



# Global Watch®

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## BIS Announces Final China Rule

The U.S. Department of Commerce's Bureau of Industry and Security published the final rule for trade with the People's Republic of China (PRC) for items on the Commerce Control List (CCL) in the Federal Register posting as stated below:

*Revision of Licensing Review Policy and License Requirements*

To strengthen efforts to prevent U.S. exports to the PRC that would enhance the PRC's military capabilities, this rule revises the licensing review policy for items controlled on the CCL for reasons of national security. Specifically, this rule amends section 742.4(b)(7) to make clear that the overall policy of the United States

*China Rule - Continued on page 10*

### INSIDE THIS ISSUE

IIIEI Director Notes	2
Importing Course Revised	3
BIS Update	4
DDTC Update	5
In Compliance...	6
Country Profile: Lithuania	8
Agreements Under the ITAR	12
NEW IIIEI Courses	12
IIIEI Honor Roll	13
BS in Global Supply Chain Mgt	14

## India to Check Export of Sensitive Material

*By Gireesh Chandra Prasad and G Ganapathy Subramaniam*

NEW DELHI: India Exporters will soon be subjected to more rigorous checks, depending on who their customers are, as the government is all set to project its credentials in preventing the proliferation of chemical, biological and nuclear weapons and their delivery systems.

The move has implications for the export of chemicals and allied products, biotechnology materials and products of the aerospace industry.

This may reassure the U.S., which is concerned about the safety of transferring sensitive technologies to India under the proposed nuclear deal, given the fact that India has good relations with Iran — one of the three nations blacklisted by the U.S.

This initiative goes far beyond the existing control over exports of a wide range of items including explosives, stealth materials and propellants. These materials classified as special chemicals, organisms, materials, equipment and technologies are regulated through licensing.

The proposed new export controls will introduce a system of intercepting consignments marked to certain customers. The government is planning to ask a core group on proliferation that consists of ministries of home affairs, defense and external affairs to draw up a list of "end-users of concern."

*India Exports - Continued on page 11*

## Odds of Passing U.S. Licensed Customs Broker Exam Improve

See Page 3

## BIS Sees Enhanced Secure Trade with PRC

See Page 4

## ACE Portal Users Must Change Methods

See Page 5

## China Validated End-Users Facilitate Trade

See Page 7

# Can East Asia Weather a U.S. Slowdown?

By Cyn-Young Park

Excerpted from a paper sponsored by the ASEAN Bank

A slowdown in the United States (US) in 2007 has become more of a fact than a conjecture. The US economy registered the lowest growth rate in 4 years in the first quarter at 1.3%, sparking increased concern over its 2007 growth prospects. A downturn in the US housing market, which has already dented US economic performance through declines in residential investment and construction activity, is expected to further the slowdown before it improves. Historically, a US

*East Asia - Continued on page 11*

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## Notes from the Executive Director

### Summer is Busy at the IIEI

*by Dr. Donald N. Burton*



As I have mentioned in previous columns, export controls are getting tighter in many nations as the concern for terrorism spreads. In this issue of GlobalWatch®, there is an article about how India is increasing its controls over sensitive materials being exported. The U.S. Bureau of Industry and Security (BIS) article on page 1, speaks to the topic of increasing trade with the People's Republic of China while maintaining control of sensitive exports too. Another article on the China Validated End-User explains how this new program is intended to help expedite trade between the U.S. and China. And even though there was not room in this edition, many other nations are grappling with this same issue of balancing increasing international trade with security.

However, this issue has many other topics of interest too. For example, the white paper from the ASEAN Bank about the impact of a U.S. economic slowdown on East Asia provides interesting points and some very telling statistics. You will see that we've been busy here at the IIEI as noted from the number of new and updated courses that are mentioned throughout this issue. As usual, the BIS and DDTC Update columns provide relevant, timely and useful information as well.

Even at this point in the Summer, here at the IIEI we are in the final push to be prepared for the Fall start of the Bachelor Degree Program. We have a steady stream of applications and it looks like the entering class has a wide variety of students. If you have not applied yet it is not too late to contact an Enrollment Advisor. One word of caution. You need to order transcripts from other schools which you want to transfer in credit very soon. The Registrar Department is already very busy evaluating incoming transcripts.

We have expanded our staff here to serve you better. We've added two people in Central Administration. This should help us be even faster in getting grades out to you.

Additionally, our Curriculum Development Department added a Curriculum Development Specialist, Darrel Andrews, which has resulted in many courses being updated and enhanced. Both Understanding the ITAR and Understanding the EAR courses have been revamped and are now more scenario based, using actual real life case studies each week. Please let us know if you have any suggestions.

I hope you find this issue helpful and interesting. Again, thank you for your continued strong support. Enjoy.

**What's the condition of your organization's trade compliance culture (compliant or non-compliant)?**

**What's your exposure, risk and liability?**

(See In-Compliance... page 6)

## Importing: U.S. Customs Broker Exam Preparation Course Revised and Updated

Continuing our effort to serve both the export and import communities, IIEI has revamped its U.S. Customs Broker Exam course (IIEI-304). The new revised version will run throughout the summer to prepare students to take the exam this October. IIEI students, compared to those preparing for this rigorous exam alone, have a much higher pass rate on the exam, according to student self-reporting. Students who take this comprehensive, online 6-week course should be willing to devote considerable time to the class and to studying once the class is over. IIEI recommends at least 10 to 15 hours per week be set aside for this course. However, many have commented that the structure and level of detail greatly prepared them for the tough government exam.

In addition to adding the latest changes to the regulations, the updated and revamped course offers more hands-on examples, more detailed lectures, better explanations of correct answers and more

sample questions for the U.S. Customs Broker Exam.

Interested in exploring the world of importing, but need more exposure to the subject matter before you consider the Broker's Exam? Consider signing up for IIEI's Importing: Duties and Regulations course (IIEI-140). Offered several times per year, the focus of this six-week, online effort is to provide a practical in-depth examination of the classification, valuation and documentation required for importing goods into the U.S. Specific emphasis is placed on understanding the classification of goods using the Harmonized Tariff Schedule of the U.S. Other topics include absolute and tariff-rate quotes, entry process, protests, record keeping and documentation, embargo enforcement implications and other regulations.

Contact an Enrollment Advisor today to reserve your seat in either of these two courses at (800) 474-8013.

## U.S. Plans More Technology-Theft Cases Against Arms Exporters

The U.S. Justice Department, which successfully prosecuted ITT Corp. for letting China get sensitive data on night-vision goggles, is planning to bring more cases against weapons brokers and companies that violate export laws.

"We want to see more investigations," Kenneth Wainstein, head of the Department's National Security Division, said in an interview. "The more involvement, the more effort we can put into it, the better."

Justice Department officials regard the initiative as part of the war against terrorism, though not all thefts are tied to terrorist groups.

Some 108 countries tried to obtain protected or sensitive U.S. technology in 2005, which "imposed huge

*Arms Exporters - Continued on page 5*

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See new degree emphasis on the back cover of this GlobalWatch®.

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## BIS Update

Bureau of Industry and Security

### Illicit Supplier Placed on Denied Persons List

Winter Aircraft Products SA, also known as Ruf S. Lopez SA, located in Madrid, Spain, and its executive officers, Rufina Sanchez Lopez and Jose Alberto Diaz Sanchez, have had their export privileges under the Export Administration Regulations (EAR) denied for a period of ten years.

The Denial Orders were imposed by the Department's Bureau of Industry and Security (BIS) against Winter Aircraft and the two executives for violating the EAR in connection with the unlawful diversion and trans-shipment of U.S.-origin aircraft parts through Spain to the Islamic Republic of Iran.

BIS charged each with committing two violations of the EAR for evading the licensing requirements maintained by the U.S. Government for the exportation of the aircraft parts. In 2000, Winter Aircraft and the two executives acquired aircraft parts from the United States, concealed the identity of the country of ultimate destination from the U.S. suppliers, and then trans-shipped the parts through Spain to Iran with a substantial markup in price.

Source: [www.bis.doc.gov](http://www.bis.doc.gov)

**China's Trade Surplus for June '07 reached record high of \$26.91 Billion**

Source: Wall Street Journal 7/11/07

### BIS Clarifies the Relationship of Rules for PRC

BIS has clarified the relationship between existing License Exceptions available for the PRC and the proposed Military End-Use control. BIS has revised section 744.21(c) to state more clearly that certain provisions of License Exception GOV are available for items requiring a license as a result of the military end-use control. Absent such a license requirement or another relevant license requirement set forth elsewhere in the EAR (*e.g.*, for a proliferation end-use restricted under part 744), items listed in Supplement No. 2 to Part 744 would be exported to the PRC without a license.

Source: **72 CFR 33649 Federal Register** / Vol. 72, No. 117 /

### 2007 Update Conference Attendance Lottery

The Bureau of Industry and Security (BIS) today announced that the 20th annual Update Conference on Export Controls and Policy will be held from October 31- November 2, 2007 in Washington, D.C.

In order to avoid last year's major registration problems, BIS is conducting a registration lottery. To register for the Update lottery, interested persons must fill out an "Update Interest Form" by August 3, 2007. At the end of this period, if there is space to accommodate all interested applicants, BIS will give applicants instructions on how to register for the program. If there are more potential participants than space available (the

BIS Lottery - Continued on page 10

### Enhancing Secure Trade with China

Excerpted remarks by Mario Mancuso, Under Secretary of Industry and Security, Bureau of Industry and Security, U.S. Department of Commerce, speaking at the U.S.-China Business Council Washington *June 18, 2007*

China's rise over the past three decades has been a signature development for U.S. economic and national security policy. For U.S. policy on high-tech exports, China offers the starkest example of the end of the Cold War—a time when our export control policy was straightforward, a period when we assumed that "allied" countries had trustworthy customers and "adversary" countries had dangerous ones. Today, the world is different and far more complex. For a variety of reasons, a customer's address tells us far less than it once did about a company's trustworthiness.

In this way, China, India—virtually all of America's trading partners—contain an assorted and varying mix of attractive trade opportunities and security risks. And that makes formulating narrowly tailored and effective export controls harder. At the same time, because U.S. companies now compete in a hyper-competitive global market, the costs of getting our policies wrong are immense—and rising. And not just in terms of lost market share for U.S. industry, though that would be concerning enough. Because our military

China Trade - Continued on page 9



# DDTC Update

Directorate of Defense Trade Controls

## Update on Promotion to D-Trade2

As of June 22, 2007, the promotion to D-Trade2/Version 5.0, previously schedule for late June, has now been postponed until late July. Exact dates will be provided shortly.

DDTC will post additional information on the DDTC Web site on how operations will be handled during this period, along with highlights of new and improved features available in D-Trade2/Version 5.0. Please hold your questions/concerns regarding this promotion until we post detailed guidance.

## Registration as Exporter, Manufacturer, or Broker

DDTC posted new Helpful Hints on Preparing a Complete Registration Package and Submitting Material Changes to Registration effective May 2007.

**Source:** <http://www.pmdtcc.state.gov/>

## Arms Exporters - Continued from page 3

costs” on the economy, according to a study last year by the Office of the Director of National Intelligence.

Prosecutors are targeting illegal transfer of such products as assault rifles, missile parts and medical devices that can be made into nuclear triggers. The Agency assigned veteran prosecutor Steven Pelak in Washington to oversee investigations and train lawyers to meet a growing caseload. Technology thefts are “going on in spades,” said Pelak, an 18-year prosecutor who last month was appointed to the Justice Department’s first National Export Control Coordinator.

**Courtesy Bloomberg**

## State Department’s Arrangement with the Canadian Department of National Defence on Dual Nationals

The State Department has concluded an arrangement with the Canadian Department of National Defence (DND), effective May 17, 2007, with respect to access to ITAR items by Canadian citizens who are dual nationals. The DND has agreed to restrict access to International Traffic in Arms Regulations (ITAR) controlled items to its employees who are issued a minimum SECRET-level security clearance by the Canadian Government. Among the reasons for which SECRET-level security clearances are not granted, the DND intends to ensure SECRET-level security clearances are not granted to personnel with ties to known terrorist groups or who maintain significant ties to foreign countries, including those countries to which exports and sales of ITAR controlled defense articles and services are prohibited. In exchange, the State Department will revise its export authorizations, which have incorporated limitations/provisos that require specific identification of individuals and countries of dual nationals and execution of Non-Disclosure Agreements, to permit Canadian citizen/dual-national DND employees access as needed to ITAR defense articles and services if they possess a SECRET-level security clearance. This applies only to the DND and is not extended to any other government agency or to private companies in Canada.

**Canada - Continued on page 7**

## ACE Portal Users Must Change Web Browser Settings by September 2007

According to U.S. Customs and Border Protection (CBP) in a recent administrative message, announced that in order to continue access to the (Automated Commercial Environment) ACE portal, users must make changes to their Internet Explorer Settings.

Currently, ACE allows the widely used Secure Socket Layer (SSL) protocol and Transport Layer Security (TLS). CBP states that federal regulations require that sensitive data be protected when being disseminated over the Internet and that the Transport Layer Security (TLS) is the government-approved security mechanism to protect sensitive data during Internet transmission; therefore SSL will be phased out.

In order to continue using the ACE portal, users will be required to make changes to their Internet Explorer web browser settings. From June to September 13, 2007, both the current security setting and the changes will allow access to the ACE portal. However, starting September 14, 2007, the changes will be required to be in place on computers to allow proper access to the ACE portal.

CBP states that users of the ACE portal must make certain their Internet browser is Internet Explorer 6.0.2 or higher. It is not clear whether other browser products (i.e. Firefox) will work after that time.

**Source:** UPS Trade News

# In Compliance....

## ITT Plea Agreement: Lessons Learned

*By the IIEI Staff*

There's much we can learn from the recent ITT \$100 million fine. What really determines whether an organization will commit violations? Obviously ITT thought they were doing a satisfactory effort prior to the discovery. Maybe, maybe not? Nevertheless, experts see many factors that impact the issue.

First it should be noted ITT is not alone here. This case serves to demonstrate that a well known and respected industry leader is no more immune to committing violations than a small company that only exports occasionally. This example demonstrates that any company can commit violations? For the sake of this discussion, we assume companies do want to be in compliance with the regulations and are not knowingly and/or willfully violating the law. That may not have been the case here. With that said, why do violations happen?

Is it related to the size of the organization?

In recent years, some of America's largest companies have committed serious violations, even though they have huge compliance staffs and spend millions of dollars on compliance and compliance education and training every year. But no, size of the organization alone does not ensure compliance or a culture of compliance.

Is it the size of the compliance staff?

Violations do not appear to be related to the size of the compliance staff. Small companies with small compliance departments don't

necessarily have fewer violations than large organizations with huge trade compliance staffs.

Is it due to lack compliance budget?

Most companies tend to have smaller compliance staffs than the work load would suggest. Many compliance professionals work many more than eight hours per day as they struggle to stay current with the work flow, but this alone does not appear to be a significant causal factor of violations. However, money always seems to be part of the problem and an ongoing issue.

Is it due to a lack of education, training, experience or expertise?

Most companies appear to fully support the concept of initial and recurring training and attempt to send compliance personnel to at least one or two events yearly. Most seasoned professionals have the expertise to manage a compliance effort, but top down support is an essential element of any comprehensive trade compliance program that when lacking can have a profound negative impact.

Is it because a company does not care?

Compliance practitioners, in most cases, are dedicated to their vocation and personally feel the responsibility to maintain compliance because they know the importance of their actions. Other departments within the organization rely fully on the compliance staff to ensure that compliance occurs and take no personal responsibility—in essence in too many cases they don't concern themselves with compliance on an

ongoing basis. Additionally and unfortunately, senior management sometimes just doesn't get it.

Is it a systemic problem?

Some experts claim that the problem is the way the organization approaches compliance. So long as the company sees compliance as a departmental function, not an organization-wide effort, violations can and will occur. Stated another way, if the organization's culture is that of a totally compliant company and it permeates the organization from the top all the way down and across, then compliance will take place. But for it to happen, the Chief Executive Officer (CEO) and other senior managers must make it part of their day as well. The words and picture have to match consistently over time. It isn't enough for the CEO to say he supports the compliance effort. For it to work over the long haul, the CEO has to be actively involved in the compliance effort. The involvement of senior managers must also follow the CEO's example. At all steps in every process, the importance of trade compliance must be addressed, including the monitoring, control and ongoing refinements to the processes, policies and procedures.

Can violations happen due to the actions of one person?

Absolutely! What many organizations fail to consider is that it only takes a single individual to commit a violation. The weakest link in

## PRC Validated End-User (VEU)

To facilitate exports to civilian end-users, BIS established a new authorization Validated End-User (VEU). The authorization will allow the export, re-export, and transfer of eligible items to specified end-users in an eligible destination, initially the PRC. This template is designed to assist applicants in preparing and submitting their requests for VEU authorization. The complete procedures to request VEU authorization, the procedures and timelines to be used by the End-User Review Committee (ERC) in considering such requests, and the criteria for evaluating requests can be found in Section 748.15 and Supplement Nos. 8 and 9 to Part 748 of the Export Administration Regulations (EAR).

If you need assistance or have questions regarding your VEU application, you may contact the Chairman of the End-User Review Committee, Michael Rithmire, via email at [mrithmir@bis.doc.gov](mailto:mrithmir@bis.doc.gov) or by telephone at +1-202-482-6105 (if dialing internationally).

You may also contact the Bureau of Industry and Security help line: +1-202-482-4811 for assistance regarding submission of a Commodity Classification Automated Tracking System (CCATS) request to determine the correct Export Control Classification Number (ECCN) under which your item is classified.

**Source:** [www.bis.doc.gov](http://www.bis.doc.gov)

The State Department's Directorate of Defense Trade Controls Licensing office will re-issue export authorizations to companies for export of defense articles or services to the DND where the restrictive limitations/provisos have been imposed. The reissued export authorizations will contain proviso language reflecting the May 17<sup>th</sup> State Department-DND arrangement mitigating the requirement for specific identification of dual nationals and execution of Non-Disclosure Agreements. The Department has been provided a list of authorizations from the DND which require revision so it will not be necessary for companies to apply for an amendment to existing affected authorizations.

### What's the latest feedback from professionals who have taken Empowered Official Essentials (EOE), IIEI-257, an interactive, challenging, 6-week, case study-based, online course?

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Janie Tuchon, CUSECO®, Global Trade Compliance Assurance Auditor, Hewlett-Packard Company

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Martin Maier, CUSECO®, Compliance Program Manager, General Dynamics Information Technology

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*Country Profile*  
**Republic of Lithuania**

Lithuania, a parliamentary democracy, is situated on the eastern shore of the Baltic Sea and borders Latvia on the north, Belarus on the east and south, and Poland and the Kaliningrad region of Russia on the southwest. It is a country of gently rolling hills, many forests, rivers, streams and lakes. Its principal natural resource is fertile agricultural land, with wet moderate winters and summers.

The Lith, or Lithuanians, united in the 12th century under the rule of King Mindaugas. In 1410, the Poles and Lithuanians defeated the powerful Teutonic Knights at Tannenberg. From the 14th to the 16th century, Poland and Lithuania formed a confederation making it one of medieval Europe's largest empires, stretching from the Black Sea almost



to Moscow. In 1569 they formally united as Poland. Next, after a loosening conflict, Russia, Prussia, and Austria partitioned Poland in 1772, 1792, and 1795. As a consequence, Lithuania came under Russian rule after the last partition. Following World War I and the collapse of Russia, Lithuania declared independence (1918), under German protection.

The republic was then annexed by the Soviet Union in 1940. The Lithuanian independence movement re-emerged in 1988. In 1990, the Supreme Council rejected Soviet rule and declared the restoration of Lithuania's independence, the first Baltic Republic to take this action. Lithuania's independence was quickly recognized by major European and other nations, including the United States. The Soviet Union finally recognized the independence of the Baltic states on Sept. 6, 1991. UN admittance followed on Sept. 17, 1991. In late 2002, Lithuania was accepted for membership in the EU and NATO, and it joined both in 2004.

Lithuania, the Baltic State that has conducted the most trade with Russia, has grown rapidly since rebounding from the 1998 Russian financial crisis. Unemployment fell to 3.7% in 2006, while wages grew 17.6%, contributing to rising inflation. Exports and imports continue to grow strongly, and the current account deficit rose to nearly 10% of GDP in 2006. Trade has been increasingly oriented toward the



**Lithuania**  
**at a Glance**

**GDP:** \$54.9 billion (2006 est.)

**GDP - real growth:** 7.5% according to official estimate (2006 est.)

**GDP - per capita (PPP):** \$15,300 (2006 est.)

**Inflation Rate:** 2.9% (2006 est.)

**Labor Force:** 1.617 million (2007)

**Unemployment Rate:** 3.7% (2006)

**Population:** 3,575,439 (July 2007 est.)

**Exports:** \$14.64 billion f.o.b. (2005)

**Exports - Commodities:** mineral products 23%, textiles and clothing 16%, machinery and equipment 11%, chemicals 6%, wood and wood products 5%, foodstuffs 5%

**Exports - Markets:** Russia 10.4%, Latvia 10.2%, Germany 9.4%, France 7.1%, Estonia 5.9%, Poland 5.5%, Sweden 5%, US 4.7%, UK 4.7%, Denmark 4.3% (2005)

**Imports:** \$18.25 billion c.i.f. (2006)

**Import - Commodities:** mineral products, machinery and equipment, transport equipment, chemicals, textiles and clothing, metals

**Import - Markets:** Russia 27.9%, Germany 15.1%, Poland 8.3% (2005)

**Exchange Rate:** litai per US dollar - 2.7498 (2006)

**Internet Users:** 1.222 million (2006)

**Internet Hosts:** 148,675 (2006)

West. Privatization of the large, state-owned utilities is nearly complete. Foreign government and business support have helped in the transition from the old command economy to a market economy, but foreign direct investment declined in 2006.

**Source:** CIA World Fact Book and Wikipedia



“overmatch” capabilities require and are sustained by, over the long-term, cutting-edge U.S. technology, there is a national security—as well as economic—imperative for ensuring that U.S. industry remains the most dynamic, the most competitive, and the most innovative in the world.

When the U.S.-China Business Council was founded in 1973, the U.S. did not yet have formal diplomatic relations with China. President Nixon had just completed his historic visit to Beijing. Bilateral trade was next to nothing. Today, China is the fastest growing export market for U.S. industry.

In 2006, U.S. high-tech exports to China grew by 44 percent to 17.7 billion—more than the entire value of U.S. exports to partners like India, Russia, and Thailand. Just 1.3 percent of that total (or \$231 million in trade) required a Commerce Department license. This percentage, while barely a rounding error in the overall trade figures, is critical to U.S. national security. These are the exports of sensitive items that require an extra degree of scrutiny—items like certain chemicals, avionics, and sophisticated electronic equipment that could be used to support China’s military modernization.

In approaching the final rule, our goal at BIS was to arrive at a focused, streamlined, and effective

dual-use policy with regard to China that reflects our broader foreign policy toward that country. It was also our goal to do so in a way that was consistent with our larger mission of promoting U.S. leadership in strategic technologies.

### **The China Rule: The Right Balance**

It has long been U.S. policy to encourage China’s political and economic integration with the world, while hedging against the uncertainty of a rapid and opaque Chinese military build-up. The rule published in June is a great step forward in our China policy by better aligning our dual-use export control policy with our broader foreign policy.

In particular, the rule does two very important things. First, the rule encourages China’s further economic integration with the world by facilitating high-tech exports to companies in China which have a record of using them responsibly.

Specifically, the rule facilitates high-tech trade by launching the new “Validated End-User” program or VEU. VEU will allow pre-screened customers to receive selected U.S. technologies without the need for individual licenses, which will significantly lower the administrative and regulatory burden of exporting to these “trusted” customers. VEU will reduce lag time, expense, and uncertainty in the licensing process,

helping U.S. exporters to be even more competitive in China. VEU will also act as a powerful market-based incentive for good behavior by rewarding the many firms in China who handle sensitive U.S. technology with care.

Second, the rule prudently hedges against China’s military modernization by imposing new controls on a narrow, focused set of the most sensitive dual-use technologies, such as lasers and radar antennas, when they are intended for use in Chinese weapons systems. As China’s military modernization increasingly relies on commercial, off-the-shelf products, this targeted set of controls will ensure that dual-use products are not a back door to breaking the U.S. arms embargo on China, in effect since 1989.

### **The China Rule: A Model for Future Cooperation**

The final rule’s precision and balance is no accident, but is the product of a lengthy, fact-based, rigorous analytic process—as it should be. During the course of our review, we received more than 1,000 pages of feedback, and consulted with our friends and allies around the world. We thoroughly analyzed, reviewed and considered every comment, and read every page. And we listened. In particular, industry data on foreign availability informed the meticulous scrub of the 47 ECCNs originally proposed to be subject to the military end-use control. Of the 47 ECCNs that had been proposed, only 31 remain in the final rule. This 34% reduction in ECCNs is a direct result of industry’s constructive input into the process.

Source: <http://www.bis.doc.gov/>

Visit  
[www.usexportcompliance.com](http://www.usexportcompliance.com)



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industry certification.

**China Rule** - Continued from page 1

for exports to the PRC of these items is to approve exports for civil end-uses but generally to deny exports that will make a direct and significant contribution to Chinese military capabilities. BIS makes further revisions to the EAR to clarify that it will review license applications to export or reexport to the PRC items controlled for chemical and biological weapons proliferation, nuclear nonproliferation, and missile technology under sections 742.2, 742.3 and 742.5, respectively, of the EAR. In accordance with the licensing policies in both paragraph (b) of the applicable section and with the revised licensing policy in paragraph 742.4(b)(7) of the EAR, which provides a presumption of denial for license applications to export, re-export, or transfer items that would make a direct and significant contribution to the PRC's military capabilities such as, but not limited to, the major weapons systems described in new Supplement No. 7 to Part 742 of the EAR.

This rule also implements a new control on exports to the PRC of certain CCL items that otherwise do not require a license to the PRC when the exporter has knowledge, as defined in section 772.1 of the EAR, that such items are destined for "military end-use" in the PRC or is informed that such items are destined for such an end-use. The list of items subject to this "military end-use" restriction covers approximately 20 products and associated technologies, as described in the entries of 31 full or partial Export Control Classification Numbers (ECCNs). The list was based on a review of public comments and a careful interagency review of items listed on the CCL that currently do not require a license for export to the PRC, but have the potential to

advance the military capabilities of the PRC. Applications to export, re-export, or transfer items controlled pursuant to the "military end-use" control will be reviewed on a case-by-case basis to determine whether the export, re-export, or transfer will make a material contribution to the military capabilities of the PRC and would result in advancing the country's military activities contrary to the national security interests of the United States. Other end-use controls in part 744 of the EAR continue to apply.

#### *New Authorization Validated End-User (VEU)*

To facilitate legitimate exports to civilian end-users, BIS establishes in this rule a new authorization Validated End-User. The authorization will allow the export, re-export, and transfer of eligible items to specified end-users in an eligible destination, initially the PRC. VEUs will be those entities that meet a number of criteria, including a demonstrated record of engaging only in civil end-use activities. This rule outlines clear procedures to request VEU authorization, the procedures and timelines to be used by an interagency committee established to consider such requests, and the criteria for evaluating requests.

#### *Revision of End-User Statement Requirements*

To strengthen implementation of the April 2004 end-use visit under-

**Applications to export, re-export, or transfer items... will be reviewed on a case-by-case basis...**

standing between the Vice Minister of Commerce of the PRC and the U.S. Under Secretary of Commerce for Industry and Security, this rule requires exporters to obtain PRC End-User Statements from the Ministry of Commerce of the PRC for all exports of items on the CCL requiring a license to the PRC over a specific value, which for most exports will be a new, higher threshold of \$50,000. BIS anticipates that this change will facilitate BIS's ability to conduct end-use checks on exports or re-exports of controlled goods and technologies to the PRC, consistent with the existing end-use visit understanding with the Government of the PRC, without resulting in an overall annual increase in the number of such statements required from U.S. exporters. The facilitation of end-use checks should, in turn, facilitate increased U.S. exports to the PRC.

**Source:** 33646 Federal Register / Vol. 72, No. 117 / Tuesday, June 19, 2007 / Rules and Regulations

**BIS Lottery** - Continued from page 4

more likely scenario, since last year's Update sold out in less than an hour), BIS will make registration assignments through a random selection from the entire list of applicants, regardless of when received during the initial registration period. Those chosen will then be notified during the week of August 13, 2007 and given instructions on how to register and pay. Those whose names are not drawn will notified that they have been placed on a waiting list.

**Courtesy:** International Trade Law News,  
[www.tradelawnews.com](http://www.tradelawnews.com)

India Exports - Continued from page 1

This will be based on global trends in proliferation of weapons of mass destruction, information from other countries and UN Security Council resolutions. The list will be shared with all customs and port authorities.

The government will authorize the Customs Department through a notification to stop any export consignment to these business houses. Once intercepted, the exporter would be told that he should seek a license to proceed with the export. The application will be approved or rejected within a specified time frame, possibly, two weeks, it is understood. The government is likely to work with associations of biotech companies, chemicals makers and aerospace manufacturers to create awareness.

In fact, the government has started applying the provisions of the Weapons of Mass Destruction and Their Delivery Systems (Prohibition of Unlawful Activities Act) 2005 more aggressively.

**Source:**

<http://economictimes.indiatimes.com>

**IIEI thanks everyone who attended our Reception in Baltimore during the SIA Back-to-Basics Conference**

East Asia - Continued from page 1

slowdown has often been associated with a global slowdown. The US is by far the largest single economy in the world, accounting for nearly one third of global economic activity. A slowdown in the US economy could thus represent a significant downside risk to the global economy.

In the past, East Asia has proven particularly vulnerable to slowing growth in the US economy given its relatively high export reliance on the US market. During the last slump in 2001–2002, US imports fell by a cumulative 4.2% and this fall was translated into falling exports, cuts in industrial production, and declining growth rates in East Asia. Although a sharp downturn in the US economy is not a part of the baseline scenario for the global economy presented in the *Asian Development Outlook (ADO) 2007* (ADB 2007), there is increasing concern about further weakness in the US economy and its potential impact on the East Asian economy.

There is debate on whether East Asia is uncoupling from the US economy. Traditionally, East Asia has been viewed as a region that relies heavily on exports for growth. As an important corollary of this, the East Asian economy has been considered vulnerable to external demand shocks. However, despite a visible

slowing in US growth in the second half of 2006, East Asia's exports remained robust. Some commentators have interpreted this as evidence that East Asia might be uncoupling from the US business cycle.

The US market now accounts for only 18% of East Asia's total exports, down from 24% just 5 years ago. Also, although the East Asian economy accounts for only about 10% of world gross domestic product (GDP) in real US dollar terms (22% on a purchasing power parity basis), its share of incremental income in the global economy is growing rapidly. East Asia posted an average growth rate of 7.6% per year over the past 5 years, contributing nearly one fourth of global growth in the same period.

Yet despite its increasing share in world output, East Asia's economic size remains small relative to the US's 30.6% of world GDP, Japan's 14.0%, and European Union's (henceforth, G3 economies) 24.9%. East Asia's weight in global demand is also less than its weight in income, as it has continued to run large current account surpluses. While the G3 economies consume nearly as much as they produce, East Asia consumes only about 70% of what it produces. The great bulk

East Asia - Continued on page 12

### US International Trade Commission Posts New Harmonized Tariff Schedule of the U.S.

The U.S. International Trade Commission has posted to its website an updated edition of the 2007 Harmonized Tariff Schedule of the U.S. (HTS) dated July 2, 2007 (Revision 2). According to the preface of the July 2, 2007 version, the principal changes in this version reflect HTS tariff changes at the 9-10th digit level, etc., July 1, 2007 changes to statistical breakouts (HTS changes at the 9th and 10th digit) and statistical notes approved by the Committee for Statistical Annotation of Tariff Schedule (pursuant to section 484(f) of the Tariff Act of 1930, as amended). The July 2, 2007 HTS reflects 484(f) Committee statistical changes to various tariff numbers and statistical notes in the following HTS chapters: 4, 23, 29, 63, 64, 69, 72, 84, 94, and 98.

**Source:** [www.usitc.gov/tata/hts](http://www.usitc.gov/tata/hts)



East Asia - Continued from page 11

of East Asia’s products are being exported outside the region.

In conclusion, East Asian growth is set to slow to a more moderate pace against the backdrop of a US slowdown. But the East Asian economy is expected to continue a still healthy expansion by historic standards, if the US slowdown remains orderly with limited spillovers into the rest of the world. The ability to sustain domestic demand growth by promoting economic efficiency and flexibility remains a key to keeping growth momentum against falling external demand.

**About the Asian Development Bank**

The work of the Asian Development Bank (ADB) is aimed at improving the welfare of the people in Asia and the Pacific, particularly the 1.9 billion who live on less than \$2 a day. Despite many success stories, Asia and the Pacific remains home to two thirds of the world’s poor. ADB is a multilateral development finance institution owned by 67

members, 48 from the region and 19 from other parts of the globe. ADB’s vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their citizens.

ADB’s main instruments for providing help to its developing member countries are policy dialogue, loans, technical assistance, grants, guarantees, and equity investments. ADB’s annual lending volume is typically about \$6 billion, with technical assistance usually totaling about \$180 million a year. ADB’s headquarters is in Manila. It has 26 offices around the world and has more than 2,000 employees from over 50 countries.

**Editor’s Note:** To read the full text of the paper go to: <http://www.adb.org/> or [http://adb.org/Documents/ERD/Working\\_Papers/WP095.pdf](http://adb.org/Documents/ERD/Working_Papers/WP095.pdf)

ITT Plea - Continued from page 6

the process might be the one. That means the compliance process must include checks and balances to ensure one person’s error or oversight does not result in a violation. It’s also usually not the violation itself that gets the organization in deep trouble. It’s what’s done once there’s knowledge of the violation. Then what?

So what have we learned?

Even in the best companies, if there’s not a culture of compliance, violations can easily happen and can be ignored or covered up. Without active ongoing support and management from the top of the organization down to each and every employee involved in the value contributions, violations will happen. An organization can not expect one person or a compliance department to carry the full weight of compliance on their own—it takes the whole organization, working together, to make it happen. If you don’t, you and your organization could be the next export enforcement poster children.

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the course. It is expected to fill up quickly. If it does, put your name on the list for the next start date.

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New classes coming soon include:

- Agreements Under the ITAR (August 4<sup>th</sup> start date)
- Introduction to the Short Story
- Introduction to Business Statistics
- Introduction to Anthropology

Additionally, our most popular courses have also been revised. Look for our new case-study driven course: Understanding the ITAR and Understanding the EAR.

Have a suggestion for a course topic? Email Curriculum Coordinator DJ Andrews at: [djandrews@expandglobal.com](mailto:djandrews@expandglobal.com).

**Ask your Advisor about the  
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A reminder for all those considering enrolling in the Degree Program: The fall term will begin August 16<sup>th</sup>. Contact an Advisor today to learn more about our Bachelor's Degree Program and the various emphasis areas now available and find out how you can apply credits earned years ago toward your accredited Bachelor here at the IIEI. Call Today:

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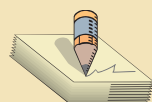
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