

Understanding Export & FCPA

Essential to International Business Success

By Donna Davis, Director of Ethics & Business Conduct

The world grows smaller every day, but our international marketplace continues to expand. Currently, about 35% of the ES³ business base is international and that number is expected to grow significantly over the next three years. Doing business internationally continues to create new opportunities and new responsibilities for Northrop Grumman and its employees.

If your job involves technical or controlled information you must understand export control. If your job involves international trade or travel, you must understand and obey the U.S. laws concerning international trade. You also must understand and obey the local laws and customs in locations where we do business.

Permission to Export

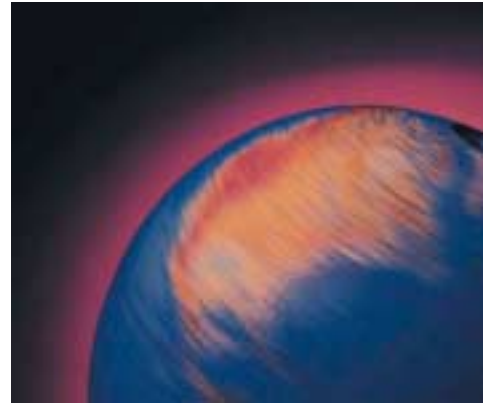
There are very specific laws and regulations to be followed when dealing with exports. Administered by the Departments of State and Commerce, these laws and regulations are in place to protect U.S. foreign policy objectives and U.S. economic interests.

Exports require government permission in the form of a license or written approval. Each authorization is specific and includes the identity of the item, services, or data to be exported. Export licenses or approvals may be needed to provide technical data to a foreign customer, to return a part to a foreign supplier for repair, or to conduct design discussions with a foreign business partner.

Some exports may be covered under an existing license while others will require a separate approval. It is possible that you may require an export license for a product before you begin work on the contract. In any case, before you begin any work or discussions with a foreign party, be sure you have the license you need.

Avoiding Payment Pitfalls

U.S. law specifically forbids certain practices relating to international business. For instance, the Foreign Corrupt Practices Act (FCPA) forbids payments to foreign governments to persuade them to enter into a contract. This includes government officials and agents that represent governments.



For example, if Company A pays a foreign government official hoping to influence him to favor Company A over the competition, that's illegal. Even if this kind of payment is perfectly acceptable in the local laws or customs, U.S. law forbids it. The penalties for this behavior are severe. Penalties apply not only to Company A, but to the individuals involved in securing the deal.

Get the Facts

Over the next several weeks, employees will be receiving export and FCPA awareness information. It is important for each sector employee to have a general knowledge of the rules and risks because of the size and scope of our international business. Much of our business information and product require protection – not only from unauthorized export to foreign locations, but from inadvertent export on the local front. For example, foreign business partners visit many of our facilities as part of their contract specifications. They participate in program reviews, inspect production, and receive training. As a result, all employees must be sensitive to the rules of export and FCPA.

The international marketplace provides exciting opportunities for all of us, but it also presents challenges. The key is to not make assumptions based on appearances or rumor. Get the facts about U.S. and local laws and customs before you act. Sector provides excellent resources to educate and assist you. For more information, contact NGESSI (our International organization), Export Management, Law Department, or the Ethics Office.