

Training on  
**Strategic Trade Regulations and Practices  
for Indian Hi-tech Industry**



The global dual-use market is currently estimated to be between US\$ 800 billion and US\$ 1 trillion and growing at 5% annually. Participation in this market is highly lucrative - but it also requires companies to be aware of, and institute credible measures to - demonstrate capacity for robust compliance with relevant national and international strategic trade control regulations and best practices.

## Strategic Context

The global trade in high technology products, materials, technologies and services that have legitimate commercial but also military applications is being increasingly targeted by terrorists and proliferators for illicit purposes. Governments around the world are concerned about the risk that such dual-use items can be diverted in country or re-exported for unauthorized uses. As such, most countries including India and all its major trading partners are instituting stricter licensing requirements for acquisition, manufacture and trade in such items with an aim to ensure adequate security along the entire transnational production and supply chain.

## Some salient facts

- Since 2004, licensed exports from India have shown a growing trend, but even by 2012, the total value of licensed exports was less than \$35 million, a paltry fraction of India's total foreign trade (exports plus imports) of over \$ 800 billion in 2012, and given the enormous size and scope of the global market in dual-use products, technologies and services.
- Barely 25 Indian companies apply for export licenses annually, and not many more import licensed items on a regular basis either. This is a very small fraction, especially given the vast size and technological sophistication of the Indian corporate sector.

## A staggering array of opportunities await Indian companies in advanced technology sectors

- In civil nuclear and nuclear dual-use areas – with the exemption granted to the 45 member countries of the Nuclear Suppliers' Group to engage India; and with the successful passage of the US-India civil nuclear cooperation agreement.
- In chemical, pharmaceutical, bio-technology and bio-informatics sectors.
- In R&D, manufacturing and trade in advanced technologies in the fields of conventional munitions, aerospace, electronics, and material sciences.
- Other emerging sectors with significant market opportunities in India and abroad include lasers, robotics, nano-technology, specialty materials, and advanced design, engineering & construction capabilities with dual-use applications.

## How we can help

FICCI, in partnership with the Center for International Trade and Security (CITS), University of Georgia, USA, is committed to

- Holding awareness creation workshops to provide companies a granulated understanding of the complex national and international legal-regulatory-enforcement landscape regarding dual-use technologies
- Equipping companies with the practical tools to successfully compete across the hi-tech sectors
- Provide customized training to build in-house capacity for trade in dual-use technologies, products and services.

## The operational utility of Strategic Trade Controls

- There is great lack of awareness of strategic trade control regulations and how to successfully trade in dual-use technologies, products and services.
- Indian companies engaged in hi-tech areas need to effectively “firewall” their imported technologies and dual-use items against unauthorized diversion or re-export.
- They also need to ensure that their indigenous products and services are not exported to customers abroad that are the procurement arms for terrorist groups or countries engaged in building nuclear, chemical, biological weapons and/or delivery systems for these weapons.

## Compliance Training Program: The Value Proposition

FICCI and CITS are organising a series of workshops and training programs during 2012-2013. These events will be conducted in cooperation with various Government of India agencies – Directorate General of Foreign Trade (Ministry of Commerce and Industry), Disarmament and International Security Affairs Office (Ministry of External Affairs), Indian Space Research Organization, Department of Atomic Energy, Department of Chemicals and Petrochemicals - and others. It will feature additional expert speakers from India, the United States, Europe and Asia on an as-needed basis, to provide customized, intensive training to help compliance personnel, business development managers, CEOs, CFOs & CIOs establish:

- Robust Internal Compliance Programs (ICPs)
- Company's product and service classification systems
- Access to databases with updated information pertinent to national strategic trade control systems, notifications of sanctions, and lists of proliferation-sensitive entities worldwide
- Compliance practices that conform to changing regulations in India and globally

## Objectives of Workshops and Training Programs

Assist Indian companies acquire a competitive advantage in:

- Importing licensed technologies, products and services,
- Forging collaborations with foreign companies
- Expanding their footprint across the Indian and global marketplace

Well over 1,000 companies in India are engaged in activities that relate directly or indirectly with the nuclear sector, and over 5,000 are engaged in other dual-use sectors, offering vast potential for forward and backward linkages. When collaboration with foreign companies is added to this mix, the market potential becomes enormous.



### Assist Indian and foreign companies by:

- Creating a deeper awareness of the increasingly transnational nature of terrorism associated with dual-use trade.
- Understanding the international best practices for safeguarding dual-use technologies & preventing diversion to unauthorized end-uses, terrorists or proliferators.
- Establishing or strengthening their Internal Compliance Program (ICP)
- Facilitating comparative assessment of international strategic trade control regulations and practices
- Sharing practical experiences of dual-use trade compliance and violations via case studies

## **Compliance requirements and regulations**

- Governments in various countries are introducing higher compliance requirements for their industries. Despite national variations in corporate compliance obligations, the trend is clearly towards greater adoption of “international best practices” over time. These requirements cover:

- Dual-use materials, equipment and technologies
- Intangible technology transfers
- Catch-all controls
- Transit and trans-shipment controls
- Controls over services such as brokering, financing and warehousing
- Steps to ensure supply-chain security

- Government of India passed the Weapons of Mass Destruction (WMD) Act in 2005, and harmonized its control list, SCOMET (special chemicals, organisms, materials, equipment and technologies) with those of the Nuclear Suppliers' Group (NSG) and the Missile Technology Control Regime (MTCR). Now that India is actively pursuing membership of NSG, MTCR, Australia Group (AG) and the Wassenaar Arrangement (WA), SCOMET will eventually be harmonized with AG and WA as well.
- Government of India is also committed to various UN Resolutions and conventions that require safeguarding against misuse of dual-use technologies and services by non-state actors (illegal and/or terrorist entities) including meeting the requirements of the United Nations Security Council Resolution 1540.

## **What does it mean for Indian business?**

- Indian companies need to classify their products and services with greater precision and update their internal systems of compliance in accordance with Indian and international regulations.
- Foreign companies seeking to participate in India's strategic sectors need to remain compliant with their national obligations as well as with Indian regulations



## Focus of the Training Program

- Domestic and international strategic trade control regulations and their impact on business requirements and practices
- Practical aspects of India's current (and proposed) strategic trade control regulations
- Internal compliance system as a significant business-enhancing investment tool
- Common compliance practices that have emerged globally
- Strategic trade control requirements of key trading partners (Japan, China, South Korea, Russia, United States, European Union, Middle East and Southeast Asia)
- Emerging patterns of interactive relationship between government and industry

## Did you Know?

- India's WMD Act 2005 makes companies – including the management & owners – liable for violation committed by an employee?
- Know-how and know-why behind items listed on SCOMET need licenses before they can be shared with foreign companies?
- The export of following items, when made to certain specifications, might require a license?
  - Filament winding machines, condensers, heat exchangers and fermenters
  - Crucibles, extruded metal shapes and coated pipes
  - Bellows, diaphragm pumps and vacuum pumps
  - Ceramic composite materials
  - Machine tools for removing or cutting metals, ceramics or composites
  - Thermoset resin-impregnated continuous yarns, rovings, tows or tapes
  - Natural boron, boron carbide or metal borides.
  - Aluminium alloys in any form "capable of acquiring" certain tensile strength
  - Equipment designed or modified for production of fibrous or filamentary materials by wet spinning of refractory ceramics
- That every time your trading partner sends (exports) any of the above items to you in India; it needs to apply for an export license?
- That the decision on whether to grant an export license is in part based on the assessment of your capacity to secure these items against diversion and re-export?



## About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies. FICCI has contributed to this historical process by encouraging debate, articulating the private sector's views and influencing policy.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry.

FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs; FICCI enjoys an indirect membership of over 2,50,000 companies from various regional chambers of commerce.

FICCI provides a platform for sector specific consensus building and networking and as the first port of call for Indian industry and the international business community.

### Our Vision

To be the thought leader for industry, its voice for policy change and its guardian for effective implementation.

### Our Mission

To carry forward our initiatives in support of rapid, inclusive and sustainable growth that encompass health, education, livelihood, governance and skill development.

To enhance efficiency and global competitiveness of Indian industry and to expand business opportunities both in domestic and foreign markets through a range of specialised services and global linkages.



## About CITS

Established in 1987, the Center for International Trade & Security (CITS) at the University of Georgia is widely recognized as one of the world's leading research and training organizations in the area of technology security and strategic trade management (<http://www.uga.edu/cits/home/index.htm>).

CITS is committed to helping governments and companies balance their trade and security responsibilities by creating trade-enabling, security-maximizing, regulatory and enforcement capabilities. Based on its 20-year track-record of work that now spans over 85 countries, CITS provides expertise and assistance to help establish "international best practices and standards."

In the areas of strategic trade controls and technology safeguards, CITS is expanding its collaborative engagement with the governments of India, China, United States, European Union and Southeast Asia, and with the Experts Committee of the United Nations Security Council Resolution 1540, the International Atomic Energy Agency, and multinational nongovernmental initiatives including the Council for Security Cooperation in the Asia Pacific. The work of CITS is supported by a growing number of governments, private foundations, and corporations across the world.



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