

**EXPORT CONTROL
ORGANISATION - DUAL-USE
COMPLIANCE STUDY**

Summary of Results and Key
Findings

NOVEMBER 2009

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1. Introduction

The study was commissioned jointly by the Trade Policy Unit and the Export Control Organisation within the Europe, International Trade and Development Directorate, (part of the Department for Business or BIS), and was carried out by RSM Consultants. The ultimate aim of the study was to help the ECO further improve its contribution towards:

- Improving UK competitiveness;
- Raising awareness of and compliance with strategic export controls.

Specific research objectives were to:

- Measure current compliance with export regulations;
- Measure awareness and perceptions of dual-use export controls;
- Help develop communications and implementation strategies that will increase awareness and compliance.

The study also aimed to help ECO improve awareness, communications and compliance by exploring respondents' perceptions of:

- Sources of current information on dual-use export controls;
- Perceptions on usefulness of current information sources;
- Awareness and perceptions of the ECO and its activities;
- Awareness and perceptions of the EU Dual-Use List;
- Awareness and perceptions of the ECO website, SPIRE and other resources;
- Preferred channels for communication;
- Exploring potential messages to encourage awareness and compliance.

This paper sets out the key results and conclusions from the study.

2. Methodology

The study data is based on 503 quantitative Computer Assisted Telephone Interviews (CATI) conducted between 16th March 2009 and 23rd April 2009. This involved a questionnaire of 19 minutes average duration. The overall response rate was 17% (i.e. 17% of those contacted were interviewed), which is considered good for unsolicited, independent, non-incentivised CATI business research (a typical response rate would be 5% to 10%). The interviews were conducted in confidence and the respondents' details were not disclosed to BIS.

Of the 503 interviewees, 150 were drawn from a BIS database of those who had applied for standard individual or open individual licences

(referred to as 'BERR sample');¹ and 353 were drawn from open source databases of companies likely to be involved in producing or exporting dual-use goods, based on a list of SIC² codes agreed with BIS (referred to as 'Independent sample'). The study also included a number of intermediary companies (such as freight forwarders) and a small number of academics.

As well as being sorted by sample type (BERR or Independent), respondents were screened into one of the following categories:

Respondent Type & No. of Respondents	Definition
Commercial 402 Respondents	I am a manager with responsibility for export control compliance for a business that actively exports its own goods or services
Intermediaries (agents, forwarders etc) 65 Respondents	I am a manager with responsibility for export control compliance for a business that manages or facilitates the export of goods or services on behalf of other organisations
Academics 36 Respondents	I am an academic within the field of science and technology who has regular contact with UK and/or non-UK businesses and students who are likely to work outside the EU in the future

Commercial and Intermediary respondents were also screened by company size i.e. 'small' (1 – 249 employees) or 'large' (> 250 employees); and by whether they were UK-owned or foreign-owned. Approximately 17% of respondents were 'large' companies (31% of the BERR sample), and 72% were UK-owned.

3. Understanding

Interviewees were asked a series of questions to determine their levels of understanding of UK export control legislation in general, and in relation to dual-use export controls, end-use export controls, and of controls relating to cryptography. Overall, 83% of Commercial and Intermediary

¹ BERR stands for Department for Business, Enterprise and Regulatory Reform. This is the form name of the department prior to June 2009 when the organisation became the Department for Business, Innovation and Skills (BIS).

² Standard Industrial Classification - used to classify business establishments and other statistical units by the type of economic activities they are engaged in

respondents said that understanding within their organisations of UK export control legislation in general was Quite Good or Extremely Good.

The stated understanding of end-use, dual-use and cryptography controls is:

- Significantly higher amongst the BERR sample than amongst the Independent sample;
- Significantly higher amongst larger businesses than smaller businesses;
- Lowest amongst Academics.

4. Key Findings - Understanding

- 89% of BERR sample respondents said their organisation's understanding of export controls generally was Quite Good or Extremely Good (compared to 80% of the Independent sample);
- 84% of BERR sample respondents said their understanding of the dual use legislation was Quite Good or Extremely Good (55% of the Independent sample; 28% of Academics);
- 90% of BERR sample respondents said their understanding of the end use controls was Quite Good or Extremely Good (53% of Independent sample; 41% of Academics);
- Only 36% of ALL respondents said their understanding of controls relating to cryptography was Quite Good or Extremely Good; however, the corresponding figure was 81% among those who said the cryptography regulations applied to them.

5. Barriers to Understanding

The key barriers to better understanding of export control regulations in general, across all respondents, were stated to be:

- Lack of available information and/or lack of resource to gather information;
- Poor knowledge of the detail of the controls;
- Reliance on third parties;
- The complexity of the legislation.

There were some differences between sample and respondent types as to which barriers were most significant - for example, Independents and small companies said that reliance on third parties is a significant barrier, but no large companies stated this as a barrier.

For dual-use export controls the key barrier to better understanding was a perceived lack of relevance of the controls (51% of all respondents), followed by lack of information/guidance; poor awareness; and lack of knowledge re: specific products.

6. Compliance

Interviewees were asked “So - just roughly – in what percentage of cases where they might apply would you say that your export licensing is fully compliant with the [dual-use/end-use/cryptography] regulations?” A summary of the responses (and no. of respondents) is given in the Table below:

	Total	Independent Sample	BERR Sample	Academic Sample
Dual use controls	91% (219 ³)	87% (100)	95% (119)	59% (6)
End use controls	96% (165)	97% (75)	95% (90)	81% (5)
Cryptography controls	81% (40)	69% (19)	93% (21)	59% (5)

So, for example, the 219 respondents who considered that dual-use controls applied felt that they were fully compliant, on average, in 91% of such cases; but the 5 academics who felt the cryptography controls applied considered themselves to be fully compliant, on average, in only 59% of cases.

In most cases reported levels of compliance are higher amongst the BERR sample than the Independent sample (the exception being compliance with end-use controls); in all cases compliance is lowest amongst Academics. There were only minor differences in reported compliance between small and large companies for dual-use and end-use controls, but large companies reported higher (95% against 75%) compliance with cryptography controls.

While many respondents reported 100% or near-100% compliance (e.g. 73% of the BERR sample said they were compliant with dual-use controls in 100% of cases in which those controls applied, and a further 13% said they were compliant in more than 90% of cases), some respondents admitted to much lower levels of compliance – in 2 cases the respondents said they were never compliant. The fact that respondents were prepared to admit to non-compliance (and not just say what they thought the interviewer wanted to hear) gives added credibility to the study findings.

³ Numbers of respondents

The research therefore suggests that deliberately avoiding compliance with dual use, end use and cryptography controls is not widespread. However, it must be emphasised that this conclusion is based on respondents' self-declared levels of compliance - because the survey was carried out independently of BIS and was confidential there was no reason for interviewees to lie (and the fact that a number did admit to non-compliance supports this view), on the other hand there is no means of verifying the accuracy of their own perceptions of compliance.

Nearly two-thirds of all respondents (60%) and two-fifths of the Independent sample (43%) feel that their organisation's compliance with dual-use export control requirements has been improving.

7. Barriers to Compliance

Across all respondent types who said they were less than 100% compliant (68 respondents in total) the key barriers to compliance were stated as being:

- Poor awareness/understanding within the organisation (38% of respondents);
- Perceived need for training and information (18%);
- Too bureaucratic/too much paperwork (12%);
- Complexity of regulations (10%).

Only 4% said that non-compliance was due to compliance not being taken seriously within the company, because of cost, or because of deliberate avoidance. However, 50% of the 2 academics in this respondent group said that non-compliance was wholly due to deliberate avoidance.

8. Compliance Costs

Of the 186 current dual-use licence holders questioned:

- The large majority (81%) feel the cost of compliance is about what they would expect
- 13% (16% of respondents with fewer than 250 employees) feel the costs are higher than they would expect
- 6% feel they were lower than they would expect

These 186 respondents were asked to estimate the cost of compliance within their organisations as a percentage of turnover; a large majority (82%) stated it to be between 1% and 10% of turnover, with a further 12%

estimating it to be less than 1%; the mean cost is 5.3%. This figure is slightly higher for small companies (5.6%).

9. Time to Process Applications

Of the 186 respondents who currently hold a dual-use export licence 30% said processing time was more than they would expect; 66% said it was about what they would expect; and 4% said it was less than they would expect. There was no significant difference between the BERR and Independent samples. 55 respondents (i.e. 30% of 186) who said it was more than they would expect said that this was because of⁴:

- Administrative/technical mistakes/lack of understanding by BERR (31% of the 55);
- Forms too time consuming (16%), or not intuitive (15%);
- Lack of knowledge by the business and end users (11%);
- Online applications were more difficult (7% - although 4% said that online applications were easier).

10. Barriers to Obtaining Licences

All 503 respondents were asked to say whether they thought each of seven potential barriers to obtaining dual use licences was very, somewhat, not very, or not at all significant, or Don't Know. The following proportions considered these very or somewhat significant (the proportions saying they were not very or not at all significant are in brackets, the remainder said Don't Know):

- Lack of understanding of requirements of the legislation - 59% (26%)
- Complexity of the regulations - 58% (21%)
- Time taken to get decisions – 47% (24%)
- Admin / paperwork – 45% (34%)
- Time taken to submit applications – 38% (38%)
- Cost involved in applications – 26% (46%)
- Difficulty using SPIRE/BERR web-based systems - 19% (46%)

The order of these potential barriers are similar for the BERR and Independent samples, except that the time taken to get decisions is seen as more significant by the BERR sample. The number of Don't Knows is significantly higher for the Independent sample; for all but two of the potential barriers more than 50% of academics answered Don't Know.

For each potential barrier those saying it was somewhat or very significant were asked to suggest what ECO could do to overcome the

⁴ Respondents could choose more than one response

barrier. Although clearly the specific answers are different for each barrier, taken as a whole the top 5 suggestions are as follows:

- Simplify regulations
- Increase awareness of legislation
- Improve response time
- Simplify language used
- Improve SPIRE website

11. General Export Control Issues

The 467 Commercial and Intermediary respondents were asked for their views on issues relating to UK export controls generally:

- 88% agreed that UK businesses generally take the controls very seriously
- 75% agreed that the likelihood of being prosecuted for a breach of the controls was a strong deterrent
- 53% disagreed that UK controls were a burden (45% agreed that they were)
- 58% disagreed that there was too much export control regulation in the UK (36% agreed that there was)
- 78% disagreed that the tough economic environment makes compliance less of a priority (19% agreed that it does)
- 62% disagreed that UK compliance was generally poor (14% agreed that it was, 24% Don't Know)

Within these results:

- Intermediaries are significantly less likely to agree that UK businesses take export legislation seriously than direct Commercial exporters
- Smaller companies are significantly more likely to agree that export control regulation is burdensome and poorly complied with than large businesses
- Independent sample respondents are less likely than BERR sample respondents to agree that the likelihood of prosecution is a strong deterrent and more likely to agree that the current economic environment will lead to low prioritisation of compliance

Those respondents who said they were aware of dual-use export controls were asked for their views on issues relating to those controls:

- 49% disagreed that the way in which the controls were implemented placed unnecessary burdens (35% agreed that they did, 15% Don't Know)
- 31% agreed that requirements are more onerous in the UK than in the rest of the EU (though 26% disagreed, and 43% Don't Know)
- 47% disagreed that the penalties for non-compliance were too low (21% agreed that they were, and 32% Don't Know)
- 67% disagreed that there is little incentive to comply with the controls because the chances of getting caught are too low (18% agreed, and 15% Don't Know)
- Of the 59 companies which are US or Japanese owned, 69% disagreed that it is a higher priority to comply with US/Japanese controls than with UK controls (26% agreed that it was)

Overall there were few if any significant differences between sample types, except amongst the 12 academics questioned, where there was a very high proportion of "Don't Know" responses.

12. Impressions of ECO

Impressions of ECO are overwhelmingly favourable. Amongst all respondents 65% had favourable or very favourable impressions and only 10% had unfavourable impressions - however 25% Don't Know which might reflect the fact that they have had no recent dealings with the Organisation (or none at all). Impressions are more favourable amongst the BERR sample than among Independents or Academics (none of the Academics had a very favourable impression of ECO), whereas a third of the Independent sample, and over half of the Academics questioned did not express an opinion. Excluding Don't Know responses, roughly nine out of ten (87%) of respondents say their impression is "favourable" or "very favourable" (95% of the BERR sample).

Of those with an unfavourable impression the main reasons given are too much bureaucracy/poor service/communication (6% of all respondents) and delays/problems with progressing and processing applications/Information vacuum (4% of all respondents).

13. Communications

All 503 interviewees were asked if they were aware of a number of potential sources of information, whether they had used those sources for information on dual-use export controls, and if so how useful they

found them to be. The overall results are summarised in the following Table:

	Aware Of?	Used?	Very Useful? (if used)
SPIRE	53%	42%	63%
ECO Awareness Events	32%	20%	63%
ECO Notices to Exporters	44%	32%	60%
ECO website	46%	32%	51%
The OGEL Checker Web-based Search Tool	41%	30%	45%
EU Dual-Use Website	27%	17%	42%
EU Dual-Use List	42%	27%	38%
The Goods Checker Web-based Search Tool	38%	27%	40%
Business Link website	70%	32%	37%
None of the above	15%	26%	-

The Business Link website is clearly the potential information source with the greatest “brand recognition” – 70% of respondents are aware of it compared to only 46% of respondents being aware of the ECO website. Most of the other tools are known to between 40-50% of respondents, with the EU Dual-Use website being the least well-known. There are very significant differences between the sample types, awareness of all information sources being much higher among the BERR sample and lowest among Academics. For example, the ECO website is known to 82% of the BERR sample, 31% of the Independent sample, and 11% of Academics; and ECO Awareness Events are known to 67% of the BERR sample, 17% of the Independent sample, and only 3% of Academics. The exception to this is Business Link which is reasonably well known to all respondent types (known to 73%, 69% and 56% of the sample types respectively).

Each of these information sources has been used by around one-fifth to one-third of respondents. The relative usage is similar to that of awareness, except that SPIRE is the most used (although not, strictly speaking, a source of information on dual-use export controls). Usage of all the sources was very much higher amongst the BERR sample, and lowest among Academics, 91% of whom said they had used none of the listed sources.

Of those respondents who had used the information sources almost all (between 87% and 96%) rated them as Very Useful or Quite Useful. Considering only the Very Useful ratings and excluding SPIRE, the Awareness Events and Notices to Exporters are the highest rated, with Business Link being the lowest. With one exception the BERR sample were more likely to rate the information sources listed as being Very

Useful, the exception being Business Link which was said to be Very Useful by 41% of the Independent sample but only 32% of the BERR sample.

Respondents were asked to suggest what more ECO should do to raise awareness of and compliance with dual-use export controls. The main suggestions were:

- **Increased training and education**
 - Industry specific training, events, seminars, forums, company visits, regional events.
- **Increase frequency of contact**
 - Increase email updates; monthly or quarterly newsletters
- **Communications simplification**
 - Simplify language used, greater clarity.
- **Publicity materials to raise awareness – and to address perceived complexity**
 - Information packs, posters, leaflets, DVDs/podcasts, step-by-step guide.
- **Relationship building**
 - Personalise where possible - specific case officers and telephone contact, contact names on website, dedicated telephone lines, greater feedback from exporters, more interaction with trade associations.
- **Improve websites**
 - More user-friendly, introduce A-Z list of potential dual-use items, better links to other websites inc. Business Link.
- **Specific Targeting**
 - Target specific industries e.g. through trade journals; target smaller exporters.

It should be noted that the ECO already does many of the above, which appears to indicate that this may be more an awareness than a communications problem.

14. Summary of Key Findings

It is important to bear in mind the limitations of this survey in the sense that it is not as comprehensive as, for example, wide physical checks of exporters' compliance systems and records. However, the results are consistent with the ECO's own compliance audits, recent HMRC surveys,

and other evidence related to compliance. The study was carried out by reputable consultants with a good track record, using a large sample and robust methodology. Such studies are generally accepted as a legitimate means of establishing evidence through a number of indicators, short of physical checks. The interviews were carried out in complete confidence within UK Market Research Society guidelines, with the ECO having no access to individual attributed responses, or even the names of individuals or companies who responded. It is also notable in this respect that the study produced some negative results (i.e. indicators of non-compliance), which adds to its credibility.

Some of the key messages from the study were:

- The study suggests that deliberately avoiding compliance with dual-use, end-use and cryptography controls is not widespread; a large majority of respondents (88%) agreed that UK businesses take export control compliance very seriously and on average respondents felt they were themselves fully compliant in 91% of cases where the controls applied
- A majority (60%) of all respondents and 43% of Independent sample feel that their organisation's compliance with dual-use export control requirements has been improving. The vast majority of the remainder thought it had stayed the same, with only 1% saying they thought their organisation's compliance was getting worse
- Where respondents admitted to non-compliance it was said to be due to:
 - Poor awareness/understanding within the organisation
 - Perceived need for training and information
 - Perception that there is too much bureaucracy involved
 - Complexity of the legislation
- Awareness and understanding of dual-use and end-use legislation amongst businesses is reasonable but lack of detailed knowledge of the regulations is the main barrier to compliance. Key reasons for poor understanding were said to be:
 - Lack of information (partly due to the time and resource required to source information)
 - Perceived complexity of the regulations
 - Poor knowledge of the details of the controls
 - Perceived lack of relevance of the dual-use controls

- Respondent's impressions of ECO were overwhelmingly positive; 87% of those who expressed an opinion had favourable or very favourable impressions.
- Just under half of all respondents were aware of the ECO's communications and awareness channels, with around one-third having used them to find information on dual-use export controls. Of these, around 90% found them to be useful. But just over half of all respondents remain unaware of the work that ECO does to communicate and to raise awareness.

15. Further Information

For further information please contact:

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