

**Seminar on Strategic Trade Controls in Southeast Asia
September 19-20, 2019, Manila, Philippines**

Key Findings

The Pacific Forum and the Strategic Trade Management Office (STMO) at the Department of Trade and Industry (DTI), Philippines, with support from the US State Department's Export Control and Related Border Security Program, co-hosted the fourth Seminar on Strategic Trade Controls in Southeast Asia in Manila on Sept. 19-20, 2019. Over 40 experts and officials attended in their private capacity. Topics addressed included UN Security Council Resolution 1540, the economic benefits of strategic trade controls (STC) measures, risk management in implementing an STC program, and assistance programs. Updates were also provided on national STC systems in Southeast Asia. Each session included presentations to introduce the topic followed by a discussion offering participants the opportunity to pose questions and share related ideas and experiences. Key takeaways from the workshop include the following.

- Positive developments in STC were observed in almost every country in Southeast Asia. Malaysia has been refining its program and the Philippines is ready to implement its system. Thailand has new legislation covering the control of strategic items and will begin implementing it next year. Myanmar and Laos have made significant progress in developing national plans for STC implementation. Indonesia and Vietnam are exploring the development of STC programs. The process of STC adoption has gathered momentum in the region and ASEAN countries are learning from each other's experiences.
- STC programs need to address the specific security concerns of the individual countries, many of which still face serious threats such as the use of radiological material or dirty bombs by terrorist organizations. Accordingly, several countries in the region have been incorporating import controls into their STC systems to address this threat.
- There is a growing acceptance of STC measures in Southeast Asia as a component of trade facilitation. While EU and US requirements remain the primary consideration for this practical approach to STC implementation, China's efforts to modernize its STC program is also an important consideration for Southeast Asian countries as trade balances shift. Specific benefits for businesses include easier access to strategic technologies and enhanced reputation.
- Skeptics remain concerned that STCs will hinder technology transfer and innovation, discourage investment, and create barriers to international trade and market competitiveness. An example was that STCs impose high transaction costs, such as long delays in obtaining export authorizations. Moreover, differences in STC systems or unilateralism can put local industry at a competitive disadvantage. A question was raised about whether the economic benefits of STC measures apply equally to all companies, with some arguing that they may benefit large multinational exporters more than small- or medium-sized exporters.
- With the assumption that STC systems are here to stay, the private sector can and should help government make systems more efficient. While industry is not concerned about the adoption of controls per se, it is focused on how implementation is carried out. In this context, public-private

dialogue is very important. In some cases, government is not as knowledgeable as industry on security, economic, or technical issues related to implementation requirements associated with the transfer of strategic goods within the global supply chain.

- A discussion of the economic benefits of STC systems should be had from a regional perspective. Since STC measures have an impact on trade and investment development and on intangible technology transfer, they should be incorporated into discussions of free trade agreements. STC measures can be seen as a way to promote free trade and globalization rather than as hindering economic globalization.

- Regional organizations should play a role in STC promotion, adoption, and coordination or harmonization. There have been efforts to get the ASEAN Secretariat involved in STC, but ASEAN policy discussion is always member-state driven. The Political-Security Community has a mandate to address nonproliferation in the Political-Security Community Blueprint 2025, which refers to “export controls.” Given the structure of ASEAN, the Political-Security Community has the mandate to promote the development of STC systems, but the Economic Community, which is focused on trade facilitation, has to be involved with the implementation.

- Although Customs has focused on risk management principles in detecting STC violations, risk management should be considered for licensing as well. Licensing and enforcement need to be balanced, and applying risk management tools to licensing could help facilitate trade.

- A comprehensive review of United Nations Security Council Resolution (UNSCR) 1540 is set for 2021, at which time the 1540 Committee’s term will be up for renewal. There was general agreement that UNSCR 1540 is still an important basis for STC, but not the sole basis for developing a system. Both donors and recipients have moved away from giving or obtaining assistance through UNSCR 1540 because the process has been overly cumbersome. Instead, countries are more likely to work together on a bilateral basis.

- The United States is realigning the Export Control and Related Border Security (EXBS) program to focus on countering proliferation and sanctioned nations and moving away from its traditional assistance model. It is directing resources to high threat priorities, areas, and regions.

- The EU P2P program, which is focused on country assistance, is actively engaged in nine countries in Southeast Asia. (Singapore, with its mature STC system, has been phased out of assistance.) Forty activities are slated over this period and will be country-focused, based on needs analysis by both sides. A limited number of regional events are also planned.

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