



Center for Information on Security Trade Control

# Importance of Trade Management in Industry and CISTEC's Roles and Activities

---

November 17th, 2017 at Hong Kong

M. Takashima

Center for Information on Security Trade Control

© CISTEC. 2017.All Rights Reserved.

0



## Contents

---

1. About CISTEC

2. Importance of Trade Management

3. CISTEC's Contribution

© CISTEC. 2017.All Rights Reserved.

1

# 1.About CISTEC

## “Export Controls Consultant of the Year” from WorldECR in 2015

### WorldECR Awards 2015

defense sector companies. Assisted a number of multinationals engaged in humanitarian trade with sanctioned countries. By steering them through the complex U.S. restrictions affecting food, agricultural commodities, medicine and medical devices, the firm enabled these companies to capitalize on business opportunities in these markets.

Advised charities and non-governmental organizations operating in countries, such as Sudan and Syria, where U.S. sanctions affect how they can deliver goods and services in humanitarian crises.

#### Runner-Up: Debevoise & Plimpton LLP

Debevoise & Plimpton's U.S. sanctions team, based in its offices in DC and New York, is home to 12 attorneys. The team works closely with the firm's offices outside the U.S., including those in London and Moscow. A cross-departmental practice, the team's clients typically come from banking, insurance,

private equity, asset management, energy and natural resources, and mining.

In the past year, the team has provided advice to clients on conducting Iranian, Cuban, Russian and other transactions without violating EU and U.S. sanctions, and advised Russian clients on the impact of U.S. sanctions, including specific advice tied to potential acquisitions and on issues related to U.S. and E.U. persons serving on board of directors.

Clients are enthusiastic about team members and the service they provide.

The team at Debevoise & Plimpton, headed by Carl Micarelli, has done a terrific job helping us to negotiate the changing regulations that pertain to both Myanmar/Burma and South Sudan... Ensuring secure and speedy funds transfers to our international partners is critical to their ability to serve their communities. In OFAC regulated countries like Myanmar and South Sudan, it is increasingly difficult to ensure cooperation from the banking industry - even as federal regulations change, the banks continue to have a conservative approach toward financial transfers. Debevoise has

### WorldECR Awards 2015

ensured that OFAC provides us with appropriate licensing and documentation, and has negotiated for the release of funds when transfers have been questioned or frozen.

I consider this firm deserve full recognition as they have provided us with outstanding and innovative advice in sensitive matters in the U.S. in a fast-changing regulatory & political environment."

#### Highly commended

Shadden, Arps, Slate, Meagher & Floom, LLP advised a major U.S. energy company in getting an emergency OFAC license to wind down a major project that became subject to OFAC's sectoral sanctions and advised on one of the highest profile sanctions settlements with multiple regulators in history.

Hogan Lovells represented an international bank in one of the most significant global anti-money laundering and sanctions enforcement investigations of 2014-15. The bank was named in July 2014 as a "primary money laundering concern" by the U.S. Treasury Department's FinCEN.

### WorldECR Awards 2015



### WorldECR Awards 2015

Members of the CISTEC management team

Back row, standing: Mr. Jiro Itoh, Senior Advisor; Mr. Nobuo Tanaka, Member of the Board & General Manager, General Affairs and Planning Department; Ms. Akiko Nishida, Manager, Exporter Services Department

Front row, seated: Mr. Hiroyuki Ito, Member of the Board & General Manager, Exporter Services Department; Mr. Tsutomu Oshida, Executive Managing Director; Mr. Osamu Fujimoto, Member of the Board & General Manager, Research Department

In Asia and beyond. It is the type of consultancy for business that every country would benefit from. (<http://www.cistec.or.jp/english/>)

#### Runner-Up: KPMG

In 2014, KPMG Trade & Customs and KPMG Software Consulting were engaged by an Illinois-based client operating in the chemicals sector on two key matters. The first was to develop the company's IT capabilities as it relates to "legally required" export control management (desired party screening, dual-use commodities, etc) and also to "commercially required" export controls, e.g. those arising due to the importing destination regulations or requirements. In testifying to the excellent job carried out, the client wrote:

"A legally required element for U.S. export regarding pesticides by the U.S. EPA is the product label must be translated to an official language of the destination country. For as the controls to prevent pesticide exports were manual and not sustainable, KPMG developed SAP controls for pesticidal products that prevent export if an appropriate language label does not exist in the inventory. A commercially required export control element relates to our food products. Many destination countries require import permits if the product contains animal derivative (ex: milk

protein). Without that import permit, our customer cannot import and our export site on a foreign dock and perish. KPMG facilitated our use of new "product attributes" in SAP along with GIS controls that identify to our customer service that the customer has certain functions to perform before U.S. export shipment may occur.

The second issue was to assess our internal controls and policies related to export from a Customs, BIS and other partnering government agencies perspective... Through a series of interviews, analysis of company policies and records, KPMG was able to provide an assessment with recommendations for improvement that was based upon the statutory requirement as well as a "best practice" perspective based upon their work with peer companies."

The client summed up his satisfaction with the consultant, saying, KPMG delivered export control value both at the practical/transactional control level as well as at the export control discipline level with procedure and policy recommendations. The individual KPMG consultants involved were Wesley J. Seguros, Manager, Trade & Customs Services, and Rada E. Goyanilla, Senior Consultant, Global Trade Practice. ([www.kpmg.com/us/en/services/tax-trade-and-customs](http://www.kpmg.com/us/en/services/tax-trade-and-customs))

#### Highly commended

David Hayes, David Hayes is regarded as being among the leading export controls advisors in the UK. He advises all controlled industries, military exporters as well as clients in every category of the dual-use list globally - including in Australia, Canada, EU, Norway, Middle East, US. ([David.Hayes@exportcontrols.com](mailto:David.Hayes@exportcontrols.com))

ECTE: The Export Compliance Training Institute provides some of the most crisp and useful guidance on trade compliance I've ever seen. Their consistent ability to boil complex requirements down to their most essential, comprehensible elements, and then provide practical strategies for addressing those requirements, is second to none. Their free newsletter is a treasure trove and they could easily charge money for the valuable tips and tricks they share at no cost. ([www.exportcompliance.com](http://www.exportcompliance.com))

Export Solutions Inc: In a busy year for this eight-person consultant based in the U.S., instructions included advising a global aviation company which "needed to reduce overhead costs without compromising its compliance efforts. Through an extensive gap analysis, best-practice corrective action, and outsourcing project, we were able to reduce costs by an estimated 27% per year, while at the same time, re-focused their compliance resources to the most high-risk / high-need areas." ([exportsolutionsinc.com](http://exportsolutionsinc.com))

### Export Controls Consultant of the Year

#### Winner: Center for Information on Security Trade Controls (CISTEC)

CISTEC is a Tokyo-based non-profit and non-governmental organization that supports Japanese industry activities. It was nominated for this award by an expert in international export controls, who wrote: "Even though CISTEC is not a for-profit consulting firm like the Big Four, etc. it serves as a consultancy for Japanese industry and foreign industry and providers. They have been active for almost 30 years, one of the first "consulancies" before there even were any. They provide a full suite of services for their clients, from firm classification, to regulatory guidance, to training, to research and analysis. They also have been instrumental in promoting export controls and compliance development

and best practices throughout the Asia Pacific region."

On a daily basis, CISTEC contributes to regional security through its wide range of compliance and non-proliferation advice and services. It:

- provides advice on issues and concerns of security export controls and checks if goods and technologies are regulated;
- provides businesses with practical assistance in setting up compliance programmes;
- offers training seminars and other educational services plus a certificate in export control;
- collects both domestic and international information on goods and technologies and analyses for "foreign availability", "reliability", and production/technology levels. CISTEC seeks to

achieve rational international export controls by providing the research results and analysis to the government;

- promotes the harmonisation of international export control regimes and supports global activities by businesses, studying domestic and international legal systems, the actual process of laws and regulations, and the interpretations on export controls;
  - provides on-line export control compliance support services and publishes an official bulletin, which covers changes in export control-related regulations to businesses promptly.
- CISTEC managers are regular matters at events around the world, playing a key role in creating awareness of the importance of controls to businesses

# 1.About CISTEC

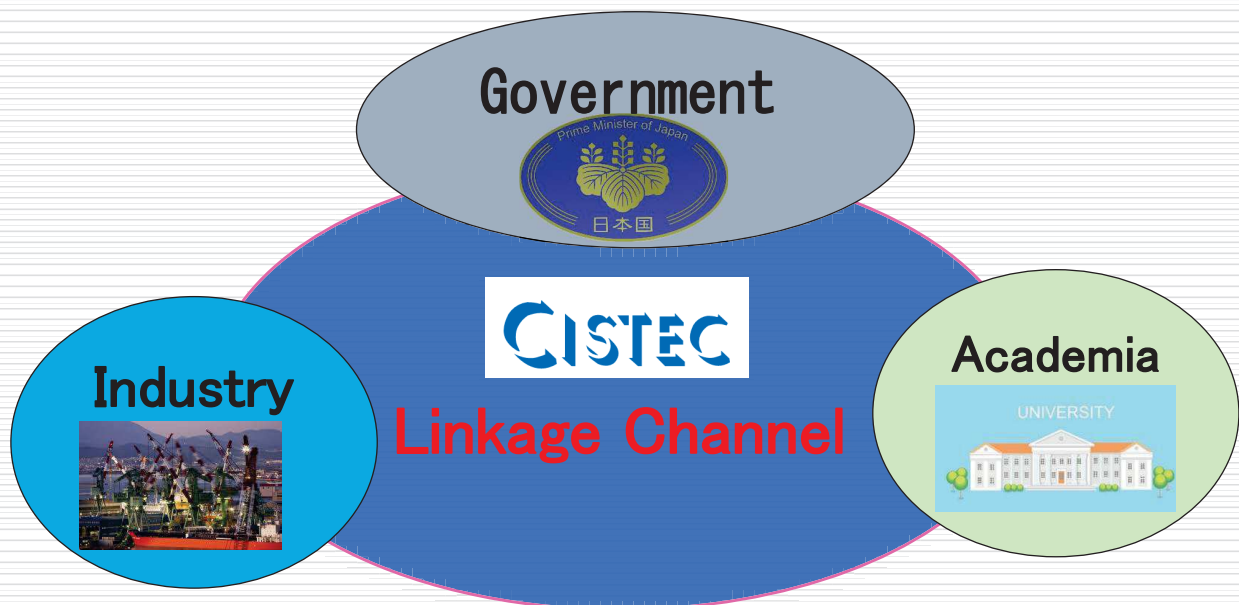
➤ Founded in April 1989

➤ non-profit, non-governmental organization dedicated to security export control issues comprehensively

➤ CISTEC, functioning as a linkage channel connecting government, industry and academia, shall -help to create effective and rational system of strategic export controls in Japan and -thus contribute to the promotion of world peace and security.



# 1.About CISTEC



# 1.About CISTEC

How “**Linkage**” is functioned:

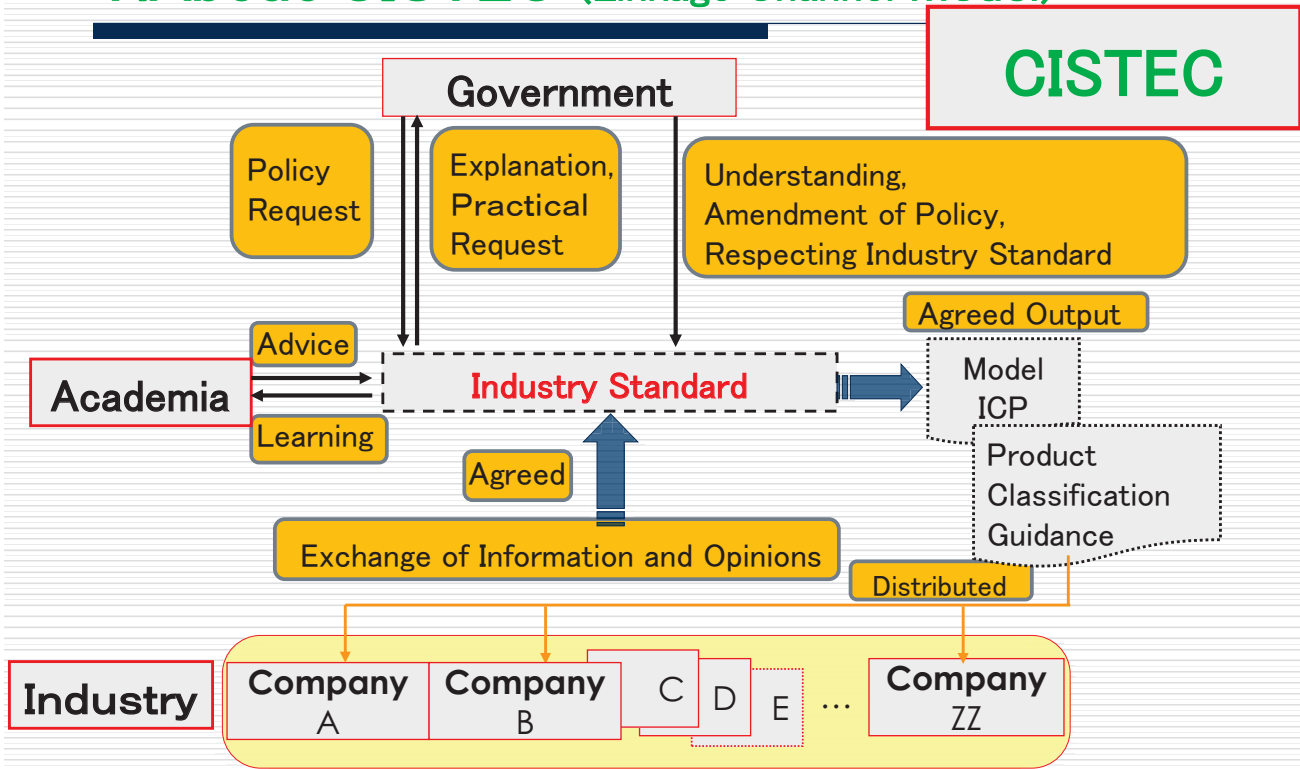
➤ For the Government,

- Provide **professional technical/business advice**
- Sound industry's reaction on new policy of METI in advance
- Explain views/thoughts of industry/academia

➤ For Industry/Academia,

- Integrate various opinions from Industry/Academia
- Propose such opinion to METI **representing Industry/Academia**
- Provide opportunity** of exchanging opinion with METI officers

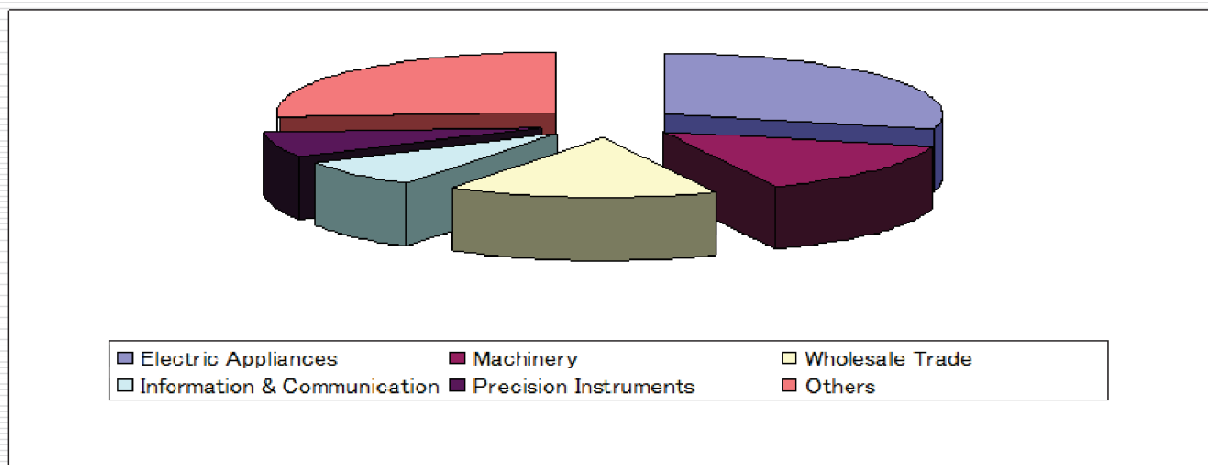
# 1.About CISTEC (Linkage Channel Model)



© CISTEC. 2017.All Rights Reserved.

# 1. About CISTEC (Proportion by Sector)

Industry : 454  
 University members : 40 (as of October 25, 2017)



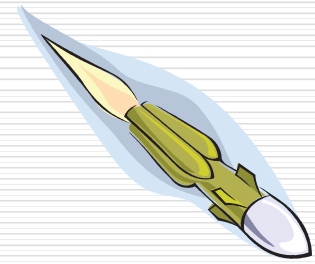
(NOTE)  
 NOTE : The Sectors are as Specified by the Securities Identification Code Committee (SICC), and the Sectors in "Others" include Transportation Equipment, Chemicals, Services, Glass & Ceramics etc.



## 2.Importance of Trade Management

### (1) Main background

- **Eminent threat** on global basis  
North Korea, ISIS(LOCAL ACT)etc.
- Concerned end-use of dual use item  
Missile of North Korea , Uranium Enrichment etc.
- Guarding against **unauthorized diversion**



Prevent **Hong Kong** (as a transshipment hub)  
from being used as a conduit for proliferation

## 2. Importance of Trade Management

### (2)Export Control vs. Industry/Academia

- UN Resolution 1540 is mandatory for member country to comply with.



Basic duty for industry/academia

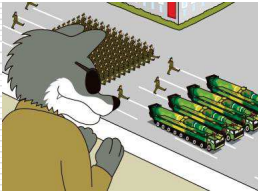
- Resolution 1540 also says “should not hamper international cooperation in material, equipment and technology for peaceful purposes “ .



Secure continued access to high technology

## 2.Importance of Trade Management

- Illegal export of sensitive goods and technology transfer, may expose Industry/Academia to **serious crisis by significantly destabilizing world peace.**
- Introduction of effective export control system is a **key parameter** to protect Industry/Academia and ultimately maintain its **high reputation.**



## 2.Importance of Trade Management

### (3) Advantage to introduce export control system

**Export control is not only a responsibility but can be a benefit for Industry/Academia and Country.**

#### For Industry/Academia Level

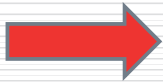
- Unexpected cost is to be prevented by **mitigating risk of legal violation.**
- Enjoy good reputation as a trustworthy entity who has **effective operation procedures.**
- Contributing to **higher efficiency/achievement**



## 2.Importance of Trade Management

### For Country Level

- Good reputation as a responsible country with effective export control, **earns trust** from trade partner countries.



key factor for investment decision

- Facilitates the issuance of export license approval to the country.



provide assurance to exporting government

## 2.Importance of Trade Management

- Meanwhile the government should take measures such as:

To enact laws and regulation that are easily interpreted so as to lead to effective execution and enforcement

## 2.Importance of Trade Management

It is necessary to provide added support to Academia.  
In the area of basic academic research ,  
the eventual goods are yet to be identified and  
there are opportunities for technology transfers.

Specifically, Academia may badly need government support in the area of:



## 2.Importance of Trade Management

- Ultimately contributing to world peace and stability:
  - Effective penetration of export control in each country
  - Prevention of Sensitive goods/technology from being obtained by dangerous actors, thus Proliferation of terrorist/WMD etc.

### 3.CISTEC' s contribution

---

Voluntary effort by Industry/Academia in the following areas, are supported by CISTEC.

- **Initiation and leadership** by head of organization
  - Presentation of clear policy in export control
  - Firm commitment of management
  
- Establishment of decision making and internal approval process in form of **ICP**
  
- **Education**

### 3.CISTEC' s contribution

---

CISTEC' s major activity summarized as follows:

- (1) Holding “Export Control Research Committees”
- (2) Interface with the Government and Industry&Academia
- (3) Services for Industries etc.
- (4) International Cooperation
- (5) University Membership Program
- (6) Pooling Export Control Experts



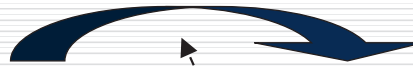
# 3.CISTEC's contribution

## (1)Holding “Export control Research committees”

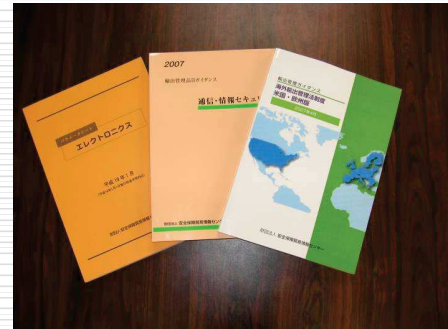
Committee Members  
from Industries



- Discussions on the Topics
- Expert Advices
- Research & Analysis



Published by CISTEC



Advise

METI

# 3.CISTEC's contribution

## Export Control Research Committee



## 3.CISTEC' s contribution

### Results of Committee Activities:

- Mutual understanding within Industry through various **information exchange** and sharing **best practices**
- Mutual understanding between the Government / Industry thru exchange of opinions and negotiations which ultimately enables **recommendation to the Government**
- Various **Publications**

## 3.CISTEC' s contribution

### (2)Interface with the Government and Industry & Academia

- With the Government
  - Cross-industry liaison** for collecting opinion, forming consensus which is input to METI
  - Enhancing the level of **voluntary regulation** among industry/academia as per METI' s aim
  - Supporting exporter' s understanding of the rules and regulations by **translating the complexity**

### 3.CISTEC' s contribution

---

- With the Government (continued)
  - Accumulating a high degree of **professional expertise** , networking , and cooperating with METI
  - Supporting METI' s various activity such as **outreach activities** and prevailing effective export control system among SME/Academia

### 3.CISTEC' s contribution

---

- With Industry & Academia
  - Ensuring the opportunity for exchange of opinions and negotiations with **export control authorities** such as **public comment** to METI, US BIS etc
  - Facilitating frank information exchange and sharing **the latest information/best practices**

## 3.CISTEC' s contribution

---

- With Industry & Academia(continued)
  - Presenting **efficient tool** to carry out voluntary control such as consultation service, seminars, guidance books and data service etc.
  - Bridging export control personnel by pooling **suitable candidates**

## 3.CISTEC' s contribution

---

### (3)Services for Industries etc.

- Seminars & Trainings
- **Certification Program (Examination)**
- Online Information Service
- Publication
- Various Assistance Service
  - Product Classification
  - Consultation
  - Audit/Internal Control System

### 3.CISTEC' s contribution (Seminars & Trainings)

#### ➤ Holding Seminars (FY 2016/29 times)

- Basic Course (Procedures, License, Classification)
- Management Course
- Theme-Oriented Courses  
(US Re-Export Controls, EU Export Controls, Export Controls for Overseas Subsidiaries/Affiliates)
- Specific Sector Course (Machine tool, Electronics etc.)

#### ➤ Dispatching Instructors

- In-House Training  
(FY 2016/85 times)



### 3.CISTEC' s contribution (Certification Program)

- **STC**-Associate : 28,621 holders
- **STC**-Advanced : 1,024
- **STC**-Semi-Legal Expert : 167
- **STC**-Legal Expert : 358
- **STC**-Expert : 382



(**STC**=**S**ecurity **T**rade **C**ontrol)



#### NOTE :

- The "ONLY" Certification of Knowledge and Skills on STC
- "Good Motivation" to Generate Passion and Purpose for Qualification and Awareness both Inside and Outside of Company (Substantial Advantage for promotion, when change of job, etc.)



### 3.CISTEC's contribution (online information service)

#### ➤ Portal Site Service

- Web Seminar
- e-Learning
- FAQ Corner
- Online Store
- Community Site for Members
- ...and more



#### ➤ Database Service (Fee-Based)

- Consolidated Parties List of Reference Information, which is necessary for catch-all control check
- Parameter Sheet for Commodity Classification
- Japanese Export Control Law and Regulation

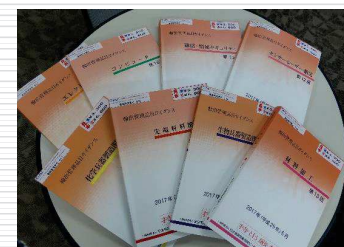
### 3.CISTEC's contribution (Publication)

Major **publications** are as follows:

- CISTEC JOURNAL (bimonthly)
- Overview of Japan's Export Controls
- Handbooks for Laws & Regulations
- Handbooks for Classification
- Parameter Sheets for Classification
- Index of Terms and Terminologies
- Etc.



CISTEC Journal



Handbooks for Classification

### 3.CISTEC' s contribution (Various Assistance Service)

#### ➤ Product Classification

CISTEC started two types of **Commodity/Technology Classification Assistance Service** since April 2012.

##### (1)General Service:

Verify the classification done by customer and issue the “Verification Certificate”

##### (2)Full Support Service:

Start from basics how to conduct classification and issue “Verification Certificate”

### 3.CISTEC' s contribution(Various Assistance Service)

#### ➤ Consultation

-Provide advice through interview and/or mail

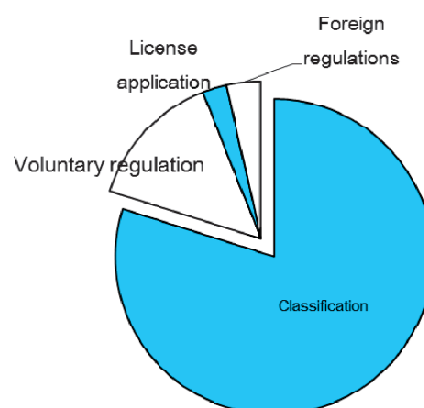
-Consultation about

(1)Classification

(2)Establishment of **Voluntary-regulations and ICP**

(3)Internal Audit

*Categorized proportion of Consultation*



### 3.CISTEC' s contribution (Various Assistance Service)

#### ➤ Audit/Internal Control System

(1)CISTEC started **Audit** Assistance Service since April 2015.

(2)Also started Assistance Service for **Internal Control System Building** since October 2015.

Through interview and dialogue with client, CISTEC finds and analyzes problems, and then provide advice for best solutions. Demand for this service has seen a sharp increase recently.

### 3.CISTEC' s contribution

#### (4)International Cooperation

##### ➤ Asian Export Control Seminar

Annually held in Tokyo since 1993(24times!!)

##### ➤ Assist **METI' s Industry Outreach Seminars** in Asia

##### ➤ Dialogue with foreign Governments, industrial associations , research institutes , universities, etc.

##### ➤ As a “CISTEC Committee’ s activity, Sending “CISTEC Delegation” (main participants from Industry)to U.S./EU(alternately)and Asia(annually)

## \* Asian Export Control Seminar(For reference)

- **Venue:** Tokyo
- **Host:** CISTEC, METI, Ministry of Foreign Affairs(MOFA)
- **Frequency:** Once a year, since 1993  
24th Seminar was held in Feb. 2017
- **Subjects:** Latest export control related issues and networking of participants
- **Participants:** 190 persons at 24<sup>rd</sup> Seminar from:
  - 19 Asian countries/regions
  - 13 Supporting countries/regions (US,EU, France, UK etc.)
  - 4 Regimes (WA, NSG, AG, MTCR)
  - Supporting Org. (UN 1540 Committee etc.)

[[http://www.meti.go.jp/english/press/2017/0302\\_003.html](http://www.meti.go.jp/english/press/2017/0302_003.html)]

## 3.CISTEC' s contribution

### (5)University Membership Program

- Started from 2009, 40 University Members(as of October 2017)
- **Free Service** such as
  - Supply of various basic guidance
  - Attending basic seminars
  - Training (once a year)
  - Consultant service upto 15 times a year
- Community site for university on CISTEC HP
- And More...

## 3.CISTEC' s contribution

### (6) Pooling Export Control Experts

Rich knowledge/experience is widely shared in various fields.

- Experts who retired and wish to still work with their rich knowledge/experience may register with CISTEC. Meanwhile companies, universities and research institutes looking for export controls experts, may inquire with CISTEC.
- In turn, CISTEC provides such recruitment information to all registered experts and those who have interest in the inquiry, may directly contact and negotiate with inquirer.



多謝！  
Thank you very much !

M.Takashima ([m-takashima@cistec.or.jp](mailto:m-takashima@cistec.or.jp))

4F, Shin-Toranomon Jitsugyo Kaikan, 1-21,  
Toranomon 1-chome, Minato-ku, Tokyo,  
105-0001 JAPAN

T. +81-3-3593-1148 F. +81-3-3593-1137

<http://www.cistec.or.jp/english/index.html>