

# So how long is a piece of rope?

When it comes to obtaining an export licence, the length of that piece of rope could make all the difference.

By Neil Tyler.

**E**arlier in 2015, techUK – which represents around 800 companies in the UK, employing between them more than 500,000 people – conducted and published a review of compliance and enforcement activity related to export controls for electronic systems, assemblies and components in the UK.

The research report, *Business Focus on Enforcement*, threw up a number of significant findings, including the fact that companies supplying components to military and other non consumer product manufacturers, both within the EU and around the world, were losing business to competitors as a result of problems associated with export controls compliance. For example, where companies were applying for licences to export certain bespoke electronic components, the time taken to apply and then obtain a licence was causing delays and impacting on export orders.

Those licences are required, even if the bespoke component or assembly requires just a minor change. Only a slight amendment or modification to a standard product means UK companies have to enter into the export control process.

Those companies taking part in the survey voiced concerns about the advice and guidance they were given when it came to classifying their products. The report found that advice from the Export Control Organisation (ECO) and consultants employed by UKTI was neither clear nor straightforward.

A number of companies said they had been advised to apply for licences, only to find out they were not required or the licence obtained was not suitable for the goods being shipped.

Most UK manufacturing companies employ just in time techniques as their customers demand very short supply lead times; the slow response times of bodies like the ECO are not helping exporters in this respect.

“We’ve lost business to competitors; there’s no doubt,” says David Wall, managing director of EMI shielding specialist Kemtron. “Exports are crucial to our business, especially when government cutbacks are affecting the domestic market. The defence market is important to us, so the further £500million in defence cuts being planned means we need to look overseas to grow our business.”

According to techUK, companies within the UK’s PCB industry lost the equivalent to almost 20% of their previous year’s exports (those figures referred to exports in 2013) due to orders lost or cancelled due to problems with the export licencing process.

A licence for a wide range of ‘strategic’ goods (such as security items, military goods, civilian products designed with a military use or purpose, firearms, police and paramilitary goods and radioactive sources) is required when it comes to exports, but even educational,

medical and agricultural supplies are being restricted by export controls due to related IT products.

A number of friendly countries – such as the US, Canada, most of Europe, Australia and New Zealand – only require an Open General Licence, something which is essentially managed and controlled by the company itself; details are kept and submitted to the export authorities annually.

## EXPORTING TO RESELLERS

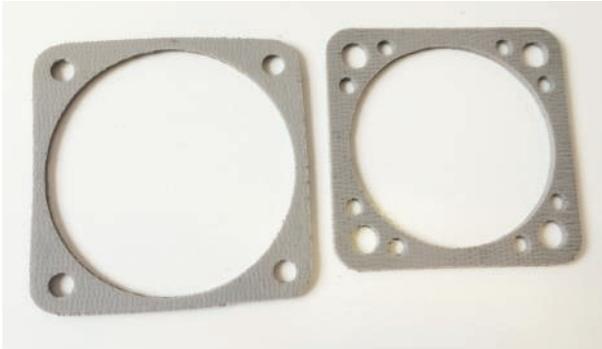
“Where there is a problem – and this is one that has caused us to lose business – is when we export to a reseller,” explains Wall.

“If we are selling a product to a customer in Germany who will use it in a defence application, all that’s required is the signing of a simple form. We log that and deliver the necessary paperwork on an annual basis. But should we be dealing with a reseller looking to meet an order in a country outside of the approved list, that’s when it can get very complicated.”

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**David Wall, Kemtron**





technology normally used for civilian purposes, but which may have military applications – is intended to control their export, transit and brokering. It represents a significant part of the trade undertaken between the EU and its partners and includes sectors like energy, aerospace, telecommunications and the life sciences. However, those controls are not being applied uniformly across Europe and are causing problems.

In Germany, for example, a company that spoke to techUK said that, while it checked the details of the company and the country with whom it was doing business, it did not request the end-use for the products it exports.

The UK operates with two lists – the UK Strategic Export Control List and a Military List. However, the UK's interpretation of EU legislation uses a 'catch all' phrase that could be used to bring all dual-use products within the scope of the legislation. So even standard components may require an export licence.

The problem is not just with the lists and regulations. According to

techUK, 'companies have reported that they have been advised to apply for licences only to find out that they are not required while in other cases, a licence type had been recommended, applied for and then granted, only to then find out that it was not suitable for the products being shipped'.

The process employed by the ECO is said to be both confusing and unclear.

"We were dealing with an enquiry from Turkey, so the export control process kicked in," explains Wall. "In order to obtain a licence, you use Spire, the Government portal, to apply for an export or trade licence. We had to field many questions and relay them back to the customer. The process took six weeks, at the end of which we were told that no licence was required. What was concerning was that we'd needed a licence previously – so there is no consistency."

This is not simply a bureaucratic problem; there are significant economic and financial risks to exporters. techUK found companies were relocating their export businesses outside the UK because – and one stated it as a fact – the current licencing system was making it too difficult to run its export business out of the UK. Another said that it was looking at the possibility of moving to mainland Europe.

"I accept that export controls are necessary, but I don't think that the ECO really understands what you're talking about when it comes to engineering," suggests Wall.

He provides an interesting example to highlight the perversity of the current system. "If you are a supplier of rope, for example, and you offer 100m as standard in your catalogue, then no export licence is required. If, however, the Indian Navy was to come along and ask for that 100m to be amended to 75m, you'd need a licence. Explain to me the logic behind that!"

So is the export licence process fit for purpose and, as it currently stands, is it supporting, or more importantly, hindering UK manufacturing?

Wall says the distributor or reseller will have to sign a single export licence and provide an end user undertaking; for many, it gets too complicated and time consuming.

"On many occasions, we've been told to forget it and have lost the business as a result," Wall says. "What makes this worse is that we operate on an uneven playing field. Not only do European companies not abide by these export rules, but a lot of our UK competitors don't address it either. Where's the compliance?"

The EU's export control regime for dual-use items – goods, software and

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