

Export Control Reform

The flag is down: Are you ahead of your competitors?



The Export Control Reform (ECR) effort was introduced by President Obama in his first term to strengthen the competitiveness of U.S. manufacturing and technology sectors in the global market through substantial regulatory changes. These changes primarily focus on the transfer of certain items or technology that were controlled under the International Traffic in Arms Regulations (ITAR) U.S. Munitions List and moved to the Export Administration Regulations' Commerce Control List. The transfer of these items creates a number of opportunities for U.S. companies to expand their customer base in existing markets and potentially expand their reach into new markets altogether.

Now that the ECR is being implemented, are you capitalizing on these new opportunities that can create growth opportunities for your business?

KPMG's Trade & Customs Services practice, which includes professionals with extensive global export controls and sanctions compliance experience, can help you understand your options and the positive impact of the new regulations.

QUESTIONS TO CONSIDER

Consider the questions below to help you determine whether the ECR has opened up new opportunities for your business:

1. Am I currently restricted from selling any of my products or technology internationally due to export control restrictions?
2. Do my competitors have an advantage? Are they able to sell products into markets that I cannot sell because my products are subject to the ITAR?
3. Is my sales department aware of ECR and how it has expanded the scope of permissible exports and potential new markets?
4. Have I analyzed whether the revised "see through" (controls the export and re-export of ITAR-controlled content in commercial items) rule affects the regulatory requirements on my products?
5. Does my business model plan for one-off shipments of spare parts due to licensing burdens?
6. Do my foreign offices, manufacturers, and distributors, as well as my sales and business development team, understand how ECR has made it easier for foreign customers to incorporate U.S.-origin products into foreign end-products?



How KPMG can assist

KPMG's team of Trade & Customs professionals can assist you with assessing your specific growth opportunities to increase international revenue and market share while also maintaining the appropriate levels of compliance. In particular, we can assist you with:

- **Export classification and jurisdiction determination –**

Our Trade & Customs professionals understand the review of parts for reclassification under ECR can be challenging. We can help by undertaking the classification efforts independently or as an extension of your team. This will help provide relief and allow your team to maintain focus on day-to-day operations. Further, we can assist you with reviewing difficult classification and preparing classification jurisdiction requests when necessary.

- **ECR transition management –** Understanding ECR is only part of the challenge; how to implement these changes is another challenge. Not only may policies and procedures require updating, but IT systems logic may require changes to support the new rules. Our team can help to evaluate current processes, provide insight on efficient industry practices, and even identify and implement the IT system.

- **Business facilitation and reeducation –** ECR requires a culture change in the way the industry handled military parts and sales opportunities. We can help your trade, sales, and business development teams to better understand the business opportunities brought about by the ECR through collaborative reviews, discussions on current roadblocks and business goals, and targeted training. We recognize the Trade Compliance department is often not only responsible for compliance, but also responsible for making decisions that will improve the overall business. With a better understanding on the rules of the reform, your team could be in a better position to identify affected products, discuss instances of reduced regulatory burdens with customers, and capitalize on newly available exceptions and modifications to the rules.
- **New market expansion –** In many cases, ECR removes foreign companies' incentives to "design out" U.S. content through the revision of the "see through" rule, allowing you to compete on a level playing field with other manufacturers. As a result, when considering the new sales opportunities available to you due to the potentially less restrictive controls, many markets may open. We can help you to assess your current global footprint and establish robust processes for importing products into new and existing territories.
- **Increasing authorization opportunities –** We can help you determine if any of your existing products or technology qualifies for license exceptions by looking at your company's export metrics, including sales and Automated Export System data, to identify exceptions that may be available as a result of the ECR. We can also help you explore other opportunities related to removed or modified controls. With our diagnostic tools, we can look at the end-user, the type of item being exported, and the value and annual frequency of shipments to help you identify growth areas and additional low-burden sales opportunities.



Contact

For more information on KPMG's Trade & Customs Services, please contact:

Doug Zuvich

Partner and Global Head of Trade & Customs

T: 312-665-1022

E: dzuvich@kpmg.com

kpmg.com

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