
jpaxton@expandglobal.com

IIEI MEMBERSHIP

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Simply visit our website at
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IIEI Awards Certifications

Congratulations are due to the following individuals on their successful completion and recent award of the respective certifications.

Certified U.S. Export Compliance Officer™

Eileen Fontana, New York
Julie Hawley, Texas
John Kim, California
Gail Madsen, Maryland
Sharon Starkey, Arizona
Jill Thureau, Arizona
Walt White, Florida

Certified International Trade Logistics Specialist™

Samuel Obodoekue, Nigeria
Adedayo Ige, Nigeria
Kunle Afolabi, Nigeria

Certified Exporter™

Temituyo Nzewi, Nigeria



IIEI Honor Roll

*Students maintaining a 4.0 GPA
for two or more semesters.*

Eileen Fontana
Candice Graf
Julie Hawley
Gail Madsen
John Priecko
Jill Thureau
Blake Williams
Janet Keiser
Janie Tuchon
Delina Graspard



The International Import-Export Institute

2432 West Peoria Avenue, Suite 1026
Phoenix, Arizona USA 85029
Phone: (800) 474-8013
Outside U.S. (602) 648-5750
Fax: (602) 648-5755
E-mail: info@expandglobal.com

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