



What are export controls?

Export controls are regulations that restrict the movement, use or end user of certain items for a variety of reasons including concerns about the impact the free movement of certain items may have on national and international security, concerns about the development of weapons of mass destruction and internal repression. Restricted goods generally fall into two main categories: **military items** which have a military application; and **dual-use items** which have a civilian as well as military application. Significantly, export controls apply to the sale or transfer of intangibles such as technology and software as well as tangible items. Another important consideration is the fact that export control laws can have 'extra-territorial' reach and application, particularly in the case of US laws, bringing multi-jurisdictional dimensions to the burden of compliance with export control regulations.

What are sanctions?

Sanctions are political trade tools, mainly put in place by the United Nations and the European Union ("EU"). The EU can impose measures to preserve peace and strengthen international security, promote international co-operation, and safeguard the common values and security of the EU. These measures may also be imposed to uphold respect for human rights, democracy and the rule of law. Some of the well known international sanctions include those against North Korea, Iran, Iraq, and Syria.

How might export controls and sanctions affect your business?

Up to 20% of EU external trade involves dual-use items across many sectors, including: nuclear, energy, aerospace, defense and security, lasers and navigation, telecommunications, life sciences, chemical and pharmaceutical, material processing, electronics, semiconductor and computing.

The intricacies and specific issues affecting each individual sector are subtly different, however, if your company physically exports goods or transfers software or technology that are subject to export controls then you may be required to apply for a license for your transaction. Additionally, sanctions may prohibit exports of certain items and export to certain countries/entities.

The following table shows examples of products per industry sector that may be controlled:

Sector	Types of product affected	
Aerospace and Defense	<ul style="list-style-type: none"> Most aircraft parts, including but not limited to: <ul style="list-style-type: none"> Engines Navigation Systems Electronics 	<ul style="list-style-type: none"> Breathing apparatus Air traffic control software Altimeters Printed circuit boards
Electronics	<ul style="list-style-type: none"> Semiconductors Analog - digital converters 	<ul style="list-style-type: none"> Optic fiber coating equipment / technology
Chemical	<ul style="list-style-type: none"> Carbon fibers Biological safety cabinets Fluorinated products / compounds 	<ul style="list-style-type: none"> Chemical manufacturing equipment Chemical disposal technology Many chemicals / drug precursors
Oil and Gas	<ul style="list-style-type: none"> Valves (e.g. diaphragm, vacuum, bellow) 	<ul style="list-style-type: none"> Certain drilling equipment, sonar, vibration test equipment

Sector	Types of product affected	
Information and Communications	<ul style="list-style-type: none"> Nearly anything with encryption Software 	<ul style="list-style-type: none"> Cameras Protective gear for reporters in high risk area
Transportation	<ul style="list-style-type: none"> Engines, especially marine engines Manufacturing 	<ul style="list-style-type: none"> Hydraulic fluids, systems
Manufacturing	<ul style="list-style-type: none"> Certain aluminums and other metal alloys Certain o-rings, seals and gaskets 	<ul style="list-style-type: none"> Bearings Machine tools, numerically controlled
Healthcare	<ul style="list-style-type: none"> Centrifuges 	<ul style="list-style-type: none"> Optics
Security	<ul style="list-style-type: none"> Imaging cameras 	<ul style="list-style-type: none"> Surveillance equipment, cameras
Universities	Research and development in any of the previously mentioned areas	

Why does your company need to comply?

The penalties for breaching export controls & sanctions can be severe, including fines and custodial sentences. Penalties vary depending on the jurisdiction involved, with US-based penalties commonly the most severe and widely enforced, often affecting non-US companies subject to US legislation around the world. Non-compliance with export controls can also impact the supply chain, as a result of goods being seized/held in customs, denial of export privileges, licenses being revoked or delayed license applications resulting from closer scrutiny by authorities. Additionally, there are significant reputational risks to be considered, for example the level of potential negative publicity to an organization that is alleged or perceived to be engaging in illegal activities or supplying goods to sanctioned locations or individuals.

What should your company be doing?

It is generally expected that companies trading internationally or involved in exports should implement and maintain an export control policy covering the following key compliance themes:

- Commitment and visible endorsement from senior management in the organization, incorporating the issue into ethical or compliance values (or mission statement)
- Responsible personnel nominated and designated roles assigned to those accountable for export control issues
- Clear company compliance procedures documentation, with policy information easily available and accessible to all
- Mandatory training for those involved
- A key general aim of the policies/training above of building and maintaining awareness amongst employees of how to identify suspicious enquiries/orders (red flag screening), and when and how to escalate concerns
- Maintaining complete and accurate accounting records
- Regular internal audits and policy review (as part of normal internal controls and procedures testing and review)

How can Meijburg & Co help?

We have specialists dedicated to export controls & sanctions around the world, ensuring that we are well placed to help understand the local operating commitments and requirements and work closely with local teams. We can assist with the design, implementation and review of export control policies and procedures. Our team can help ensure that each business unit has the optimal level of controls and review in place to maximize compliance in a pragmatic, risk-based way, adapting our tools and knowledge to the unique set up and operation of the organization.

Our offerings include:

- Development and implementation of bespoke compliance processes and procedures
- Assistance with export control classifications
- License determination
- License applications
- Prior disclosure assistance to be submitted to governmental authorities
- Training program design, implementation and delivery
- Due Diligence on prospective business partners, new products and new markets/jurisdictions
- Sanctions Advise
- Risk reviews and audits

Meijburg & Co Contact Information

For additional information on our Trade and Customs Practice and its Export Compliance Services, please contact your local Meijburg & Co Advisor or you may refer to our website [<http://www.meijburg.com/trade-customs>].

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