COUNCIL FOR SECURITY COOPERATION IN THE ASIA-PACIFIC

Meeting of the Council for Security Cooperation in the Asia-Pacific (CSCAP) on Managing Trade of Strategic Goods and Technologies

New World Hotel, Manila, Philippines
October 22-24, 2012

Chairman's Report

On Oct. 22-24, 2012, the Export Controls Experts Group, a subgroup of the CSCAP Study Group on Countering the Proliferation of Weapons of Mass Destruction in the Asia Pacific, met in Manila, Philippines. The group included approximately 50 participants and observers from 17 countries and member committees. All attended in their private capacity. Discussions focused on developments in strategic goods management, the role of regulatory frameworks, control lists, and UN sanctions in controlling access to strategic goods, the challenges associated with controlling strategic goods at transshipment points and foreign trade zones, as well as the ASEAN Single Window and Connectivity Initiatives and APEC programs and their potential utility in managing strategic goods. 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: Recent Development in Strategic Goods Management

This session sought to provide clarity on the nature and status of the US export control reform initiative as well as give updates on the activities of the Australia Group and the Wassenaar Arrangement.

Jay Nash (SECURUS Strategic Trade Solutions, LLC) opened this session with a presentation on US export control reform. He explained that reform efforts have been underway since the end of the Cold War.

The Export Control Reform initiative, commenced in August 2009, includes a control list review and reform (into a single, "positive" list), a licensing policy review and reform (into a single licensing agency), the modernization of the IT system (into a single IT system), and an export enforcement reform (into a single enforcement agency).

To date, proposed rules for revisions have been issued for nine of the 20 US Munitions List categories. Licensing-related changes have been made on encryption controls. A new Strategic Trade Authorization exception has been introduced to allow exports, re-exports, and transfers (in-country) of specified items to destinations that pose little risk of unauthorized use of those items. And an inter-agency Information Triage Unit has been created and a consolidated party screening list has been developed to ensure that all relevant departments and agencies have a full dataset, consistent with national

security, from which to make decisions on license applications. With regard to enforcement, export violation penalties have been harmonized and a US Department of Commerce export enforcement authority has been created, along with an Export Enforcement Coordination Center.

The next steps of the reform process will include: Congressional notification and finalization of control list revision rules, complete interagency IT integration and development of public interface, and finalization of the revisions of the definitions of key licensing-related terms (and single license form). Thereafter, legislation will be required to create a single licensing agency, a single control list, a single enforcement agency, and a single IT system.

It is anticipated that the US export control system will become more user-friendly for businesses in the Asia-Pacific. The Strategic Trade Authorization exception already applies to Japan, South Korea, Hong Kong, India, Singapore, and Taiwan. Changes to encryption licensing policies are important for US IT and telecom exports to Asia-Pacific countries. It is possible that the US export control list will share more similarities with many of the EU-based export control lists currently utilized among countries and systems in the Asia-Pacific. Thus, it will facilitate strategic trade enforcement cooperation and coordination among the United States and Asia-Pacific countries.

Robert Mathews (Australian Department of Defence, University of Melbourne) gave a presentation on the Australia Group, which has established itself as the international authority on controlling exports of chemicals, biological agents, and dual-use equipment.

The group, formed in 1985, was formed in response to allegations made by Iran to the United Nations that Iraq was using chemical weapons in the Iraq-Iran War. By the conclusion of the 1993 meeting, a full range of lists covering precursor chemicals, dual-use chemical production equipment, as well as the four lists of BW-relevant items had been developed. The group also agreed on catch-all and no-undercut provisions.

Historically, a number of developing countries have opposed informal export control arrangements such as the Australia Group. This changed after the 9/11 attacks and led to a broader acceptance among an increasing number of BTWC and CWC states parties of the role of the Australia Group.

Because numerous countries that are not members of the group have become inadvertent suppliers of relevant items as a result of the increasing globalization of the chemical and biological sciences and industries, Australia Group participants have been encouraging all exporting and transshipment countries to implement control measures adopted by the group. In recent years, Australia Group participants have maintained a practice of briefing non-participating countries on the outcomes of its meetings to promote awareness of the group activities and recommendations.

The Australia Group 2012 Plenary, which convened in Paris on June 11-15, provided an opportunity for participants to enhance licensing and enforcement measures. The group's participants shared experiences and reviewed proposals to amend the control lists. They agreed to amend the group's guidelines to enhance controls on brokering services. Against the background of ongoing violence in Syria, participants also concurred that Syria is a country of proliferation concern and agreed to increase vigilance with regard to dual-use exports to Syria.

Finally, participants agreed to deepen cooperation through greater information sharing on enforcement capabilities, approaches to visa vetting, and implementation of catch-all provisions; engage industry and academic sectors; and consider the implications of recent advances in the life sciences and nanotechnology, and developments in dual-use chemical and biological production equipment.

Kirsten Soder (BAFA, Germany) explained that the Wassenaar Arrangement commits its 41 participating countries to implementing effective national export controls and to reporting on national transfers and denials. She explained that in recent years, the arrangement has adopted three best practice documents: the Best Practice Guidelines on Internal Compliance Programmes for Dual-Use Goods and Technologies, the Best Practice Guidelines on Subsequent Transfer (Re-Export) Controls for Conventional Weapons Systems, and the Elements for Controlling Transportation of Conventional Arms between Third Countries.

The focus of the arrangement has been to share best practices among participating countries and to strengthen compliance, export screening procedures, shipment controls, and performance reviews and audit procedures, as well as training relevant officers. Although the arrangement is an informal mechanism, it has made progress in enhancing export controls practices among the participating countries.

In the discussion session, participants agreed that export controls for biological and chemical technologies and materials have become increasingly important, giving the Australia Group an important role to play. Participants explored the connections and potential overlaps between Australia Group activities and the BTWC and CWC, notably. Unlike the conventions which define prohibitions, the group (which predates both conventions) is focused on regulating exports of biological and chemical technologies and materials, which is difficult as it involves numerous technical considerations often not fully understood by all the relevant stakeholders.

Similarly, participants examined the connection between the Wassenaar Arrangement and the proposed arms control treaty as the arrangement deals with dual-use technologies, not with conventional arms control. However, connections are apparent and it the relationship between the proposed treaty and the provisions of the Wassenaar Arrangement need to be explored to gain a better understanding of how the proposed treaty would influence trade in dual-use goods related to conventional arms, including missile and rocket components and technology.

A discussion followed about US government efforts to streamline the export control regime and make sure that export controls are consistent with trade enhancing efforts. It was explained that the old system had to be reformed because it consisted of two different control lists administered by two different departments, as well as three different primary licensing agencies, numerous enforcement agencies, and separate IT systems. The new system will be simpler, while continuing to meet US national security objectives and encouraging trade enhancing efforts.

Session 2: Regulatory Frameworks

This session sought to identify the key elements needed for an effective regulatory framework. It also sought to provide details on the current status and recent changes of the Japanese and Indian regulatory frameworks.

Mi-Yong Kim (US Department of Commerce) outlined the contents of regulatory frameworks. They set out the following:

- General information and use of the regulations: statutory authority, agencies involved, industry advisory committees, among others.
- Scope of the regulations: items or activities subject to the regulations.
- Control list(s), whether or not they are derived from the four multilateral export control regimes or if they are national lists.
- Control policies, with information on whether there are country-specific policies in place (as is often the case for the DPRK, Iran, and Syria, for instance), catch-all provisions, or restricted/prohibited end-users or parties.
- Application and documentation, with explanations on how to apply for a license, obtain forms, submit forms.
- Application processing and procedure, with information on how applications are reviewed by agencies and departments,.
- Record-keeping, with information on what information is kept, in what form, how, and for how long.
- Enforcement, with information on violations, how reporting is conducted, what penalties are, what the proceedings are if administrative enforcement is available, and what the appeal process is.
- Forms, with information on how to complete them as well as other relevant documents such as end-user certificate, delivery verification, and export declaration, notably.

Hisashi Riko (Center for Information and Security Trade Controls, Japan) noted that in recent years, the Ministry of Economy, Trade and Industry (METI) has introduced numerous changes to Japan's export control system: simplified license applications, increased harmonization with the Wassenaar Arrangement, and integrated/simplified license-related notifications and applications. In addition, reviews have been made of end-user certificates and bulk export licenses.

For example, in the area of licensing, instead of 13 notifications, only one is needed now. For license application, a new end user certificate is now prepared by METI - the

exporter no longer needs to issue an end-user certificate and the cases not subject to pre-approval have been clarified.

The review of the end-user certificate has also been improved. It is done by METI. For re-transfer, re-sale to the stated end-user, pre-approval is no longer needed. It is required, however, if the end-user is unknown. Spare parts for the same end-user are not subject to pre-approval.

There are several challenges, however. Progress will be achieved when an internationally harmonized classification numbering system is adopted. Also needed is a fundamental restructure of the present complicated/multilayered legislation to realize a new single "Export Control Act". A fundamental review of control items considering "foreign availability" is needed, as is more "end-use oriented" control. In the meantime, the recent changes introduced in Japan are the fruits of the Center for Information on Security Trade Control (or CISTEC), which has driven the reform.

Rajiv Nayan (Institute for Defence Studies, India) gave a presentation on the Indian regulatory framework for export controls. India's regulatory framework deals with deemed exports, intangible transfers, end-users, transit and transshipment, re-exports, brokerage, and also includes a catch-call clause. Dual use items are classified in seven categories (SCOMET) and include technologies ranging from nuclear materials and toxic chemical agents to aerospace systems and electronics, computers, and information technology. The export of SCOMET items is restricted and permitted only under license: applications are considered on a case-by-case basis on an automated export control system (operational since July 1, 2012).

When considering applications, the credentials of end-users are taken into account, as is the credibility of declarations of end-use of the item or technology in question. Close attention is given to the integrity of the chain of transmission of the item from supplier to end user. Also considered is the potential of the item, including the timing of its export, as well as the applicability of an export license application vis-a-vis the relevant bilateral or multilateral agreements to which India is a party.

In India, enforcement of export controls is the primary responsibility of Customs. In case of violation, penalties vary. For a violation of the 2005 WMD Act, for instance, they can include imprisonment from 6 months to a life sentence, or a fine, or both.

India's export control system is at a nascent stage and is likely to evolve further when India becomes a member of the four multilateral export control regimes.

In the discussion session, it was clear that there is movement toward the simplification and harmonization of regulatory frameworks that aims to make regulations as clear and as straightforward as possible, in particular to make controlling trade of strategic goods more attractive to all relevant stakeholders. This movement is driven largely by the need to be business friendly and enhance nations' competitiveness. A core question that arose in the discussion on regulatory frameworks is how to integrate the technical

requirements of strategic trade controls into effective policymaking and how these controls can be used to promote a safe, secure process within a broader trade framework.

Participants responded by arguing that strategic trade management should be integrated into the framework of effective supply chain management to avoid the perception of imposing controls to restrict trade as a means of preventing proliferation. This approach, which is focused on portraying strategic trade controls as trade enablers, is likely to be the most successful in encouraging private industry and organizations focused on supply chain safety and security to play a more effective role in the process. In many ways, it appeared that Japan's experience with CISTEC is a useful model for promoting better understanding between industry and government regarding strategic trade controls.

Session 3: The Role of Control Lists and UN Sanctions

This session sought to examine how control lists and sanctions are used and influence the process of classifying strategic goods and technologies. It featured the work of the UN Panel of Experts and provided details about Malaysia's efforts to create national control lists and how it is integrating the requirements of UN sanctions into its strategic management system.

Katsuhisa Furukawa (UN Panel of Experts) explained the goals of the UN sanctions regime: prevent the proliferation of weapons of mass destruction, buy time for diplomatic solutions, and target measures to limit the negative impact of sanctions on the economy and the population. In contrast with multilateral export control regimes, all UN member states are required to fulfill legally binding obligations under UN Security Council resolutions (UNSCR).

UNSCR 1718 and 1874 include goods-related sanctions and individual targeted sanctions (asset freeze and travel ban). Goods-related sanctions prohibit buying from and selling to the DPRK all arms and related materials (except small arms and light weapons), buying from and selling to the DPRK listed items that could contribute to its WMD and missile programs, and supplying luxury goods to the DPRK. The Security Council or the 1718 Sanctions Committee determines the items, materials, goods, and technology falling under sanctions, as well as the individuals and entities subject to travel ban and asset freeze. Over time, the past designations and updates of items have evolved: changes were made in 2006, 2009, and 2012, after the DPRK carried out nuclear or missile tests.

Five individuals are targeted for asset freeze, prevention of the provision of financial services and transfers, and travel ban: Yun Ho-jin, Ri Je-son, Hwang Sok-hwa, Ri Hong-sop, and Han Yu-ro. A number of entities have also been designated by the Sanctions Committee for asset freeze and prevention of the provision of financial services and transfers, such as the Korea Mining Development Trading Corp or the Korea Heungjin Trading Corp, for instance.

Mohamed Shahabar (Ministry of International Trade and Industry, Malaysia) gave a presentation on the role of controls lists and UN sanctions in Malaysia. He noted that Malaysia's decision to enact the Strategic Trade Act in 2010, is the result of the adoption of UN Security Council Resolution 1540. The Strategic Trade Act controls the export of listed and unlisted goods and technologies, transit, transshipment, brokering, and a range of other related activities. It also includes a catch-all provision.

The Strategic (Strategic Items) Trade Order of 2010 was adopted from the EU list and contains items controlled under all five multilateral export controls regimes. The Strategic Trade (Restricted End-Users and Prohibited End-Users) Order of 2010 is based on relevant UN resolutions, such as those directed against Iran, North Korea, or Libya. The procedure to develop a national control list is similar to the procedure to develop a sanctions list, except that the former refers to the EU control list and the latter to the relevant UN resolution.

Discussion revolved around the role of the EU control list as a reference point in the region, because of its comprehensiveness. For many Southeast Asian countries, notably, the EU control list is used as the main reference point both because regional actors are all already using it (and using it helps regional harmonization) and because there is a lack of capacity to develop new lists. This is what Malaysia has done to develop its Strategic Trade Act, for instance. The group agreed that a closer look at the EU experience in the management of trade involving strategic goods would be useful t.

A discussion followed on UN resolutions and the implementation process. In many ways, the panel of experts is heavily dependent on the UN member states to implement the resolutions and to report relevant interdictions and incidents. Without such cooperation, there is little the panel of experts can do to enhance implementation of UN resolutions. In other words, as one participant put it, implementation is both "the solution and the problem" for UN resolutions: they are effective if properly implemented, but it is rarely clear where the gaps are and whether or not resolutions are implemented thoroughly.

Session 4: Transshipment Points and Foreign Trade Zones

The goal of this session was to highlight how the control of trade of strategic goods and technologies is conducted in transshipment points and foreign trade zones.

Daniel Salisbury (King's College London) gave a presentation on transshipment points and foreign trade zones (FTZ). He began by defining the terms "transit" (when goods enter a transportation hub and leave on the same vessel), "transshipment" (when goods enter a transportation hub, are off-loaded and loaded onto a second vessel, but do not enter customs territory), and "re-export" (when goods are imported, i.e. enter Customs territory, and are re-exported as imported or after manipulation).

Proliferation risks largely lie in transshipment and re-export. There is an important difference, however: in transshipment, the risk is posed by entities at the port, i.e., in FTZ, whereas in re-export, the risk is posed by entities in a state's jurisdiction. Proliferation risks in transit are posed by the shipper rather than by intermediaries in third countries. The traditional illicit trade hubs are in the United Arab Emirates, China, Hong Kong, Singapore, Malaysia, Taiwan, and Turkey.

It is estimated that there are approximately 3,500 FTZ in over 135 countries. A 2008 study by the Financial Action Task Force focused on nonproliferation found that FTZ have inadequate controls against money laundering and the financing of terrorism. In general, oversight is relaxed and procedures to inspect goods and register legal entities are weak. Moreover, there is a lack of adequate coordination and cooperation between FTZ and Customs authorities.

The European Union is a free trade zone. For the most part, intra-EU transfers do not require any license. However, there is dual-use export legislation at the EU level (428/2009). Administration control and enforcement is conducted at the national level. In the European Union, transshipment risks are largely a concern of individual national authorities. The EU General Export Authorizations provides open licenses and exporters need to register with the relevant national authorities.

In the United Kingdom, there is a movement to open licenses for lower risk goods to lower risk destinations; companies in good standing can use open licenses. For certain goods to specific destinations, the United Kingdom issues Open General Export Licenses (for dual-use goods to Hong Kong, for instance); these licenses do not authorize the export of items to a destination within a Customs free zone. The United Kingdom also issues Open Individual Export Licenses, but not for the export of dual-use goods where the UK exporter relinquishes control; these licenses are issued only where the security and safeguards associated with the international supply chain are robust and validated, the goods produced are under the UK company's inventory controls at all times, and the ultimate destinations have been approved.

Mary Harriet Abordo (Philippine Economic Zone Authority) explained that PEZA is an investment promotion agency created in 1995 in order to provide for the legal framework and mechanisms for the creation, operation, administration, and coordination of special economic zones in the Philippines. PEZA's mission is to provide a globally competitive and ecologically sustainable business environment to investors through effective management of economic zones, efficient administration of incentives, utmost delivery of services, focused investment promotion, and proactive developmental activities.

As of September 2012, there were 271 economic zones in the Philippines: 65 in manufacturing, 175 IT Parks (39) and IT Centers (136), 13 Tourism Eco-zones, 2 Medical Tourism Parks/Centers, and 16 Agro-Industrial Parks.

Session 5: Management of Strategic Goods and Technologies and the ASEAN Single Window and Connectivity Initiatives

This session intended to examine how the ASEAN Single Window and Connectivity Initiatives could be used to enhance trade security.

Maria Caridad P. Manarang (Chair, ASW Steering Committee, Philippines) gave a history of the ASEAN Single Window (ASW) initiative. At the 9th ASEAN Summit in October 2003, the adoption of the Single Window approach was endorsed for expeditious clearance at customs to facilitate international trade. At the 14th meeting of the ASEAN Customs Directors-General in November 2005, the ASW Steering Committee was established to monitor and coordinate the implementation of the ASW, and agreement was reached on the National Single Windows (NSW) concept.

ASW is the environment where NSW of member states integrate, providing an infrastructure for electronic trade data/information/document exchange and communication. The NSW of a member state is the national gateway that serves as the single point of connectivity and communication with other ASEAN member states' NSW in the ASW environment. Trade data between a sender and a recipient are maintained and owned by the parties concerned and will reside in the national domain which is under the purview of the respective member state.

ASEAN member states are at various stages of development in their NSW. The ASW Technical Working Group follows a five-year work program (2011-2015) to assist member states. Full implementation in the ten ASEAN member states is scheduled for 2015, in time for the 2015 establishment of the ASEAN Economic Community. The ASW Legal Working Group also follows a five-year work program (2011-2015). It is developing the ASW Legal Framework Agreement, a more comprehensive agreement that will govern live data exchange. A full working draft of the agreement is expected to be completed by the end of 2012.

The ASW initiative will improve enforcement and help better coordinate border management. The ASW initiative will also support pre-loading, pre-departure, pre-arrival, and on-arrival customs processing to increase ASEAN's competitive edge on cargo clearance turnaround time. Finally, it will improve risk and profile management for both trade facilitation and compliance and will help make a more effective use of government resources.

Business will also benefit considerably from the ASW initiative. Paperless clearance in ASEAN will be a major step. It will make pre-arrival clearance easier and will reduce the risk of goods being rejected upon arrival at destination. It will help provide more efficient supply chain management and increase the possibilities for supply chain integration in ASEAN. It will also be possible to use the ASW architecture for future applications (e.g. the ASEAN Customs Transit System). The ASW initiative will eventually enable exchange of cargo clearance data with trading partners, and it will complement FTA by

helping to expedite cargo clearance. Finally, the ASW initiative will make permit and quota balance monitoring easier when all data is exchanged electronically.

There are challenges associated with the implementation of the ASW initiative, however. It requires the completion of the development and implementation of all NSW in ASEAN member states, covering all desired functionalities like pre-arrival processing, effective risk management and mutual recognition of digital certificates, among others. It also requires the resolution of the legal gaps in the domestic laws of all ASEAN member states that may create potential barriers to the full operation of NSW, cross-border interoperability between NSW and the ASW and legal interoperability of the NSW and nongovernment entities that may participate in the NSW, and completion of the ASW Legal Framework Agreement. Another challenge is the establishment of the most advantageous business model and the resolution of other operational issues to ensure the sustainability of the ASW.

Sunchai Nilsuwankosit (Chulalongkorn University, Thailand) began his presentation by talking about the ASEAN Economic Community (AEC), which is meant to create a single market, improve the region's competitiveness, improve and equalize the economy in the region, and synergize with the global economy.

In Thailand, 36 government offices are committed to NSW, which is led by Customs. Among these 36 offices, 10 are already connected to NSW, 10 are in testing stage, 13 are in developing stage, and 3 are acquiring budgets. The Thai NSW is ready to accept connection from inside and outside Thailand, although there are a number of coordination issues among the various government systems.

Michael McNamara (US Department of State) gave a presentation to introduce "EXBS", i.e., the US Department of State's Export Control and Border Security Program, as well as explain why the US government is backs the ASW initiative and how EXBS is supporting it. EXBS aims to prevent WMD and dual-use proliferation, to facilitate secure trade, and to provide education and training to develop capacity building. There are five pillars of EXBS support: comprehensive legal / regulatory framework, effective licensing procedures and practices, enforcement techniques and equipment, government outreach to industry, and interagency coordination.

The US government is a strong supporter of the ASW initiative because it promotes regional prosperity, stability, and security. ASW and NSW seek to facilitate trade and expedite cargo clearance. One of the collateral benefits is to facilitate secure trade by providing supply chain integrity and security, fighting transnational crime, providing electronic trade date / transparency, and improved trade security practices.

The ASW aims to facilitate trade through exchange of cargo clearance data electronically and securely between NSW. EXBS's objective is to facilitate secure trade through the use of non-intrusive NSW, ASW, and international practices. For this activity, EXBS objectives are to promote the use of risk management systems, understanding of trade security concepts, and harmonization of trade security.

EXBS is conducting an initial stock-taking study on ASW activities and is providing targeted national-level technical assistance. EXBS also seeks to engage relevant ASEAN sectoral bodies, organize regional high-level seminar for senior ASEAN Customs, trade, and other relevant officials on "Trade Security in ASEAN," involve relevant international organizations, and provide general support to the overall ASW regional architecture. At the national level, EXBS has proposed to review/assess NSW trade security policy and legislation, conduct gap analysis of international trade security standards, support implementation of risk management tools for NSW, and provide other assistance of all sorts.

During the discussion, participants insisted on the need for more regional integration on strategic trade management (and assistance in implementing UN Security Council Resolution 1540) and pointed out that ASEAN should be at the center of such efforts. There was broad agreement among participants that regional implementation of strategic trade control measures should focus on ASEAN economic ministers as the leadership forum for the ASEAN Economic Community. In this context, the ASEAN Single Window could serve as the enabling mechanism to regionalize strategic trade management. The development of the ASEAN Single Window provides an opportunity to promote an ASEAN-based regional control lists for military and dual-use goods similar to the EU list. This does not mean, however, that the regional list would replace national lists.

Although the ASEAN Single Window initiative offers numerous advantages, participants stressed that efforts to develop National Single Windows across the region are uneven. There is confusion about who the main implementers of National Single Windows are and what agencies have a role in implementing the program. Moreover, several participants stressed that there was a lack of leadership at the regional level, slowing down the process even more.

Session 6: APEC and Management of Strategic Goods and Technologies

The goal of this session was to identify if and how APEC initiatives and action plans could improve strategic trade management and enhance trade security.

Stephanie Lieggi (James Martin Center for Nonproliferation Studies) stressed that the core objective of APEC is to facilitate economic collaboration in the Asia-Pacific.

Although APEC's focus is on trade and economics, the promotion of secure trade is also one of its goals. Many member economies, however, remain skeptical about including security issues on the agenda, concerned that this would divert the forum away from economics and trade. Some worry that APEC could disappear if security became a focal point.

Prior to 2001, APEC dealt with security issues, although they were never on the official agendas. After the 9/11 attacks, security issues were actively discussed, notably

counter-terrorism issues: terrorism was considered "bad for business". Thus, APEC focused some attention on secure trade, notably to mitigate risks to transportation, supply chains, and financial systems, while assuring minimal impact on legitimate trade.

In the area of counter-terrorism, APEC adopted a number of programs. The Secure Trade in the APEC Region (STAR) program (2002) recognizes the need for local knowledge in counter-terrorism and deals with supply chain security and potential weak points in the system. In particular, it seeks to enhance security and efficiency in seaports, airports, and other access points.

The Supply Chain Connectivity Framework (2010), which was initiated by APEC's Committee on Trade and Investment in 2010, looks at "choke-points" for effective supply chain security; each of them has an action plan that identifies projects and activities aimed at dealing with the particular problem(s) at hand.

The Counter Terrorism Task Action Force (CTTF) (2003) coordinates the implementation of APEC policies on fighting terrorism and enhancing human security. It assists members in identifying and assessing counter-terrorism needs and coordinates relevant APEC capacity building and technical assistance programs. A major component is the Counter Terrorism Action Plans (CTAP) (2003).

CTAP includes self-reporting by member economies of various counter-terrorism measures, including securing cargo, protecting people in transit, protecting maritime traffic and international aviation, and halting the financing of terrorism. They are aimed at aiding members in fulfilling the goals of STAR.

CTTF Medium-Term Work Plan (2011) prioritizes effective capacity building and technical cooperation. It is meant to enhance CTAP "as a foundation for annual discussion and activity planning."

Finally, APEC has developed numerous links with the private sector. The APEC Business Advisory Council provides advice to APEC leaders on policies related to trade facilitation and economic cooperation, and is involved in discussions related to supply chain connectivity and illicit trafficking issues in the region.

There are several challenges to strategic trade management in APEC: most members see it as a political or security issue, not as an economic matter. Moreover, the APEC secretariat has limited capacity to promote strategic trade management. Finally, there is a lack of leadership to champion the issue.

It would be possible, however, to define strategic trade management in economic terms by stressing the negative impact on business of illicit trafficking, for instance. A stronger case would need to be made that strengthening trade security and strategic trade management can reinforce efficiencies that benefit economies. APEC could help create a "safe" environment where its partners would be able to trade more freely.

The relevance of strategic trade management to APEC activities is evident, because of its reach into the private sector. It would be useful for APEC members to devote more attention to capacity building and to share best practices: STAR and CTAP could serve as a baseline. Adding standards related to the control of sensitive materials and illicit trafficking to these initiatives would help secure trade. Another area where progress could be made would be to increase support for the initiatives in the CTTF Mid-term Work Plan (training courses, exchange programs, practical exercises, for instance).

There was broad consensus among participants that APEC initiatives are a useful mechanism for implementing strategic trade controls, if only because of its reach to industry and the private sector. Notably, the integration of strategic trade management into APEC's Private Sector Supply Chain Management Guidelines and its Supply Chain Connectivity Framework would be beneficial.

A number of participants, however, stressed that there was little political momentum, let alone leadership within APEC, to move in that direction. The situation is unlikely to change. One participant argued that these political considerations should not prevent, at a minimum, a passive utilization of the organization.

Session 7: Wrap-Up and Concluding Remarks

Carl Baker (Pacific Forum CSIS) summed up the key takeaways of the meeting. He stressed that the core question surrounding strategic trade management is how to integrate the requirements of controls into effective policymaking and how these controls can facilitate safe and secure trade. Thus, integration into the framework of effective supply chain management is critical to avoid the perception that it is all about imposing controls to restrict legitimate trade; this should encourage private industry and other organizations focused on supply chain safety and security to want to play an active role in the process. Asia-Pacific organizations can help enhance strategic trade management, but the prospects of them playing a more active role are not good at present.

Our discussion suggested that the next steps for the CSCAP Export Controls Experts Group are an analysis of the following topics:

- Revision/expansion of the CSCAP Memorandum on Guidelines for Managing Trade of Strategic Goods.
- Implications of the Arms Trade Treaty for management of dual-use and military goods in East Asia.
- Feasibility/desirability of developing an ASEAN-wide control list.
- Examination of EU strategic trade management applicability to East Asia.
- Integration of strategic trade management principles into ASEAN Single Window licensing process and APEC supply chain security initiatives.
- Role of strategic trade management in implementing UNSCR 1540.

- Integration into the regional trade and security framework of countries that have so far remained outside of or poorly involved in this framework, such as Myanmar and Cambodia, both of which have expressed interest to make efforts in this direction.