



Workshop on
Strategic Trade Controls

A Conference Report
By
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Co-organized by
the Pacific Forum CSIS and the Institute of International Relations of the
National Chengchi University

Issues & Insights
Vol. 13-No. 12

Taipei, Taiwan
August 2013

Pacific Forum CSIS

Based in Honolulu, the Pacific Forum CSIS (www.pacforum.org) operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, DC. The Forum's programs encompass current and emerging political, security, economic, business, and oceans policy issues through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate areas. Founded in 1975, it collaborates with a broad network of research institutes from around the Pacific Rim, drawing on Asian perspectives and disseminating project findings and recommendations to opinion leaders, governments, and members of the public throughout the region.

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Acknowledgements

This event was supported by generous donations from the United States Department of State, Office of Export Control Cooperation and the Institute of International Relations, National Chengchi University, Taiwan.

The views expressed here represent personal impressions and reflections of the program participants as interpreted by the rapporteurs; they do not necessarily represent the views of the relevant governments, or the co-sponsoring or parent organizations and institutes. Comments regarding specific presentations reflect the rapporteurs interpretations of actual comments made. As such, they should not be directly attributed to the individual presenters.

Workshop on Strategic Trade Controls

Key Findings and Next Steps

Members of the four multilateral export control regimes are faced with the choice to ‘widen’ their membership or ‘deepen’ their activities. The perception is that widening membership is beneficial only if newcomers genuinely believe in the need to combat proliferation; as a result, regimes have focused on deepening their activities.

- Future efforts should focus on identifying specific criteria for group membership and reflect more broadly on the value of the groups if membership does not expand.

The Arms Trade Treaty (ATT) has a limited scope but is significant in that it is the first global treaty that regulates trade on conventional arms. Although it will not replace the Wassenaar Arrangement (WA) (because the Arrangement will remain the leading group on dual-use items), the ATT has many of the features of a multilateral export control regime and may become the template to universalize management of strategic goods.

- Work should be conducted on how the scope of the ATT could be expanded and reconciled with that of the WA.

Led by the Ministry of Foreign Affairs, which acts as the coordinating agency, strategic trade management has improved considerably in China in recent years. China recognizes the need for improvement in this domain, both in China and regionally.

- The next iteration of this dialogue or a separate effort should flesh out how the United States and China can cooperate to strengthen strategic trade controls in the region.

The disconnect between strategic trade control lists and trade lists is troubling. Although many countries are making progress to link control lists to routine trade commercial codes, this remains difficult and is complicated by different codes being used by the United States and the European Union.

- Future work should explore whether technical solutions make these lists compatible or help reduce confusion.

The EU control list is becoming the de facto standard for categorizing strategic goods. While the United States is relaxing its restrictive practices and streamlining processes, the rest of the world is slowly strengthening controls and using EU control mechanisms as a benchmark.

- This next iteration of this dialogue should delve into the specifics, mechanics, and operation of the EU control list.

The Malaysian experience suggests that regional governments, especially those with limited resources, should adopt the EU control list as a starting point for trade in strategic goods. It is already used widely in the region, is easy to understand and implement, and incorporates the lists from all four multilateral export control regimes. Its adoption will facilitate faster national implementation by reducing the administrative burden of identifying and categorizing strategic goods and ensuring acceptability by other states. Another incentive is the availability of EU assistance in program implementation.

- Future work should explore the processes involved in adopting the EU control list and integrate its components into national legislation and regulations.

While development of an ASEAN-wide control list is attractive, it would only be feasible in the long run. At present, important differences in expertise among regional governments and political issues prevent such development and could hinder national implementation.

- Future efforts should focus on raising awareness and building capacity in less developed countries, particularly in continental Southeast Asia.

There is a need to develop a culture of awareness and responsibility in the region's corporate world. To start, regional governments should appoint a single point of contact for strategic trade controls.

- The next iteration of this dialogue should describe the Malaysian experience in appointing a strategic trade controller to help guide to regional governments on how to best do so.

A significant problem in controlling strategic goods is the activities focused on trade facilitation in areas referred to as free trade zones. It is not clear what categories of zones exist in Asia and how strategic trade controls can best be applied in the various categories.

- Mapping categories of free trade zones in Asia would be helpful, as would an articulation of strategic trade controls practices in each zones.

Taiwan's controls, which focus on high-technology goods, are based on the EU control list and a 'catch-all' provision. They have developed since the early 1990s and provide an effective model for regional governments exporting high-technology.

- Lessons learnt from Taiwan's strategic trade controls development should be the focus of the next iteration of this dialogue.

Although UN Security Council Resolution 1540 is now regarded more positively by regional governments, its implementation remains a challenge. There is little incentive to apply scarce resources to implementation of the resolution beyond initial reporting. In the region, no national action plans have been submitted and there remain important gaps in

the quality of information provided. Regional organizations can assist the Committee, but they have done little so far.

- Future efforts should focus on developing a ‘model national action plan’ for regional governments, in an attempt to assist implementation of the Resolution.

In Asia, emphasis should be laid on how regional governments can use regional organizations to implement strategic trade controls, in contrast with Europe where discussions focus on what regional organizations can do to strengthen such controls.

- There should be in-depth analysis of regional organization programs that can be used to better implement national strategic trade controls.

Strategic trade management principles could be integrated into the ASEAN Single Window (ASW) to promote better cross-border coordination. However, in addition to the still widely-held idea that strategic trade controls restrict trade, there are significant challenges to integrating these principles into the individual National Single Window programs.

- The next iteration of this dialogue should conduct a feasibility assessment of the integration of strategic trade controls into the ASW and develop an action plan.

There are several APEC initiatives that could be used to strengthen strategic trade controls, but most member economies see it as a trade facilitation mechanism and have been reluctant to integrate security issues into the APEC agenda. As a result, programs such as the Secure Trade in the APEC Region (STAR), the Supply Chain Connectivity Framework, and the Counter Terrorism Task Action Force (CTTF) have stalled. Still, APEC could establish mutual trust among member economies and enhance understanding of trade practices and the strategic trade management aspects of the security-related initiatives could be adapted within national programs.

- Work should be conducted on how APEC programs can be used by governments to implement national strategic trade controls.

Both the Center for Information on Security Trade Controls (CISTEC) and the Korea Strategic Trade Institute (KOSTI) have helped strengthen strategic trade controls in Japan and South Korea, especially in branding and marketing such controls and in facilitating industry compliance. Other countries in the process of establishing strategic trade control programs should consider the establishment of a similar organization. Although establishing a similar organization for ASEAN would be beneficial, notably to coordinate assistance, there was a general sense that it is premature.

- This dialogue should develop guidelines on how to establish national and regional coordinating organizations such as CISTEC and KOSTI.

The CSCAP Memorandum ‘Guidelines for Managing Trade of Strategic Goods’ is a benchmark for countries interested in developing strategic trade controls. It also provides guidelines to best implement such controls.

- The next step of this effort should involve developing a mechanism for regional governments to share best (and bad) practices, discuss lessons learned, and engage on assistance programs.

Workshop on Strategic Trade Controls

A Conference Report

By Carl Baker and David Santoro

On Aug. 27-29, 2013, the Pacific Forum CSIS and National Chengchi University's Institute of International Relations, with support from the US Department of State and National Chengchi University, held a workshop on strategic trade controls in Taipei, Taiwan. The group included approximately 50 participants and observers from 16 countries. All attended in their private capacity. Discussions focused on the strategic trade control regime, control lists, controls in transshipment and foreign trade zones, the relationship between UN Security Council resolutions and strategic trade control implementation, and the role of regional organizations in assisting and coordinating strategic trade control implementation. The report that follows reflects the views of the chair. While it has been reviewed by all participants, it is not a consensus document.

Session 1: The Strategic Trade Control Regime

Rajiv Nayan (*Institute for Defense Studies and Analyses, India*) gave an overview of developments in the four multilateral export controls regimes: the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Missile Technology Control Regime (MTCR), and the Wassenaar Arrangement (WA). In recent years, a major focus of these groups has been how to deal non-state actors and how to ensure that sensitive technology does not fall into the wrong hands in three main regions: Northeast Asia, the Middle East, and South Asia. The four groups have also done considerable work to enhance controls in transit and transshipment, brokering, catch-all, and intangible and deemed exports. Their control lists are regularly updated and these groups have become increasingly transparent about their activities. They have also multiplied outreach activities to non-member states.

The pace of change in these four groups, however, remains slow. Looking to the future, a key question is whether the newly-adopted Arms Trade Treaty (ATT), which has some, if not all the features of multilateral export control regimes, will become the template for tomorrow's approach to strategic trade controls.

Michael Liu (*Chinese Initiative on International Criminal Justice*) described the process leading up to the adoption of the ATT and laid out its basic features. The process was first launched in 2006 and that it took several years to gain momentum. It was negotiated at the United Nations in 2012 and, because it proved impossible to reach an agreement on a final text at that time, a new meeting was held in 2013 and the UN General Assembly adopted the ATT on April 2. Significantly, 3 states opposed its adoption (Iran, North Korea, and Syria), 23 abstained, including China and Russia, and 4 did not vote (Armenia, Dominican Republic, Venezuela and Vietnam).

The ATT deals with battle tanks, armored combat vehicles, large-caliber artillery systems, combat aircraft, attack helicopters, warships, missile and missile launchers,

small arms and light weapons, ammunition, and several other relevant parts and components. It includes “explicit prohibitions” against states authorizing arms transfers under certain circumstances. Its scope is limited, however. Not all conventional arms are covered: drones, for example, are omitted. The language of the Treaty is subject to interpretation, e.g. it mentions that “appropriate measures” should be taken if a risk is identified but does not define what these measures are. Moreover, the ATT deals with arms trade and does not take into consideration arms that are “donated.” Still, the ATT is significant in that it is the first global treaty on conventional arms.

Li Hong (*China Arms Control and Disarmament Association*) began by stressing that China considers that proliferation is a threat to international peace and security and that Beijing is committed to providing the utmost level of support to the strategic trade controls regime. He gave an overview of relevant Chinese laws, regulations, and ministerial decrees, as well as enforcement procedures. In China, government agencies in charge of export controls are led by the State Council and the Central Military Commission. The Ministry of Foreign Affairs acts as the coordinating agency. In recent years, the Ministry has stepped up its game and has worked with an increasing number of organizations, industries, and experts, which is evidence, our speaker argued, of China’s seriousness to strengthen strategic trade controls.

During the discussion, questions were raised about eligibility to join multilateral export controls regimes, particularly given Indian (and Chinese) interest in doing so. One participant pointed out that in theory, India fulfills the criteria to join, but that in practice, regime members seek to impose additional provisions, including transparency on past activities. According to him, these regimes remain closed cartels. Another participant countered by stressing that these regimes are faced with the choice to “widen” their membership or “deepen” their activities. In other words, they are – and always have been – groups of “like-minded states,” i.e. states concerned by WMD proliferation and the need to control strategic trade. Widening membership is beneficial only if newcomers embrace this perspective, which is why these regimes have tended to focus on enhancing (“deepening”) their activities.

Another discussion topic included the potential for the ATT to tackle dual-use items. All indicators suggest that the WA will remain the leading group to deal with such items because some African countries and other small countries in the Pacific are not concerned with the dual-use challenge and are unlikely to support amending the ATT. The similarity with the relationship between the Chemical Weapons Convention and the AG was also noted.

Session 2: Control Lists

Seema Gahlaut (*Center for International Trade and Security*) gave a presentation on the importance of control lists in strategic trade management. She explained that strategic trade management systems are not aimed at hindering trade but, rather, to facilitate industry compliance with security-based regulations of sensitive goods and technologies, namely dual-use. UN Security Council Resolution 1540, which is binding

on all UN member states, gives important yet vague directives relevant to strategic trade management. Today, the sources of common strategic trade management-relevant control lists are the four multilateral export controls regimes, the EU Common Control List, and regional or national control lists. Each list draws upon information and intelligence about items/technologies that have been used by states to develop weapons of mass destruction (WMD) in the past, targeted by proliferators and terrorists for procurement by illegal means, and/or flagged by industry as becoming WMD-relevant.

A major challenge is the disconnect between strategic trade control lists and trade lists. Although an increasing number of countries are developing means to link control lists with the routine trade commercial codes, this remains difficult and is complicated by different codes being used by the United States and the European Union.

Mohamed Shahabar Kareem (*Ministry of International Trade and Industry, Malaysia*) explained that when Malaysia was drafting its strategic trade management legislation, it had four options: create its own control list, adopt the US control list, adopt the EU control list, or adopt the control list of a third country. Malaysia decided to adopt the EU list because it is used by many in the region, it is easy to understand and implement, and it incorporates the lists from all four multilateral export controls regimes. Another key incentive was the availability of EU assistance.

Our speaker pointed out that countries in the process of drafting strategic trade management legislation should adopt an existing control list, namely the EU control list, to save resources and time. It is a waste to try and “start from scratch,” especially for developing countries because they generally lack the resources to accomplish the task and the time could be better spent working on local adaptations to and enforcement of list.

During the discussion, participants noted that the current trends are toward making the EU control list the de facto international gold standard. While the United States is relaxing its traditionally restrictive strategic trade controls practices to bring them down to the level of the EU control list, the rest of the world is slowly strengthening controls to bring them up to the level of the European Union. The jury is still out as to whether it is best for regional governments to simply adopt the EU control list or move toward the creation of an ASEAN-wide list.

Many participants stressed that ASEAN is not ready to develop a region-wide list, however, if only because they are important differences in expertise among regional governments. Unlike Malaysia, for instance, which has adopted and is implementing strategic trade controls, Cambodia is still in “learning mode.” Moreover, there was a sense among participants that developing a region-wide list would not be politically feasible. Another key finding is that seeking to apply European solutions to Asian problems would not be successful. It was suggested that the region would be better served by committing to systematically adopting the EU control list in an effort to harmonize practices.

Several participants also noted that control lists are not the be all and end all of strategic trade management. As one participant stressed, “it’s not enough to care only when an item is on the list.” In addition developing control lists, there is a need to develop a culture of awareness and responsibility in the region’s corporate world. One way to do that is for regional governments to appoint a single point of contact for strategic trade controls, as has been done in Malaysia. Having the same person show up for workshops and training sessions is a key to the development of an effective and sustainable strategic trade management program.

Session 3: Brokering, Forwarding, Transshipment, and Foreign Trade Zone Controls

Yea Jen Tseng (*Southern Taiwan University*) explained the development of foreign trade zones in East Asia. Her presentation included a list of the many names that have been adopted to characterize the nature of these areas. The main idea behind such zones is trade facilitation. Yet, because of relaxed vigilance, softened custom controls, and the lack of transparency, these zones have become vulnerable to a wide range of abuses: transit and transshipment operations present opportunities to mask the illicit origin of goods. Legally, foreign trade zones are not exempt from national laws: goods and technologies are just exempted from taxes and duties. However, exempting goods and technologies from taxes and duties strips away the ability of customs to enforce non-tariff measures by limiting the scope of cargo that customs can inspect and limiting the incentive to perform standard inspection procedures. This is an important challenge to strategic trade controls.

Jay Nash (*SECURUS Strategic Trade Solutions, LLC*) explained that brokering, transit, transshipment, and foreign trade zone controls are important because of the high-volume of business and trade involving these types of transfers and activities. What is more: all have been targets for proliferators and there is a high proportion of strategic trade violation cases involving such transfers and activities. Overall, much progress has been made, with an increasing number of countries adopting the necessary controls, but challenges remain. Some are political: countries fear that such controls would put their economic interests at stake. It is also difficult to coalesce such controls with regional trade arrangements and integration efforts. And resources are limited. Other challenges are practical: there is a very high volume and speed involved in such transfers and it is not always clear who the responsible parties are.

In the Asia-Pacific, 10 countries and areas (out of 24) have dual-use export controls systems. Of those, all have some form of controls on transits and/or transshipments (most with exceptions and/or end-use-based), six have controls on brokering dual-use items (three are end-use-based only), and several have “uniform application” controls to foreign trade zones (some with exemptions under certain conditions).

Jeremy Shen (*Ministry of Economic Affairs, Taiwan*) gave an overview of Taiwan’s export controls on brokering, forwarding, and transshipment activities.

Taiwan's controls focus predominantly on strategic high-technology goods and technologies, given the share of its exports in this domain. Its controls are based on the EU control list and Taiwan's "catch-all" provision, which is available for non-listed items. Significantly, according to Article 13.2 of the Foreign Trade Act, strategic high-technology commodities transported to restricted countries, i.e. Iran, Iraq, North Korea, China, Cuba, Sudan, and Syria, may not transit or transship via any commercial port of Taiwan, or be stored in bonded warehouses, logistics centers, and free trade areas without authorization.

Taiwan first developed controls on high-technology goods and technologies in the early 1990s. Its Foreign Trade Act was promulgated in 1993 and regulations governing the export and import of such goods and technologies were promulgated in 1994. Taiwan's export control system was launched in 1995 and, in 1998, it incorporated the WA, AG, NSG, and MTCR control lists. It adopted a "catch-all" provision in 2004 and added and consolidated a "Sensitive Commodities List" to control commodities being exported to North Korea and Iran in 2006. In 2009, Taiwan adopted the EU list.

Most participants recognized that controls in foreign trade zones constitute a weak link in strategic trade management. There is a need to ensure that controls in such zones are enhanced. Significantly, in the drafting stages of Malaysia's Strategic Trade Act, it was recognized that controls in such zones presented a problem. As a result, custom authorities were given more power to conduct inspection there. Similarly, it was reported that Singaporean strategic trade control practices do not differentiate between regular trade and trade in foreign trade zones: what matters is whether such goods are deemed "strategic;" customs also pays attention to end-use and end-user certificates. Still, the reality is that controls in foreign trade zones tend to be more relaxed.

These considerations led to a discussion about the need to enhance transparency and information sharing at the regional level. There is no mechanism to serve this purpose, but over the years, regional governments have increasingly communicated among one another to deal with a suspicious cargo. Still, countries remain reluctant to become involved in challenging the documentation associated with transshipped goods. So, if the country of origin does not identify the cargo as containing sensitive goods, the transshipment facility is unlikely to discover it. Significantly, Malaysia will host a workshop next October on information sharing as it relates strategic trade controls and improving coordination on transshipping will be part of the agenda.

Session 4: UN Security Council Resolutions and Strategic Trade Control Implementation

I Yuan (*National Chengchi University, Taiwan*) gave an overview of UN Security Council resolutions. Stressing that unlike sanctions resolutions, which are targeted against a specific states, UN Security Council Resolution (UNSCR) 1540 requires all UN member states to adopt and enforce appropriate effective laws to guard against WMD proliferation. Significantly, this resolution has helped create a norm against proliferation and a framework to advance strategic trade controls.

Tanya Ogilvie-White (*Australian Strategic Policy Institute*) delved into the specifics of UNSCR 1540. Its main purpose is to keep WMD materials and technologies out of the hands of terrorists, including through the enhancement of strategic trade controls. Significantly, the Resolution addresses the non-state actor gap in the nonproliferation regime, which has tended to focus on state-based threats.

Although many (developing) countries questioned the merit of the Resolution, arguing that it was adding an unnecessary burden that they could not afford, attitudes have changed. States have come to realize that the threat of WMD terrorism is global and that any weak link anywhere in the world is a problem for the international community as a whole. However, implementation (and enforcement) of the Resolution remains a challenge for developing countries because it's resource-intensive. In the Asia-Pacific, the good news is that most states (save North Korea and Timor-Leste) have submitted at least one national report to the 1540 Committee. Moreover, the accounting and control of nuclear material has improved in Asia, as has the physical protection of nuclear facilities and nuclear material in transport. But no national action plans have been submitted by states in Asia and there are important gaps, notably in measures covering biological materials, means of delivery, national control lists, and the financing of proliferation activities.

To speed up implementation of the Resolution in Asia, states should focus on identifying areas where they would benefit from international assistance, and submit specific requests to the 1540 Committee. Reporting should also be seen as an ongoing process, and states should be encouraged to invite in-country visits from the 1540 Committee experts, who are willing to assist states in assessing their needs. Moreover, bilateral, sub-regional, and regional cooperation should be enhanced, and more efforts should be made to create better awareness and understanding in industry and the public with UNSCR 1540 obligations, WMD threats, and steps that can be taken to assist 1540 implementation.

Chin-Hao Huang (*University of Southern California*) focused on UN sanctions resolutions, explaining that unlike UNSCR 1540, such resolutions spell out in great specificity member states' obligations. Sanctions resolutions against Iran and North Korea impose an embargo on proliferation-sensitive goods and technologies and include travel bans and asset freezes for specific individuals and companies. Implementation of such sanctions is being coordinated by panels of experts, which collect, examine, and analyze information provided by states. A number of challenges remain, however, because implementation of sanctions resolutions by states vary considerably and the presence of weak links can be exploited by targeted countries.

Discussion focused on UNSCR 1540. The significance of the Resolution for strategic trade management was questioned. As one participant put it, "what would happen if the Resolution went away?" Several participants responded by saying that UNSCR 1540, which was originally resisted by most countries in the Asia-Pacific, now enjoys a high level of support in the region, has helped create a norm against WMD proliferation and set a framework for strategic trade management, and, significantly, has

been an important source of assistance for capacity-lacking countries. In other words, the Resolution has been a useful tool to strengthen strategic trade management. Of course, numerous issues remain. Implementation is difficult for developing countries and there is reporting “fatigue” among regional governments. This is because the 1540 Committee is rarely satisfied by the information provided by governments and because it often requests additional information or the provision of evidence to support the information provided in reports.

Several participants pointed out that regional organizations should assist the Committee in implementing UNSCR 1540 because there can be no one-size-fits-all approach. Such organizations are in theory well-versed in particularities of the region and better aware of its needs. They, as a result, could help match assistance providers and assistance seekers. But relatively little is being done at the regional level in Asia. Without clear direction and much more specific guidance offered, this will likely continue to be the case.

Session 5: Regional Organizations

George Tan (*Bryan Cave International Consulting*) gave an overview of the ASEAN Single Window (ASW) and reflected on the possibility of introducing strategic trade controls to this process. The ASW purpose is to streamline cross border trade by expediting cargo clearance shipped to and from ASEAN, integrating economic regions to encourage trade and investment, improving border enforcement, providing a secure and efficient mechanism to reduce the cost of doing business for ASEAN traders, and enhancing greater transparency, efficiency, and savings in government operations. This will provide numerous benefits both to regional governments and businesses.

Strategic trade management can utilize ASW to promote better cross-border coordination. However, there are a number of challenges. Some are technical in nature and include, for instance, the need for full participation of relevant governmental agencies into National Single Window (NSW) implementation. Coordination and harmonization of standards and programs is also critical, which is a time-consuming and difficult process. Moreover, there is currently a lack of ASEAN legislative and regulatory tools for cross-border exchange of trade data in electronic and digital format. Legal gaps in ASEAN member states’ domestic law could also create barriers to the full operation of the NSW in several countries, cross-border interoperability between NSW and the ASW, and legal interoperability of the NSW and non-government entities that may participate in the NSW.

Mignonne Chan (*Chinese Taipei APEC Study Center*) discussed the role of APEC in enhancing strategic trade controls. APEC, which operates on the basis of consensus building and makes decisions that are voluntary and non-binding, aims to promote trade liberalization and facilitation and encourage economic and technical cooperation in the Asia-Pacific. Despite its focus on trade facilitation, APEC has tackled security issues as well. APEC has been active in helping enhance strategic trade controls: it has established

check points at the borders, supply chain connectivity controls across borders and, behind borders, it has worked to harmonize regulatory frameworks.

Discussion focused on the possibility of integrating strategic trade management and the ASW. Several participants pointed out that there is currently little, if any, interest in doing so. People are not ready and no consultation has begun with practitioners. This is not solely because of technical or financial challenges (funds are available), but because of general ideological resistance from most ASEAN countries based on the assumption that strategic trade controls may restrict trade. In other words, not all ASEAN countries understand such controls (and how they are implemented). There is also a concern that states may use the information provided via the ASW to its advantage by undercutting other countries.

This, once again, suggests that there is an urgent need for national points of contact on strategic trade controls. Several participants stressed that expertise on such controls has developed in the region and that it would be possible to appoint qualified people, who have so far been kept out of policy positions.

The role of APEC to strengthen strategic trade controls was also discussed. However well-suited it may be to strengthen such controls, the reality is that most member economies see it as a trade facilitation or trade enhancement mechanism. At present, its work to integrate strategic trade controls remains stalled and it is unclear whether it will be revitalized in the near future. Still, several participants stressed that APEC can help establish mutual trust among member economies and enhance understanding of trade practices, which can help benefit strategic trade management.

More generally, a key finding is that rather than talking about what regional organizations can do to strengthen strategic trade controls, emphasis should be laid on how regional governments can use regional organizations to implement such controls. As one participant pointed out, “we need to remember that this is Asia, not Europe.”

Session 6: CSCAP Memorandum

The session’s moderator opened up by presenting the CSCAP Memorandum ‘Guidelines for Managing Trade of Strategic Goods.’ Participants recognized that the Memorandum is a benchmark for countries interested in developing strategic trade controls and that it is useful in that it provides guidelines to best implement such controls. Building upon this achievement, it was agreed that the next step of this effort should involve developing a mechanism for regional governments to share best (and bad) practices, discuss lessons learned, and engage on assistance programs.

Hisashi Riko (*Center for Information on Security Trade Controls, Japan*) presented Japan’s outreach efforts to industry as they relate to strategic trade controls. He stressed that Japan, through the Center for Information on Security Trade Controls (CISTEC) and governmental agencies, namely the Ministry of Economy, Trade, and Industry (METI), holds numerous outreach seminars with industry representatives. This

includes an “Export Controls Seminar” held in several Japanese cities to stress the importance of strategic trade controls, describe recent trends and topics in the strategic trade controls regime, and provide details on the establishment of internal compliance programs (ICP). Once a year, a “Seminar on Legal Revision” is also held in several Japanese cities to provide explanations on revisions of relevant laws and regulations. In cooperation with other regional governments, Japan also holds a “Joint Industry Outreach Seminar” and once a year, Japan sponsors the “Asian Export Controls Seminar,” which is attended by regional governments, states outside the region, and representatives of international organizations and the four multilateral export controls regimes.

CISTEC is Japan’s “linkage channel” between government, industry, and academia on strategic trade controls. It provides support to companies, assist with ICP establishment, offers training seminars for businesses, assist with commodity/technology classification, and shares opinions and recommendations from businesses to the government.

Steve Kang (*Security Management Institute and Korea Association of Security and Trade*) began his presentation by recapitulating the history of the ROK’s export control system. Legislation was passed in 1992 and the ROK joined the four multilateral export controls regimes. In 2003, it adopted a “catch-all” provision and in 2005, it completed and launched an IT management system (“Yestrade”). One year later, in 2006, the ROK adopted brokering and transit/transshipment controls. Since then, its export controls system has been regularly reviewed and updated.

Established in 2007, the Korea Strategic Trade Institute (KOSTI, previously named the Strategic Trade Information Center (STIC)), is a specialized organization that helps companies manage business involving strategic items. KOSTI operates “Yestrade” jointly with the Ministry of Knowledge Economy and helps companies exercise export controls by providing relevant information online on strategic items classification, export licensing procedures, global trends and domestic regulations. KOSTI has balanced the twin need for export controls and exports promotion, reached out to industry, and provided a balanced policy of “carrots-and-sticks.”

During the discussion, participants noted the value of organizations like CISTEC or KOSTI in helping strengthen strategic trade controls. The possibility of establishing a similar organization for ASEAN was discussed, but there was a general sense that it is premature. Participants acknowledged, however, that it would be beneficial in some respect, notably to coordinate assistance programs.

Session 7: General Observations, Concluding Remarks, and Next Steps

Carl Baker (*Pacific Forum CSIS*) summed up the key findings of the meeting as well as the next steps for this dialogue process. (They are included at the beginning of this report.) In the afternoon of August 29, all participants took a trip to the Port of Taipei. They visited the facility and received several briefings about strategic trade control practices in this establishment.

Appendix A

Workshop on Strategic Trade Controls

August 27-29, 2013, Taipei, Taiwan

Co-organized by Pacific Forum CSIS
Institute of International Relations, National Chengchi University

AGENDA

August 27, 2013

18:30 Opening Reception and Dinner

August 28, 2013

8:45 **Introduction and Opening Remarks**

9:00 **Session 1: The Strategic Trade Control Regime**

This session will look at the strategic trade control regime. How do UNSCR 1540, the NSG, the AG, the MTCR, and the WA fit together? What role should these regimes play in the development and adoption of national laws and regulations to control trade of strategic goods? Emphasis will be on the outcomes of the latest NSG, AG, MTCR, and WA plenary meetings and on the relationship between the WA and the newly-adopted Arms Trade Treaty.

Speakers:

Rajiv Nayan

Michael Liu

10:30 **Coffee Break**

10:45 **Session 2: Control Lists**

This session will explore the role of control lists in managing trade of strategic goods, with specific focus on European Union Regulation 428/2009. What are the key features of the regulation? How have countries in the Asia Pacific used this regulation in developing national control lists? Can and should there be a region-wide control list in Asia?

Speakers:

Seema Gahlaut

Mohamed Shahabar Kareem

12:15 **Lunch**

13:45 Session 3: Brokering, Forwarding, Transshipment, and Foreign Trade Zone Controls

This session will focus on management of brokering, forwarding, transshipment facilities, and foreign trade zones. How are strategic trade controls applied in each area? How are issues regarding end-users addressed? How can catch-all provisions be applied in these areas? What best practices can improve controls in these areas?

Speakers:

Jay Nash

Jeremy Shen

15:15 Coffee Break

15:30 Session 4: UN Security Council Resolutions and Strategic Trade Control Implementation

This session will examine the relationship between UNSCR and strategic trade control implementation. What is the role of UNSCR 1540? What is the role of UN sanctions resolutions? What are the similarities and differences between the two processes? What is proliferation financing and what measures are being taken control it? The draft CSCAP Memorandum on UNSCR 1540 will be presented and input will be solicited from the group.

Speakers:

Tanya Ogilvie-White

Chin-Hao Huang

Y Yuan

17:00 Session Adjourns

August 29, 2013

8:30 Session 5: Regional Organizations

This session will focus on the role played by regional organizations in helping implement strategic trade controls. How can countries of the Asia Pacific use the activities and initiatives conducted by regional organizations to develop and adopt national strategic trade control laws and regulations? Specifically, how can the initiatives and practices developed by APEC be used by regional governments?

Speakers:

George Tan

Mignonne Chan

9:45 **Coffee Break**

10:00 **Session 6: CSCAP Memorandum**

This session will look at CSCAP Memorandum No. 14 – *Guidelines for Managing Trade of Strategic Goods* (March 2009). How can the memorandum be improved? [Work will be conducted to provide greater specificity to implementation and enforcement procedures and to develop compliance programs for industry.]

Speakers:

Hisashi Riko

Steve Kang

11:15 **Session 7: Wrap-Up and Next Steps**

This session will conclude the meeting by highlighting its key findings and discussing next steps for future research.

11:45 Meeting Adjourn

14:00 Visit of a Transshipment Facility

Appendix B

Workshop on Strategic Trade Controls

August 27-29, 2013, Taipei, Taiwan

**Jointly sponsored by Pacific Forum CSIS
Institute of International Relations, National Chengchi University**

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