

International Trade Controls: A Compliance Guide

The purposes of this brochure are to raise your awareness of international trade issues (export and import controls, embargoes, and economic sanctions) and to acquaint you with how to properly export commodities and technical data.

The United States and other governments regulate international trade by controlling the import and export of certain commodities, technologies and services, and by imposing full or partial trade embargoes and economic sanctions on certain countries, entities and individuals. Generally, these controls exist to safeguard national security, reduce proliferation of weapons, protect key natural resources, and advance other important foreign policy interests.

As a consequence of these restrictions, we are forbidden by law from entering into export transactions with persons and entities that have been denied export privileges. Individuals, entities and countries that are subject to embargoes and other trade restrictions may not legally receive technical data and commodities exported from the United States or reexported from a third country. These restrictions limit our ability to travel to certain countries and to enter into new investments and financial transactions.

Although this brochure focuses on U.S. laws and regulations, UTC's operating units must comply with the laws and regulations of the countries in which they do business.

UTC enjoys great success in the international marketplace. However, violations of international trade restrictions could result in loss of our ability to export goods and services to our customers. Violations carry heavy monetary penalties, damage our reputation, and cast doubt on our reliability as a supplier of high-technology products. Exporting is a privilege, not a right, and we will comply with these rules in order to maintain that privilege.

UTC relies on every employee's compliance with these laws and regulations. Trade controls vary — they depend on the type of international activity and the parties involved. Know where to seek advice and guidance on these matters. Questions can be referred to your operating unit's legal counsel or your UTC Export and Economic Sanctions Council member (telephone numbers are located in this pamphlet).

UTC's *Code of Ethics* and Section 20 of the *Corporate Policy Manual* state our policy clearly: we will comply with all applicable laws and regulations pertaining to export controls and economic sanctions.

This policy applies to UTC's operating units, wherever located, that engage in activities relating to the international movement of commodities, technical data or services, or that do business with countries or entities subject to full or partial trade embargoes or economic sanctions. This policy applies to UTC's joint ventures, partnerships, and other business arrangements where UTC holds a majority interest or majority voting control, or where UTC by contract has agreed to manage the entity.

UTC will arrange, approve and execute the export and import of goods, services, and technical data only if:

- There is legal authority to do so;
- The intended recipient and all intermediaries are authorized to receive the goods, services, or data; and
- All required documentation is complete and accurate.

UTC will engage in business dealings in countries that are subject to full or partial trade embargoes or other economic sanctions only if there is authority to do so under applicable laws and regulations.

U.S. trade laws and sanctions are far-reaching.

All persons and companies located in the United States are subject to U.S. export laws and regulations. In addition, these restrictions apply to persons and companies outside the United States if they use U.S.-origin goods and technology. This includes UTC's foreign subsidiaries and ventures.

Economic sanctions generally apply to "U.S. persons" wherever they are located. A "U.S. person" can include UTC's foreign subsidiaries, ventures, and offices. Economic sanctions prevent U.S. persons from approving or facilitating the activities of foreign companies in their dealings with sanctioned countries or entities, even if the approval or facilitating activity takes place entirely outside the U.S.

An "export" occurs any time commodities or "technical data" are shipped or transmitted out of the United States, or are provided or disclosed to a "foreign national" within or outside the U.S.

Some exports are obvious (e.g., shipping hardware; mailing or carrying technical data out of the country). But sending technical data via electronic mail or fax, providing plant tours for "foreign nationals," or giving marketing proposals to "foreign nationals" in the U.S. or abroad all constitute "exports."

A "foreign national" is any natural person who is not a U.S. citizen, not a permanent resident alien, and has not been granted asylum in the U.S. The term "foreign national" also includes U.S. citizens who are employed by foreign persons, companies, or governments. A foreign company, government, or other entity is a "foreign national."

"Technical data" means information of any kind that can be used or adapted for use in the design, production, manufacture, repair or overhaul of UTC's products, including blueprints, drawings, specifications, plans, instructions, documentation, operating and maintenance manuals, factory tours, oral discussions, training programs, and software.

"Technical data" does not include business information such as cost or other non-technical information. These types of data may be protected under UTC's policies on protecting proprietary information, but they are not controlled by international trade laws.

To illustrate the broad reach of trade controls and economic sanctions, the U.S. Government regulates the following:

- Exports from the United States of controlled commodities, technical data, and defense or nuclear-related services;
- Exports and reexports from foreign countries, if the commodities, technical data or services are of U.S. origin, have more than minimal U.S. content, or are derived from U.S. technology;
- Written, verbal and visual communications with foreign nationals (including communications via phone, fax or e-mail), whether these occur in the United States or abroad, if the communications involve controlled technical data;
- Dealings with certain persons or entities that are (i) subject to export “denial orders,” (ii) listed as “blocked persons,” “specially designated nationals,” “specially designated terrorists,” or “specially designated narcotics traffickers,” or (iii) engage in sensitive nuclear, missile, chemical or biological weapons activities;
- Dealings with countries (including, in some cases, the countries’ citizens, residents, and companies) that are subject to full or partial trade embargoes or economic sanctions, including financial transactions, investments, and export and import trade;
- “Brokering” activities such as financing, transporting or facilitating the manufacture, export or import of controlled defense or space-related items or services; and
- Permanent or temporary imports into the United States of defense and space-related items or services.

Exports of hardware, technical data, software, and services associated with military products and technology always require an export license. Exports of hardware, data, software, and services for commercial programs may require an export license if they contain sensitive or advanced technologies, such as encryption.

Export restrictions on commercial programs generally relate to design, development and manufacturing know-how used in aerospace products (e.g., aircraft engines, helicopters, and their subsystems). But certain software source and object codes and related technologies used in operating and manufacturing elevators and other building systems may be controlled.

Who Administers Export Controls And Economic Sanctions?

Various U.S. Government agencies regulate exports, imports and other international economic activity.

The Department of State regulates exports and imports of military hardware and information.

The Commerce Department regulates exports of commercial technology and hardware.

The Treasury Department controls exports, imports and other business or investment dealings with embargoed or sanctioned countries.

The U.S. Customs Service and Department of Defense support these activities.

Transactions involving export of controlled commodities, technical data or services require a license issued by the U.S. Government. Sometimes a license exception may apply.

Don't Our Information Protection Programs Cover Exports?

No. Export restrictions apply to more than proprietary information and are distinct from our proprietary information protection programs.

A nondisclosure agreement or license agreement between UTC and a third party is not a substitute for required export licenses and other approvals.

All exports require some type of paperwork. Even though an export license may not be required, regulations require that export paperwork accompany each export shipment. Records must be maintained. Accordingly, do not discuss, disclose, or transfer any technical data or commodities to a foreign national or entity without proper export authorization and documentation.

A few precautions:

- Don't take commodities or technical data with you on foreign travel unless all necessary paperwork and licensing (if required) are completed. Commodities and technical data needed for your trip can be shipped in advance by acceptable means;
- Obtain internal approvals and necessary documentation before you publish an article or make a presentation at a seminar, trade show, technical conference, etc., that may be attended by foreign nationals;
- Know your customer - watch for exports to prohibited customers and countries. Know the "end use" and "end user" of any item prior to shipment or release; and
- Watch for the "red flags." For example, be suspicious of orders for products or services that are incompatible with the customer's line of business or when a customer's business background is scanty or unavailable; when the other party is reluctant to provide foreign end-use information; is willing to pay cash for high-value orders or provides unusual financial compensation for the product; provides vague delivery dates or delivery locations, or specifies circuitous or illogical shipping instructions, such as through multiple countries or companies.

“Just what do we accomplish with all these export controls?”

Billions of dollars a year in international revenues.

**United Technologies Corporation
Export Control Policies
Code of Ethics**

One of several UTC posters used throughout the corporation as part of export control awareness training.



United Technologies

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