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**U.S. EXPORT CONTROL REFORM:  
New Regulations go into Effect  
October 15, 2013**

Michigan Economic Development Corporation  
Webinar Series

June 26, 2013  
Jean G. Shtokal, Shareholder  
Foster Swift Collins & Smith, P.C.



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## What is a PTAC?

Non-Profit, funded by the Department of Defense & the Michigan Economic Development Corporation (MEDC)/Michigan Defense Center (MDC) to educate businesses regarding government contracting

- Individualized business counseling
- Registrations
- Information on all government levels: federal, state, and local
- Identification of bid opportunities
- Procurement award history
- Support with bid proposals
- Federal Acquisition Regulations
- Training events
- Networking/ matchmaking events
- Most of our services are FREE!



## Where is my PTAC?

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## Why Sell to the Government

### Federal Sales Statistics

### Statistics FY 2012

- **\$471 billion**
  - Total federal purchases of goods/services
- **\$92.5 billion**
  - Total Federal purchases of goods/services awarded to small businesses
- **\$4.4 billion**
  - Total Federal purchases of goods/services awarded to Michigan businesses
- **\$984.7 million**
  - Total Federal purchases of goods and services awarded to Michigan Small Businesses
- **1,100 Contracts awarded every year**
  - State of Michigan

Information obtained from: <https://www.fpds.gov/fpdsng/cms/>

## Who Should Sell to the Government

**Companies that sell to the Government should:**

- **Have an identifiable product/service**
- **Be successful/stable**
- **Desire market expansion**
- **Have computer and internet capability/access**
- **Possess the resources to dedicate time and effort**
- **Have their entire team or company on board**

## Finding Opportunities

What does the Government buy

**The federal government spends billions annually on products & services ranging from paperclips to complex space vehicles**

- **As a whole, the federal government is made up of departments, then agencies and each agency is broken down into various components:**
  - **Bureaus, field units or districts.**
- **In most cases these entities are decentralized in their buying activities, with each having its own mission, budget, contracting shop, and small business specialist.**

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U.S. Export Control Reform  
June 26, 2013

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## Overview

1. What is Export Control Reform (ECR)?
2. Background on ECR
3. Reform roadmap
4. Where we are, and where we are headed
5. What ECR means for exporters
6. The changes effective October 15, 2013
7. What to do now to prepare for ECR
8. Useful tips and information

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## What is Export Control Reform (ECR)

August 2009 – President Obama directed broad inter-agency review of the U.S. export control system



National Security

U.S. competitiveness

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## Background on ECR

Problems with current U.S. export control system:

- Complex
- Redundant
- Too broad/Does not focus on most critical priorities

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## Reform Roadmap – Overhaul of U.S. Export Control System

Three Phased Reform:

- Phase I – Improvements to existing system and framework for new system
- Phase II – New export control system
- Phase III – The “4 Singles”

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## Where we are now

Currently:

- Two control lists (USML and CCL) with different requirements
- At least three licensing agencies with different requirements (DDTC, BIS, OFAC)
- Seven enforcement agencies with investigative and/or enforcement powers (Commerce, Defense, Energy, Homeland Security, Justice, State, Treasury)
- Separate IT systems (DTrade, SNAP-R)

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## U.S. Munitions List Categories

Category I	Firearms, Close Assault Weapons and Combat Shotguns
Category II	Guns and Armament
Category III	Ammunition/Ordnance
Category IV	Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs, and Mines
Category V	Explosives and Energetic Materials, Propellants, Incendiary Agents, and Their Constituents
Category VI	Vessels of War and Special Naval Equipment
Category VII	Tanks and Military Vehicles
Category VIII	Aircraft and Associated Equipment
Category IX	Military Training Equipment and Training
Category X	Protective Personnel Equipment and Shelters
Category XI	Military Electronics
Category XII	Fire Control, Range Finder, Optical and Guidance and Control Equipment
Category XIII	Auxiliary Military Equipment
Category XIV	Toxicological Agents, Including Chemical Agents, Biological Agents, and Associated Equipment
Category XV	Spacecraft Systems and Associated Equipment
Category XVI	Nuclear Weapons, Design and Testing Related Items
Category XVII	Classified Articles, Technical Data and Defense Services Not Otherwise Enumerated
Category XVIII	Directed Energy Weapons
Category XIX	[Reserved] [10-15-13 Gas Turbine Engines and Associated Equipment]
Category XX	Submersible Vessels, Oceanographic and Associated Equipment
Category XXI	Miscellaneous Articles

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## Commerce Control List – Categories

- Category 0 Nuclear Materials, Facilities and Equipment [and Miscellaneous Items]
- Category 1 Special Materials and Related Equipment, Chemicals, “Microorganisms,” and “Toxins”
- Category 2 Materials Processing
- Category 3 Electronics
- Category 4 Computers
- Category 5 Telecommunications and “Information Security”
- Category 6 Sensors and Lasers
- Category 7 Navigation and Avionics
- Category 8 Marine
- Category 9 Aerospace and Propulsion

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## Commerce Control List Categories

Each Category has 5 parts:

1. Systems, Equipment and Components
2. Test, Inspection and Production Equipment
3. Materials
4. Software
5. Technology

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## Where we are headed

- Reconcile definitions, regulations and policies
- Items moved from USML to CCL
- For items moved to CCL, licenses still required to export/re-export (except Canada) unless there is an exception
- New STA license exception for 36 countries if for ultimate end use by government of one of the countries, and other exceptions
- Some requirements to take advantage of exceptions

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## What the changes mean for Exporters

- Roll out of changes over time – Category by Category
- Coordinated revisions to USML and CCL/ITAR and EAR
- Proposed rules to final rules with 6 month delay in effective date
- Ability to queue / pre-position licenses and approvals
- Ability to grandfather to some extent current licenses/approvals (with some exceptions)

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## Changes Effective October 15, 2013

- USML Category VIII Aircraft and Associated Equipment
- CCL New “600 Series” controls
- Definition Changes (for example “specially designed”)
- New USML Category XIX Gas Turbine Engines and Associated Equipment
- New licensing procedures and transition rules

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## What to do to prepare for ECR:

- Understand how your items/technology/services are controlled for export now
- Keep up with export reform as it occurs to avoid becoming overwhelmed by the changes
- Take this time to understand the BIS electronic license system SNAP-R (Simplified Network Application Process – Redesigned)
- Determine the best course for existing licenses/approvals
- Use this time to hone your compliance and docket systems

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## Useful Tips and Information

- Use [www.export.gov/ecr](http://www.export.gov/ecr) to monitor export control reform proposed and final regulation changes
- Check out the web-based Decision Tools (CCL Order of Review, Specially Designed Definition and BIS License Exception Strategic Trade Authorization) at <http://beta-www.bis.doc.gov/index.php/decision-tree-tools>
- To participate in weekly BIS ECR teleconferences and webinars use the following link: <http://beta-www.bis.doc.gov/index.php/2012-03-30-17-54-11/2013-02-15-13-50-20>

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## NOTE and CAUTION:

**This presentation is a general overview.**

**It is not legal advice.**

Individuals should seek legal counsel for specific factual situations. This is not a complete list of all changes underway with respect to export control reform.

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