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Special Report

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Recent Developments in the Region

Pakistan and Export Controls

(An earlier version of this article appeared in the June issue of the NIS Export Control Observer.)

In the aftermath of revelations concerning the black market smuggling network of A.Q. Khan, the Pakistani Ministry of Foreign Affairs prepared new export control regulations to address concerns raised by the International Atomic Energy Agency (IAEA) and the United States. [1] On September 18, 2004, the Pakistani Senate passed the Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act, 2004. This bill, initially tabled on June 7, 2004, stipulates that any violation of the act will result in up to 14 years' imprisonment, forfeiture of all property and assets to the government, and a fine of 5 million rupees (about \$86,500). Any individuals attempting to commit or abetting the commission of such offenses will be charged as if they had themselves committed the violation. [2]

The act also calls for the creation of an oversight board to administer export control regulations, enforcement, as well as the licensing for export and re-export of nuclear and biological-related goods and technologies. Furthermore, exporters will also be required to maintain records of all transactions and report them to the designated government agencies. All government agencies involved in the licensing process will be required to maintain records of all licensing recommendations and decisions. The control lists of items subject to licensing requirements will be reviewed periodically, and updated as required by the government. [3]

After the revelations regarding Khan, the Pakistani government asked for U.S. and Japanese assistance in drafting new export control legislation. Japan provided English translations of relevant Japanese export control regulations, and also invited Pakistani experts to attend export control seminars. [4] In mid-May, U.S. Under Secretary of Commerce for Industry and Security Kenneth Juster held talks with Pakistani officials on export controls. Juster expressed U.S. appreciation for Pakistan's efforts to streamline and strengthen export controls, with both sides agreeing to continued dialogue and cooperation on export controls. Pakistan was also invited to attend the Department of Commerce's Annual Update conference on dual-use export control regulations and implementation, to be held in October 2004. [5] Additionally, in February, France proposed a dialogue between Pakistan and the international community and proposed to hold a nonproliferation summit with Pakistan in the coming months. The dialogue would focus on the strengthening of export controls, greater cooperation with the IAEA, and Pakistani participation in international nonproliferation regimes. [6]

Editor's Note: Pakistan released export control regulations in July 1998, February 1999, and August 1999 and the Export Policy and Procedures Order of November 2000. These Statutory Regulatory Orders (SRO) banned the export of fissile material and required a "no objection certificate" to be issued by the Pakistani Atomic Energy Commission (PAEC) for the export of nuclear substances, radioactive material, and nuclear energy-related equipment. However, the A.Q. Khan incident demonstrated weaknesses in Pakistan's existing export control legislation.

Previous regulations contained some contradictions, such as the July 1998 SRO, which banned all exports of nuclear material, and subsequent regulations that laid out procedures for acquiring a certificate and license for the export of nuclear energy-related items, including nuclear substances, such as heavy water and enriched uranium. [7] Another major loophole in the 2000 export control regulations is the provision that grants automatic exemptions to agencies under the Ministry of Defense. In addition, Pakistani law also allowed the "Vice Chairman" of the Export Promotion Bureau to waive regulations on behalf of any enterprise. Little information exists detailing which enterprises have been exempted in the past, and there does not appear to be any oversight authority to audit the use of this provision. [8]

Sources: [1] "Pakistan: Upcoming Nuclear Bill May Empower Govt to Punish Proliferators," *The News (Islamabad)*, June 5, 2004, in FBIS SAP20040605000019. For background on the A.Q. Khan's network, see "A.Q. Khan's Clandestine Nuclear Market" in the April 2004 issue of the *Asian Export Control Observer*, <http://cns.miis.edu/pubs/observer/asian/pdfs/aeco_0404.pdf>. [2] "Pakistani Senate Approves Nuclear Export Control Bill," Agence France Presse, September 19, 2004, in Yahoo! News, <<http://news.yahoo.com>>; Shahid Hussain,

"Islamabad Tightens Nuclear Controls," *Gulf News*, May 6, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [3] "Nuclear Exports Control Bill Tabled in NA," *The Pakistan Newswire*, June 7, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [4] "Japan, Pakistan Discuss Export Controls," *The Daily Yomiuri*, May 17, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [5] "Talks Held with U.S. on N-export Controls," *Dawn: the Internet Edition*, May 17, 2004, <<http://dawn.com>>; "U.S. Lauds Islamabad's Nuclear Export Control Law," *Islamic Republic News Agency*, May 16, 2004, <<http://www.irna.ir>>; "U.S. Appreciates Pak Efforts to Streamline Its Export Control," *Global News Wire*, May 16, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [6] Shahid-ur-Rehman, "France Urges Pakistan to Begin Global Nonproliferation Dialogue," *Nucleonics Week*, March 4, 2004, in Proquest, <<http://www.proquest.com>>; "Kyodo: France Proposes International Dialogue on Nuclear Proliferation," *Kyodo World Service*, February 28, 2004 in FBIS JPP20040228000067. [7] Alex Wagner and Seth Brugger, "Pakistan Clarifies Nuclear Export Control Guidelines," *Arms Control Today*, September 2000, <http://www.armscontrol.org/act/2000_09/pakistansept00.asp>. [8] Anupam Srivastava and Seema Gahlaut, "Curbing Proliferation from Emerging Suppliers: Export Controls in India and Pakistan," *Arms Control Today*, September 2003, <http://www.armscontrol.org/act/2003_09/AnupamandGahlaut.asp>; Government of Pakistan, Ministry of Commerce, "Export Policy and Procedures Order 2000", November 7, 2000, <<http://www.epb.gov.pk/jspsmartupload/upload/epbdocs/sro880.pdf>>.

Japanese Business Federation Urges Revision of Japanese Export Control Guidelines

On July 20, 2004, the Japanese Business Federation, Nippon Keidanren, urged the Japanese government to reconsider the domestic guidelines covering weapons technology exports. According to principles established in 1967 by then Prime Minister Eisaku Sato, Japanese companies are prohibited from exporting arms to: 1) communist bloc states, 2) states subject to arms exports embargo under United Nations Security Council resolutions, and 3) states involved in or likely to be involved in international conflicts. [1] In 1976, these three principles were revised under the government of Prime Minister Takeo Miki to include a total ban on arms exports; however, revisions in 1983 allowed the transfer of weapons technology to the United States. The guidelines still prohibit the transfer of weapons parts to any country, including the United States. [1, 2]

The Japanese government has strictly applied the arms export ban. Nevertheless, rapid scientific and technological progress in Japan and the changing security environment after the Cold War have triggered a new debate on the three principles in Japan's industrial sector, as well as in the political and defense communities. Keidanren had twice before proposed reviewing the arms ban, in 1995 and 2000, seeking changes to allow for the export of weapons parts and weapons technology to and joint development of weapon systems with the United States; this recent proposal was in response to the Koizumi government's plan to review the National Defense Program Outline, a set of guidelines for Japan's defense policy. [2, 3]

Keidanren's latest proposal does not call for the removal of the arms ban, but instead proposes a reconsideration of the guidelines to allow Japan to participate in joint defense technology development with other countries and to reduce the financial burden that comes with relying solely on indigenous development. [2, 4] The stated rationale behind the proposal was to increase Japan's competitiveness in the international defense industry. Japan's defense industries fear that they may shrink or be wiped out by Self-Defense Force budget cuts. [4, 5] Collaboration with other countries on weapons development would reduce the expenses associated with research and development because of shared costs between partners.

Keidanren's proposal has caused controversy within Japan's political community. The Speaker of the Lower House of the Japanese Diet, Yohei Kono, labeled the proposal as "a threat to Japan's very presence in the international community." [6] Editorials in some Japanese publications, such as the *Asahi Shimbun*, warned against Japan becoming a "reviled merchant of death." [7] However, other publications, such as the *Daily Yomiuri*, supported a review of the arms ban on the grounds that the principles were outdated. [8]

The Keidanren proposal comes at a time when Tokyo appears open to exploring ways to amend Japan's arms export policies. In January 2004, Defense Agency Director Shigeru Ishiba indicated his openness to reviewing the arms ban so as to allow Japan to develop weapons jointly with countries other than the United States. According to Director Ishiba, "the ban on arms exports is based on notions prevalent during the Cold

War era.” [5] However, Prime Minister Koizumi and Chief Cabinet Secretary Yasuo Fukuda (a known proponent for reviewing the guidelines) dismissed Ishiba’s statement, suggesting that the review should be limited.

In March 2004, a panel from the ruling Liberal Democratic Party’s National Defense Division recommended that the guidelines for arms exports be reviewed to allow for case-by-case approval of transfers. The panel also held that it would be possible to export arms under strict control while still preventing exports to regions of conflict or states condemned by UN resolutions for their human rights abuses or support for terrorism. [9]

In late July, a separate advisory panel to Prime Minister Koizumi on national security and defense issues agreed to review the arms ban, calling a total ban “irrational” [10]. This panel of business, academic, and former government leaders is expected to deliver its report in September. Prime Minister Koizumi has also spoken out in favor of reviewing the arms ban. While he has reiterated the need to maintain the spirit of the three principles on arms exports, he also noted that reviewing the principles is necessary in view of scientific and technological progress. Koizumi’s ambiguous statement may allude to the possibility of Tokyo amending the three principles in order to proceed with joint missile defense development and production programs with the United States. Because the current three principles do not permit Japan to conduct these activities, it is likely that the Japanese government will need to revise the three principles to enable it to participate fully in joint research and development of missile defense systems with the United States. [11]

Editor’s Note: Japan’s participation with the United States on missile defense is likely to encounter obstacles in the development and production phases. These obstacles stem from prohibition of the transfer of weapons parts to the United States and joint development and production of weapons with any foreign country. Even though the 1983 agreement on the transfer of military technology to the United States based on the Japan-U.S. Security Treaty made technology transfer to the United States exempt from the three principles, the Japanese government is still prohibited from conducting joint development and production of weapons, as well as transferring weapon parts to any foreign country, including the United States. [1] Therefore, under the current three principles, the joint missile defense program, which will eventually require arms equipment transfers to the United States and joint development and production of weapons, is not permitted. [12] Nevertheless, Defense Agency officials plan to introduce jointly developed technology to produce more sophisticated weapon systems with a view to amending the three principles.

Sources: [1] The Ministry of Foreign Affairs of Japan, “Japan’s Policies on the Control of Arms Exports”, <<http://www.mofa.go.jp/policy/un/disarmament/policy/index.html>>. [2] “Japan Ready to Review Ban on Arms Exports: Ishiba,” *Kyodo World Service*, January 14, 2004 in FBIS JPP20040114000003. [3] “Keidanren Proposes Revising Weapons Export Embargo,” *The Nikkei Weekly*, July 26, 2004, in LexisNexis, <<http://www.lexisnexis.com>>. [4] “Japan Business Federation Urges Government To Ease Rules on Arms Export,” *The Daily Yomiuri*, July 21, 2004 in FBIS JPP20040720000140. [5] “Japan Biz Lobby Urges Govt to Ease Arms Export Rules,” *Jiji Press*, July 20, 2004 in FBIS JPP20040720000094. [6] “Lower House Speaker Kono Slams Keidanren Push for Arms Exports,” *Kyodo World Service*, July 21, 2004 in FBIS JPP20040721000078. [7] “Editorial Questions Keidanren’s Call for Review of Arms Exports Principles,” *Asahi Shimbun*, July 26, 2004 in FBIS JPP20040726000042; “Asahi Column Calls for Maintaining Ban on Weapons Exports,” *Asahi Shimbun*, July 23, 2004 in FBIS JPP20040723000025. [8] Yoshio Okubo, “Arms Export Ban Outdated,” *The Daily Yomiuri*, August 11, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [9] “LDP Panel Seeks to Limit Arms Export Ban to Terrorism-Linked Nations,” *Jiji Press Ticker Service*, March 24, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [10] “Koizumi’s Defense Panel to Review Arms Export Ban,” *Kyodo News Service*, July 27, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [11] “Koizumi Proposes Review of Arms Export Laws,” *The Daily Yomiuri*, August 10, 2004, in LexisNexis, <<http://www.lexisnexis.com>>. [12] “Nippon Keidanren Calls for Revision to Allow for Arms Exports,” *Kyodo World Service*, July 20, 2004 in FBIS JPP20040720000100.

U.S. to Train Indian Customs in Detecting WMD

Officials from the U.S. Department of Homeland Security’s Immigration and Customs Enforcement (ICE) held workshops in Delhi, Mumbai, and Chennai, with approximately 20 Indian customs officials. These workshops focused on exchanging intelligence regarding the transboundary movement of WMD and related items. In the next step of this project, the ICE will train customs inspectors and cargo examiners at the Nava

Sheva Port (Mumbai, India) in detection of WMD-related transfers. A mobile container scanner has been set up at that facility, but the training curriculum and module have yet to be confirmed. However, an official involved in the process noted that it was highly likely that the training and procedures will be based on Container Security Initiative procedures developed for Hong Kong and Singapore. [1]

In 2002, U.S.-Indian cooperation on export control resulted in a series of expert-level discussions and some preliminary training of Indian customs officials. [2] Indian officials have been keen on preventing the proliferation of WMD, but their customs officials lack awareness and training. These latest sets of workshops were organized by the U.S. government, but they are being conducted under the direction of the UN Security Council. It is not clear yet whether the United States or the UN will fund the additional training of the inspectors. [1]

Sources: [1] "U.S. To Train Indian Officials in Detecting Weapons of Mass Destruction," *The Indian Express*, July 21, 2004, in FBIS SAP20040721000050. [2] "That Terrible Pinnacle: Efforts to Move Beyond Nuclear Crisis Management in South Asia," *Disarmament Diplomacy* (The Acronym Institute): Issue 66, September 2002, <<http://www.acronym.org.uk/dd/dd66/66nr02.htm>>.

Regional Cooperation

ASEAN Regional Forum Members Pledge Progress on WMD Nonproliferation

Delegates to the 2004 ASEAN Regional Forum (ARF) meeting in Jakarta on July 2, 2004, released a joint statement vowing to prevent terrorists from gaining access to WMD and their delivery systems. The statement also called on all ARF nations to implement effective export controls. [1] The one-day meeting was chaired by Dr. N. Wassan Hirajuda, the Indonesian Minister of Foreign Affairs. [2]

The joint statement urged ARF member states to take steps to hinder proliferation activities, including improvement of national export controls; information sharing; cooperation in halting the trafficking of nuclear, chemical, and biological weapons; and the strengthening of legal frameworks for criminalizing the export of equipment and technology that could lead to WMD production. [3] Delegations declared that "ARF participants will implement effective export controls and enforcement measures to control the transfer of materials, technology, and expertise that can contribute to the design, development, production, or use of WMD and their means of delivery," but added that such measures "shall not impede states' efforts to acquire material, equipment, and technology for peaceful purposes." [3]

The statement, which was originally proposed by the U.S. delegation, also referred to the North Korean nuclear issue, saying that ARF participants agreed "that the denuclearization of the Korean Peninsula would contribute to peace and stability of the Asia-Pacific region" and would "continue to support the six-party talks to resolve the nuclear issue peacefully through dialogue." [1]

Editor's Note: The ARF consists of the 10 members of the Association of Southeast Asian Nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam), as well as Australia, Canada, China, the European Union, India, Japan, Mongolia, New Zealand, North Korea, Pakistan, Papua New Guinea, Russia, South Korea, and the United States.

Sources: [1] Varunee Torsricharoen, "Kyodo: ARF Members Pledge Nonproliferation of Weapons of Mass Destruction," Tokyo Kyodo World Service in English, July 2, 2004, in FBIS JPP20040702000108; "Kyodo: ASEAN Regional Forum Begins Session to Discuss Security Issues," Tokyo Kyodo World Service in English, July 2, 2004, in FBIS JPP20040702000052. [2] "Chairman's Statement of the 11th ASEAN Regional Forum," Association of Southeast Asian Nations website, July 2, 2004, <<http://www.aseansec.org/16245.htm>>. [3] "ASEAN Forum Members Adopt Statement on Nonproliferation," *BBC Monitoring International Reports*, July 2, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>; "ARF to Push for Stronger Cooperation to Keep WMDs out of Terrorists' Hands," Hong Kong AFP, June 28, 2004, in FBIS JPP20040628000010.

APEC Members Invited to Adopt Wassenaar Arrangement Controls on Man-Portable Air Defense Systems

At its July 30-31, 2004 meeting, the 21 members of the Asia-Pacific Economic Cooperation (APEC) forum agreed to consider the adoption of strict export control guidelines for shoulder-fired, man-portable air defense systems (MANPADS). MANPADS are easily concealable and, despite their small size, can have devastating and lethal effects. The initiative, originally proposed by the United States at the October 2003 Bangkok meeting, grew from concerns that terrorists might use such weapons against civilian aircraft. At the October 2003 meeting, APEC agreed to “strengthen [its] joint efforts to curb terrorist threats against mass transportation and confront the threat posed by terrorists’ acquisition of MANPADS against international aviation.” [1]

During the July 2004 meeting, APEC leaders paid special attention to transportation security and agreed to support international efforts for strict control over access, export, and production of MANPADS. [2] At the gathering, member states examined the option of voluntary adoption of principles and guidelines regarding MANPADS that mirrored those already adopted by the 33-nation Wassenaar Arrangement (WA) in the guidelines entitled: “Elements for Export Controls of Man Portable Air Defense Systems.” [3] Although APEC’s October 2003 meeting had endorsed a plan to restrict the production and sale of MANPADS [4], the WA guidelines, adopted in December 2003, included additional limitations, such as restricting the sale of MANPADS to foreign governments or their authorized agents, and not to non-state entities or private individuals. The Wassenaar guidelines also required exporting and end-user nations to account for stockpiles, maintain reporting on sales and transfers of MANPADS, and prohibit the use of general export licenses for MANPADS transfers. In addition, the WA guidelines called for exporting nations to take into account additional factors—such as the potential for misuse or diversion by end-users, the level of physical protection of inventories, and the willingness of the recipient government to protect against unauthorized loss, theft, or transfers—before issuing licenses to export MANPADS. such. [3, 5] The WA guidelines apply domestic export control legislation and regulations regarding MANPADS to the international transfer or re-transfer of MANPADS, including complete systems, simulators, components, and training systems. The WA guidelines also provide for the use of domestic criminal sanctions as penalties in cases of MANPADS export control violations. [3]

Editor’s Note: Seven APEC members (the United States, South Korea, Japan, Russia, Australia, New Zealand, and Canada) were among the 33 signatories to the WA’s “Elements for Export Controls of Man Portable Air Defense Systems.” APEC members that are not Wassenaar members may unilaterally adhere to those guidelines, according to U.S. ambassador to the APEC forum, Lauren Moriarty. [1, 3] These non-WA members of APEC are: Brunei Darussalam, Chile, China, China Hong Kong, Chinese Taipei, Indonesia, Malaysia, Mexico, Papua New Guinea, Peru, Philippines, Singapore, Thailand, and Vietnam.

Sources: [1] P. Parameswaran, “Asia Pacific Economies to Consider Missile Export Control Guidelines,” Agence France Presse, June 21, 2004, in Lexis-Nexis, <<http://web.lexis-nexis.com>>. [2] “APEC Launches Initiatives to Advance Safe, Secure and Efficient Transportation,” M2 Presswire, August 2, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [3] “Asia Pacific Economies to Mull Missile Export Control Guidelines – U.S. Ambassador,” AFX News, July 22, 2004, <<http://www.afxnews.com>>. [4] “APEC Official Expects Endorsement of U.S. Plan on Shoulder-Launched Missiles,” Hong Kong AFP, October 17, 2003 in FBIS JPP20031017000104. [5] “Elements for Export Controls of Man-Portable Air Defense Systems,” Website for the Wassenaar Arrangement, December 2003, <<http://wassenaar.org>>.

Illicit Trafficking in the Region

Ongoing Concerns Over Pakistan’s Nuclear Proliferation Activities

The Bush administration has informed the U.S. Congress that it will continue to press Pakistan to strengthen its nuclear export controls to prevent further leakages of sensitive technology on the black market. U.S. Assistant Secretary of State for South Asia Christina Rocca told a congressional hearing on June 22, 2004, that Pakistan’s nuclear program has remained under scrutiny, as it had been linked to an underground non-

state nuclear supplier network. However, Rocca admitted that the United States has had to rely on the Pakistani government's cooperation, as U.S. officials do not have direct access to Dr. A.Q. Khan, a top figure in the Pakistani nuclear weapons program, who was formerly leader of the underground nuclear supplier network. [1] The United States obtained evidence that the network supported nuclear weapon development programs in Libya, Iran, and North Korea.

Meanwhile, former Pakistani Prime Minister Benazir Bhutto admitted in July 2004 that Pakistan negotiated the purchase of ballistic missile technology from North Korea during her visit to Pyongyang in December 1993. However, Bhutto claims that Pakistan paid for the ballistic missile purchases in cash and denies that any transfers of nuclear technology to Pyongyang occurred in exchange for North Korea's transfer of ballistic missiles during her tenure as prime minister. [2]

Sources: [1] P. Parameswaran, "Pakistan Not Off the Hook Yet Over Black Market Nuclear Network: U.S.," *Agence France Presse*, June 23, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexisnexis.com>>. [2] Eishiro Takeishi, "Bhutto: We Bought Missile Technology," *Asahi Shimbun*, July 19, 2004 in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>.

Seven Arrested for Illegal Transfers of Weapons to China

On July 1, 2004, U.S. authorities from the Department of Homeland Security's Immigration and Customs Enforcement (ICE) and the Federal Bureau of Investigations (FBI) arrested seven people in New Jersey on charges of conspiracy, wire fraud, and violation of the federal *Arms Export Control Act*. The seven individuals are believed to have shipped components for radar systems, smart weapons, electronic warfare systems, and communication equipment to China. They are associated with Universal Technology, Inc. (UTI) and Manten Electronics, Inc., both located in Mount Laurel, New Jersey. [1] The items in question were allegedly sent to a state-sponsored research institution in China and were routed through Hong Kong by various means. The defendants attempted to disguise their shipments by falsifying documents and purporting that the items were intended for use by a U.S. company operating in China. The items were also falsely declared as not requiring export licenses. [2, 3]

Since October 2002, investigations by the ICE and the FBI have resulted in dozens of convictions for illegal arms exports to China. These arrests represent the latest in a crackdown on what U.S. authorities believe to be a covert network in the United States that purchases sensitive weapons technology. Some past shipments are believed to have made their way to the Chinese military or to research institutes associated with the military. [2] The seven defendants in this case were all born in China. Five had since been naturalized and the remaining two possessed permanent residency status. Those arrested include UTI president Terry Li, UTI vice-president James Ji, and Manten president Kevin Xu. [3]

Editor's Note: The maximum punishment for violating the Arms Export Control Act is 10 years imprisonment and a fine of \$1 million. The maximum punishment for each count of collaboration and wire fraud is five years' imprisonment and a fine of \$250,000. [2]

Sources: [1] "Feds Say 7 Tried to Sell Defense Tech," Associated Press, July 2, 2004, <<http://www.ap.org>>. [2] "7 Held on Arms-Export Charges," *Washington Post*, July 2, 2004, <<http://www.washingtonpost.com>>. [3] "Seven American Chinese Arrested in U.S. for Exporting Sensitive Technology to PRC," *Hong Kong Sing Tao Jih Pao*, July 3, 2004, in FBIS CPP20040703000022.

Proliferation Issues in the Region

Russian Firm Cited for Violating Export Controls on Missile Technology

(This article also appears in the August issue of the NIS Export Control Observer)

On July 16, 2004, Acting U.S. Assistant Secretary of State for Nonproliferation Susan F. Burk, released a notice declaring that sanctions would be imposed on Altay Federal Research and Production Complex effective July 22, 2004. The reason given for the sanctions was that the Russian firm had "engaged in missile

technology proliferation activities that require the imposition of the sanctions described in Section 73(a)(2)(A) of the Arms Export Control Act and Section 11B(b)(1)(B)(i) of the Export Administration Act of 1979.” [1] The source of this violation, according to the firm’s public relations department, was a “contract for the fulfillment of an order for India.”[2]

Under terms of the sanctions, new individual licenses for exports to Altay of Missile Technology Control Regime (MTCR) Annex equipment or technology controlled pursuant to the Export Administration Act of 1979 will be denied for two years; new licenses for export to Altay of MTCR Annex equipment or technology controlled pursuant to the Arms Export Control Act will be denied for two years; and no new U.S. government contracts relating to MTCR Annex equipment or technology involving the entity described above will be entered into for two years.

Altay claimed that it had not received formal documentation of any sanctions from the U.S. State Department and that it only learned of the sanctions from an Internet posting on the U.S. Federal Registry website. Firm managers released a statement on July 26 stressing that “Altay is carrying out its external economic activity in strict compliance with Russian legislation. At present, the enterprise is working under contracts with many countries, including NATO members, for research and development of solid fuel sources of selective cold gases, such as nitrogen, oxygen, hydrogen, which are widely used in fire fighting, medicine, and technologies of production of super-dispersed diamonds for biomedical and technical applications.” [3] The company is currently in pre-contact negotiations with a number of U.S. and other foreign firms on the use of gunpowdered pressure generators for increasing oil and gas well output.

The Russian Foreign Ministry responded to the sanctions by declaring that its domestic firms’ cooperation with foreign entities is, “legitimate and is not subject either to Russian or to international limitations...with regard to introduction of these and other similar sanctions, we wish to stress that if the U.S. party considers that it is correct to limit its contacts with cutting-edge companies of the Russian military industrial complex, this is the choice of the U.S. itself.” [2] The sanctions against Altay come concurrently with U.S. disputes with Russia over the export of \$3 billion in arms, including the supply of 12 MiG-29 fighters to Sudan.

Sources: [1] U.S. Department of State Bureau of Nonproliferation, “Imposition of Missile Proliferation Sanctions Against a Russian Entity,” Public Notice 4771, Washington: GPO July 22, 2004. [2] Aleksandr Babakin and Vladimir Ivanov, “Gosdep voyuyet s rossiyskimi oboronshchikami” [The U.S. State Department Attacks the Russian Military Industrial Complex], *Nezavisimoye Voyennoye Obozreniye* online edition, July 30, 2004, <http://nvo.ng.ru/wars/2004-07-30/2_gosdep.html>. [3] Valentin Pavlov, “Rukovodstvo nauchno-proizvodstvennogo tsentra ‘Altay’ otvergayet obvineniya SShA v rasprostraneni raketnykh tekhnologiy” [Management of Altay Research and Production Center Denies U.S. Accusations in the proliferation of missile technologies], ITAR-TASS, July 27, 2004; in Integrum Techno Database, <<http://www.integrum.com>>.

Maritime and Port Security

Enforcement of Automation Requirements for Inbound Vessels to U.S. Ports Begins

On July 1, 2004, new security standards established by the International Maritime Organization, known as the International Ship and Port Facility Security (ISPS) Code, went into effect. According to U.S. Secretary of Homeland Security Tom Ridge, the new guidelines create “one world standard for ship and port security.” [1] The ISPS Code requires that the concept of “risk management” be put into practice on ships and in port facilities through the development of new security plans, the assignment of new security officers, and the use of specific onboard/onsite equipment. These requirements were meant to facilitate the implementation of additional security regulations in the future, which require monitoring of and controlling access to ships and ports, monitoring individuals and cargo, and ensuring that security communications are readily available. [2]

The United States has complemented the International Maritime Organization’s ISPS Code with its own legislation, known as the *U.S. Maritime Transportation Security Act*, covering domestic vessels and ports. [1] The act designates the U.S. Coast Guard as the entity responsible for maritime homeland security, requiring it

to develop national and regional security plans. The act also requires seaports, waterfront terminals, and certain vessels to develop and submit incident response plans to the Coast Guard, and vessels operating within U.S. navigable waters are required to have an Automatic Identification System (AIS). This system consists of a shipboard broadcast system, functioning essentially as a transponder and providing each AIS-equipped vessel with information regarding other vessels, such as name, course, speed, classification, and maneuvering information. [3]

In the United States, 9,500 vessels, 3,200 facilities, and 40 offshore oil facilities are affected by these new international and domestic regulations. Vessels that either had not implemented the required international measures or were outbound from port facilities that had not implemented these measures as of the July 1 deadline could be subject to search upon entry into another port or subject to denial of entry. [4]

Since the July start date, several problems have surfaced in the implementation of these new standards. Many port authorities and vessel owners have complained that they were not given enough time to implement the standards. In the United States, authorities of several ports have pointed out that they cannot afford the new domestic and international standards, which, in the aggregate, will cost ports and ship operators approximately \$7.3 billion over ten years (as calculated by the U.S. Coast Guard). Many U.S. ports do not make a profit due to intense competition, and with only \$125 million allotted in grants to ports to improve port security in the 2005 U.S. federal budget, many at U.S. ports are wondering how they will absorb the expenses needed to meet the new standards.

Sources: [1] Department of Homeland Security, "Press Release: Secretary Tom Ridge Announces New Nationwide Port Security Improvements," June 21, 2004; U.S. Customs and Border Protection, DHS, "Press Release: Enforcement of Automation Requirement for Inbound Vessels Begins July 6," July 2, 2004. [2] International Maritime Organization, "IMO Adopts Comprehensive Maritime Security Measures," New York: UN, 9-13 December 2002. [3] Subcommittee on Coast Guard and Maritime Transportation, House of Representatives, "Hearing on Implementation of the Maritime Transportation Security Act," June 9, 2004. [3] "What Is the Automatic Identification System (AIS)?" U.S. Coast Guard Navigation Center, July 18, 2003, <<http://www.navcen.uscg.gov/enav/ais/default.htm>>. [4] "New Concerns Over Ports: Port Authorities Are Struggling to Meet Security Mandates Amid Limited Federal Funding Support," *The Herald Tribune*, March 29, 2004, <<http://www.heraldtribune.com>>; "Congress, Industry Still Debate Who Should Fund Port Security," *Aviation Week's Homeland Security & Defense*, June 16, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>.

Regional Round-up

U.S. Companies Fined for Illegal Exports to Indian Nuclear Entities. On June 9, 2004, Berkeley Nucleonics Corporation (BNC) of San Rafael, CA, pleaded guilty to exporting a nuclear technology component to India without a license. The company admitted it sold a pulsed generator, a device used for calibrating radar or nuclear instruments with some military applications, to the Bhabha Atomic Research Center, a part of India's Department of Atomic Energy. The Bhabha Center plays a major role in the Indian nuclear weapons program. Since its 1998 nuclear tests, India has been subject to U.S. sanctions, which placed added restrictions on exports to entities connected to New Delhi's nuclear program. BNC was fined \$300,000 by the Northern California District Court for violating Export Administration Regulations (EAR) and will also pay \$55,000 in civil penalties to the Department of Commerce. BNC will also be denied export privileges for the next five years. [1]

On June 25, 2004, the Sentry Company, based in Foxborough, Massachusetts, also agreed to pay civil penalties of \$25,000 in order to settle charges that it exported controlled items in violation of the EAR. Without authorization, Sentry exported heat treating containers four times between May 1999 and June 2002 to Bharat Dynamics, Ltd. of Hyderabad, India. Bharat Dynamics is on the Entity List of the U.S. Commerce Department because of its contribution to the Indian nuclear weapons program, and therefore U.S. exports to the firm require special authorization.[2]

Atotech Settles Illegal Export Charges. Atotech USA Inc., based in South Carolina, agreed to pay a \$14,000 civil penalty in order to settle Department of Commerce charges that it exported Econo-Chrome 140-S

Chromate to an end user in Hong Kong in violation of the EAR. Econo-Chrome 140-S is a toxic chemical containing potassium di-chromate and sodium fluoride, and its export is controlled for chemical warfare and antiterrorism reasons. Sodium fluoride is an Australia Group controlled substance that can be used as a precursor for sarin, soman, and cyclo-sarin nerve gases. [3]

Radiological Device Stolen in Shanghai. On June 1, 2004, Chinese state media reported a two-day search for a stolen cylinder containing a gamma ray apparatus. The 10-kilogram box containing the instrument was being used to perform industrial radiography on construction sites and is capable of transmitting fatal doses of radiation. A driver left the device in a company car (the name of the company was not disclosed) outside his apartment. When the driver returned, the device was missing. The company to which the device belongs has offered a 10,000 RMB reward (approximately US\$1,200) for information leading to its return. [4]

Indian Reportedly Attempts to Sell Nuclear Secrets. The Indian government is investigating whether Akhtar Hussain Qutduddin Ahmed, who was deported to India from the United Arab Emirates after he reportedly offered to sell India's nuclear secrets to Arab governments, has links to some Indian nuclear scientists. Akhtar reportedly claimed that his cousin was a scientist at an Indian nuclear agency. Dubai police officials claim that Akhtar first offered to sell nuclear secrets in the early 1990s and was arrested after two years of surveillance. [5]

Sources: [1] Douglas Jacobson, "BIS Announces Settlement of Three More Enforcement Cases." *International Trade Law News*, June 28, 2004, <www.djacobsonlaw.com/2004/06/bis-announces-settlement-of-three-more.html>; Josh Richman, "Company Fined For Shipping Nuke-Related Device to India." *Alameda Times-Star*, June 12, 2004; "California: Business Crimes," *ALM Properties, Business Crimes*, July 6, 2004. [2] Bureau of Industry and Security, Department of Commerce, "Press Release: Sentry Settles Charges of Unlicensed Exports," Washington, BIS Public Affairs, June 25, 2004. [3] Douglas Jacobson, "BIS Announces Settlement of Three More Enforcement Cases," *International Trade Law News*, June 28, 2004, <www.djacobsonlaw.com/2004/06/bis-announces-settlement-of-three-more.html>; Bureau of Industry and Security, Dept. of Commerce. Press Release: Atotech Settles Charges of Illegal Exports, Washington, BIS Public Affairs, June 28, 2004. [4] "Fears Over Stolen Radioactive Equipment in Shanghai; Police Search Ongoing." Hong Kong AFP, June 1, 2004. [5] "BARC Probing Akhtar's 'Links' with Scientists," *The Hindu*, June 14, 2004.

International Export Control Regimes

WCO Council Adopts New Resolution, Creates High Level Strategic Group

(This article also appears in the August issue of the NIS Export Control Observer)

At the June 24-26, 2004, World Customs Organization (WCO) Council session in Brussels, WCO directors general adopted the *Resolution of the Customs Co-operation Council on Global Security and Facilitation Measures Concerning the International Trade Supply Chain*. [1] This resolution is a followup to the *Resolution on Security and Facilitation of the International Trade Supply Chain*, which was adopted in June 2002. [2] Taking into account the changing international trade environment and risks posed by terrorism and organized crime, and to secure and facilitate legitimate trade and to promote economic security, the June 2004 resolution created a High Level Strategic Group, composed of a small, diverse group of the WCO directors general. [1, 3]

This Group, which met for the first time on June 26, 2004, is to:

- provide leadership and guidance on enhancing the position of the WCO and national customs administrations on security and facilitation matters
- build upon and consolidate the work of the WCO Task Force, composed of customs experts working in close collaboration with other stakeholders in international trade and tasked with developing common solutions designed to ensure targeted controls and to facilitate the movement of licit goods
- prepare a WCO framework for the security and facilitation of global trade to be presented for the consideration of the WCO Policy Commission within 12 months
- further develop the concept of integrated supply chain management and related customs matters

- develop and define standards on integrated supply chain security and facilitation and related customs matters
- recommend capacity-building measures and develop strategies to assist developing countries showing the political will to conform to the standards that will be set.

To achieve this final objective, the WCO Council agreed to establish a third directorate within the WCO Secretariat, with the responsibility for capacity-building activities. [1, 3]

The resolution also calls upon national customs services to commit to implementing WCO instruments relating to security and facilitation as early as possible; putting into practice modern customs procedures and administrative measures, such as information and communication technology and risk management techniques embodied in the revised Kyoto Convention; and acceding promptly to the revised Kyoto Convention and to the Johannesburg Convention. According to the resolution, member states should also take urgent steps to:

- develop an action plan to implement supply chain security and facilitation measures
- mobilize key stakeholders to ensure that customs administrations play an essential role within an integrated government response toward supply chain security and facilitation measures
- monitor and report to the WCO Secretariat on the progress being made toward implementation of supply chain security and facilitation measures
- maintain and ensure a high degree of good governance and integrity in their customs administrations. [1, 3]

The WCO Policy Commission, at its December 2004 session, shall review the progress made with the implementation of this resolution by the WCO High Level Strategic Group, Secretariat, and member states. [1]

Editor's Note: In 1999, the World Custom Organization adopted a revised version of the 1974 Kyoto Convention, also known as the International Convention on the Simplification and Harmonization of Customs Procedures, to promote trade through uniform standards for customs inspections and documentation. Chief among the revisions were inclusion of information technology, electronic commerce and risk assessment methodology as integral to reengineering customs processes and simplifying procedures. [4] The Johannesburg Convention, also known as the Convention on Mutual Administrative Assistance in Customs Matters, was adopted in 2003 in response to international concerns of terrorism and transnational crime, and provides a means of sharing information through a global database to aid in combatting transnational crime, preventing revenue fraud, and improving border security. [5]

Sources: [1] "Resolution of the Customs Co-operation Council on Global Security and Facilitation Measures Concerning the International Trade Supply Chain (June 2004)," WCO website, <<http://www.wcoomd.org/ie/En/en.html>>. [2] "Resolution on Security and Facilitation of the International Trade Supply Chain (June 2002)," WCO website, <http://www.wcoomd.org/ie/En/Topics_Issues/topics_issues.html>. [3] "WCO Council Adopts Second Resolution on Security and Facilitation and Creates new High-Level Strategic Group," WCO press release, June 30, 2004, WCO website, <<http://www.wcoomd.org/ie/En/Press/press.html>>. [4] "WCO Instruments and Programmes – Customs Procedures and Trade Facilitation: The Revised Kyoto Convention," WCO website, <<http://wcoomd.org/ie/En/en.html>>. [5] "The Johannesburg Convention: A New Tool to Facilitate Mutual Administrative Assistance Among WCO Members," WCO website, <<http://wcoomd.org/ie/En/en.html>>.

Hong Kong Alters Import-Export Rules for Microprocessors in Accordance with Wassenaar Arrangement

As computer technology advances and microprocessor computing power increases in leaps and bounds, members of the Wassenaar Arrangement have routinely relaxed the restrictions on transfers of such dual-use equipment, as its availability from various sources increases. At the December 2002 WA Plenary, member countries agreed to raise the control threshold for microprocessors to 190,000 million theoretical operations per second (Mtops), as well as decontrolling general purpose microprocessors. [1]

On June 11, 2004, Hong Kong's amended Import and Export Regulations Order 2004 came into effect. Under this amended order, the Hong Kong government relaxed the Mtop threshold to match the terms agreed upon at the Wassenaar Arrangement Plenary in 2002. The threshold was raised from 28,000 Mtops to 190,000 Mtops, exempting most microprocessors and generally available computers from import and export licensing controls. These changes, according to Hong Kong's Trade and Industry Department, updated Hong Kong's strategic commodities list to the most recent changes adopted by the WA and other agreements, including the MTCR, the Australia Group (AG), and the Nuclear Suppliers Group (NSG). [2]

Sources: [1] "Public Statement at the 2002 Plenary of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies," The Wassenaar Arrangement, December 12, 2002, <http://www.wassenaar.org/docs/public_statement_021212.htm>. [2] "Hong Kong Relaxes Computer Import-Export Rules," *Beijing Xinhua*, June 4, 2004 in FBIS CPP20040604000148.

International Developments

Followup to G-8 Action Plan on Nonproliferation

Special Report by Victor Zaborisky, Senior Research Associate, Center for International Trade and Security, University of Georgia

From June 8 to 10, 2004, President Bush hosted the Thirtieth G-8 Summit at Sea Island, Georgia. The G-8 Summit brought together the leaders of the world's major industrial democracies: Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States. The European Union also attended the G-8 Summit. The G-8 leaders endorsed a series of initiatives to address some of the most pressing challenges facing the world today. Among other documents, the G-8 adopted the so-called *Action Plan on Nonproliferation*, which singled out eight major areas that require special attention: 1) nuclear nonproliferation, 2) the Proliferation Security Initiative, 3) the Global Partnership Against Weapons and Materials of Mass Destruction, 4) nonproliferation challenges (North Korea, Iran, and Libya), 5) defense against bioterrorism, 6) chemical weapons proliferation, 7) implementation of the Evian Initiative on Radioactive Source Security, and 8) nuclear safety and security. [1]

Most of the points in the action plan are long-term objectives, and the short interval between the summit and the publication of this report is insufficient to measure their success or failure. Recent months, however, have witnessed certain developments with respect to encouraging North Korea and Iran to forgo their nuclear weapons programs, and to advance U.S. biosecurity efforts. U.S. Undersecretary of State for Arms Control and International Security John Bolton analyzed the former effort during a press conference in Tokyo on July 23, 2004. [2] At the third round of the six-party talks (between China, Japan, North Korea, Russia, South Korea, and the United States) in Beijing in June 2004, the U.S. delegation offered Pyongyang three months to shut down and seal its nuclear weapons facilities; in return Pyongyang would receive heavy fuel oil to meet energy needs and the United States would provide a provisional security guarantee and lift some sanctions. [3] It was the first significant overture to North Korea since George W. Bush took office in early 2001. The North Koreans stated that the rewards should include removal from the list of nations sponsoring terrorism as well as energy aid and a lifting of sanctions. [4] North Korea and the United States are currently both examining each other's propositions; however, whether they will get back to the negotiation table in late September, as originally scheduled, is now less clear. Undersecretary Bolton noted that, "the ball is in North Korea's court now." Indeed, in mid-August, Pyongyang said that it had "nothing to expect" from the new round of talks and hinted that it may not attend a working group meeting to prepare for the negotiations. The North Korean government also criticized U.S.-South Korean military exercises that began in August. The North Korean foreign ministry stated that exercises were "destroying the basic foundation for the six-party talks" [5]. The recent revelation of South Korea's controversial uranium enrichment experiments that took place in 2000, further complicates the situation and indeed provides Pyongyang with the justification to refuse dismantlement of its own programs. It now appears that the six-party talks originally scheduled for late September, may not take place. [10]

With respect to Libya, Undersecretary Bolton stressed that this country has established a "model... when the central decision-maker [Colonel Qadhafi] made a cost-benefit analysis... and came to the conclusion that it

would be much safer renouncing the pursuit of weapons of mass destruction than trying to pursue them.” Bolton pointed out that as a result of cooperation from Libyan authorities, canisters of uranium hexafluoride, uranium centrifuge equipment, and a complete uranium conversion facility have been removed from Libya to their new home in Oak Ridge, Tennessee [2].

Resolving nuclear nonproliferation issues with Iran has met with little success in the post-summit months. In July 2004, the IAEA adopted a resolution stating that Iran had failed to cooperate fully with agency inspectors. In retaliation, Tehran stated in early August that it had resumed building centrifuges for uranium enrichment, thus backtracking on its October 2003 pledge to the United Kingdom, France, and Germany to suspend sensitive uranium enrichment activities, allow tougher IAEA inspections, and file a comprehensive declaration of its nuclear activities. Furthermore, the Iranians set out their own demands, stating that the three European nations should back Iran's quest for forms of “advanced technology, including those of dual use.” [6] While the European allies debated how to respond to Iran's demarche, the United States has urged the IAEA to refer the Iranian case to the UN Security Council, and a recent IAEA draft resolution suggested that a November board meeting could decide “whether or not further steps are required,” a clear hint that such a referral is possible should Iran continue to defy the conditions set in the resolution. [7] “Iran must comply with the demands of the free world...We've got to keep pressure on the government, and help others keep pressure on the government, so there's a universal condemnation of illegal weapons activities,” Bush told his Republican supporters at an “Ask President Bush” campaign event in Annandale, Virginia, on August 9. [8]

The most significant followup by Washington to the G-8 action plan directive “to commit to concrete national and international steps...to defend against bioterrorism” has been the presidential endorsement of new legislation to strengthen protection of Americans in the event of a terrorist attack involving biological or chemical agents. On July 21, 2004, President Bush signed into law a bill aimed at bolstering the nation's defenses against biological, chemical, and nuclear terrorism. The Project Bioshield Act of 2004 improves the nation's defenses by authorizing \$5.6 billion over 10 years “for the government to purchase and stockpile vaccines and drugs to fight anthrax, smallpox and other potential agents of bioterror.” The act also allows, in a crisis, the distribution of new drugs that have not been approved by the Food and Drug Administration. [9]

Sources: [1] “G-8 Action Plan on Nonproliferation,” White House, Office of Press Secretary, June 9, 2004, <<http://www.whitehouse.gov/news/releases/2004/06/20040609-28.html>>. [2] “John Bolton Holds a News Conference,” Federal Document Clearing House, July 23, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [3] Joseph Kahn, “U.S. Makes Overture to North Koreans,” *The New York Times*, June 24, 2004, in Lexis-Nexis Academic Universe, <<http://web.lexis-nexis.com>>. [4] “North Korea Admits Its Nuclear Programs Are Weapons Related,” Yahoo! News, July 15, 2004, <<http://www.yahoo.com>>. [5] “U.S.-South Korea Military Drills “Destroying” Nuclear Talks: N. Korea,” *Khaleej Times*, August 20, 2004, <www.khaleejtimes.com>. [6] “Iran Demands that Europeans Back Its Nuclear Quest,” Yahoo! News, August 10, 2004, online. [7] Associate Press, “IAEA sets deadline for Iran to halt nuclear action,” *Jerusalem Post*, September 17, 2004, <<http://www.jpost.com/>> [8] Elisabeth Bumiller, “Bush Sees Joint World Effort to Press Iran on Nuclear Issue,” *The New York Times*, August 10, 2004, <<http://www.nytimes.com>>. [9] William Branigin, “Bush Signs Measure to Battle Bioterror,” *The Washington Post*, July 22, 2004, <<http://www.bradenton.com/>>. [10] James Brooke, “North Korea Says Seoul's Nuclear Experiments Stoke Arms Race,” *New York Times*, September 6, 2004 <<http://www.nytimes.com/2004/09/09/international/asia/09korea.html>>; Park Song-wu, “Seoul Committed to Nuclear-Free Policy,” *The Korea Times*, September 19, 2004 <<http://times.hankooki.com/lpage/200409/kt2004091915474010160.htm>>.

Russia Joins Proliferation Security Initiative

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On May 31, 2004, approximately 80 nations gathered in southern Poland for the first anniversary of the Proliferation Security Initiative (PSI), with Russia in attendance as a new core member. U.S. Under Secretary of State for Arms Control and International Security John Bolton lauded Russia's entry: “I think as a political signal Russia joining the core group of PSI is very profound and I think its implications will reach far and wide...Russia is a great naval power and it has extensive land and airspace that can be used for commercial activities, which we hope and expect will now be closed to proliferators.” [1, 2]

Russia's membership comes after a year of debate within the Russian government and through diplomatic channels with other PSI members, notably the United States, concerning the nature of the PSI and its place within the context of preexisting international nonproliferation regimes and domestic laws. As late as April 2004, the Russian Foreign Ministry had described the initiative as "raw" and "half-finished" and still had several specific questions about the activity. As articulated by Russian Senior Deputy Foreign Minister Vyacheslav Trubnikov, these questions were: "Who sanctions the interceptions of vessels? Based on which information? Who will bear the material and juridical responsibility for wrong detentions?" [3] These questions gave expression to Russia's fear that the PSI could conflict with international and domestic laws protecting global commerce and safe passage through international waters and airspace, as well as open the way for unilateral military action by the United States outside of the UN Security Council, where Russia has veto power.

The other major concern expressed by the Russian government on the initiative was the list of designated "rogue" or "unreliable" states, i.e., North Korea and Iran. According to Col. Gen Yuriy Baluyevskiy, Chief of the General Staff of the Russian armed forces, "At the second sitting the representatives of the states backing the initiative compiled a list of so-called unreliable states, including North Korea and Iran. We do not understand whether one can put a full stop or a comma after these states. Might Russia come to feature on the list (of unreliable states)?" [4] After Iran signed an inspections agreement with the IAEA, Russia, satisfied with Iran's transparency in this matter, continued construction of the Bushehr nuclear power generation facility in January 2004. [5] Possible interruption of this project by PSI members most likely was a source of this apprehension over the "unreliable states" list, not to mention Russia's opposition to the U.S. quasi-unilateral action in Iraq.

Russia's misgivings for the "rogue-state" list were finally allayed after a reference to rogue states in the context of combating terrorism (specifically Pakistan, Iran, and North Korea) was removed from UN Security Council Resolution 1540. Russia's legal concerns were also smoothed over. However, upon accepting core membership in the PSI, the Russian Foreign Ministry stipulated, "The Russian party intends to contribute to fulfillment of the PSI with consideration to compatibility of the action with the international legislation, national legislation, and common interests of nonproliferation....We proceed on the assumption that action within the Initiative should not and will not hinder legal, economic, scientific, and technical cooperation between nations." [6]

Despite concessions and stipulations, Russia's entry into the Proliferation Security Initiative is extremely significant for international nonproliferation efforts. With Russia as a core member, it can bring a considerable amount of pressure to bear upon Iran and North Korea, with which it has ties and shares strategic borders. Russia will also be able to use its influence on former Soviet Republics to tighten their presently shoddy and weak export controls. With Russia as a member and China now as the focus of U.S. PSI enlistment efforts, much more pressure may be brought to bear upon North Korea as the United States will be in a better position to block North Korean sales of missiles, nuclear fuel, and technology and biochemical weaponry for hard currency, fulfilling a major goal of the initiative. China and South Korea endorse the PSI's nonproliferation principles and have indicated their willingness to cooperate in information collection and enforcement within the existing international legal framework. However, neither has formally joined the PSI. China has expressed concerns over potential consequences caused by interdictions outside the international legal framework. [7]

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Export Controls In Focus

Singapore's Export Control System – An Interview with Singapore Customs Officials

By Jing-dong Yuan

In January 2003, Singapore began to implement a significantly revised and modernized strategic goods control system. The system is based on the Strategic Goods (Control) Act (SGCA), which was passed on November 25, 2002, and has been implemented since January 1, 2003, and on the Strategic Goods (Control) Regulations (SGCR) of 2004, which provide more detailed guidelines for regulating trade in strategic goods and related technologies. [1] A country highly dependent on international trade and a major hub for transit and transshipment trade, Singapore is at the forefront of international efforts to stem the proliferation of WMD and relevant technologies. The Ministry of Trade and Industry is the lead ministry of the SGCA. It has designated Singapore Customs as the National Authority for the administration of the act. [2]

As the designated National Authority, Singapore Customs is the lead agency coordinating the country's export control regulations, policy, implementation, and enforcement. Policy direction for export controls is derived through an inter-Ministry Committee that comprises Ministries of Foreign Affairs, Trade and Industry, Transport, Home Affairs, and Defense; the Attorney General's Chambers; the Immigration and Checkpoints Authority; and Customs. In addition, Singapore Customs also:

- serves as focal point for local and international inquiries
- processes all permit applications
- registers and audits arms brokers
- conducts industry outreach and public awareness programs
- enforces the act and its regulations for strategic goods control violations. [2]

Imports of certain strategic goods continue to be controlled by other relevant agencies, which include the Arms and Explosives Licensing Division under the Ministry of Home Affairs, the Central Narcotics Bureau, the Center for Radiation Protection, the National Authority (Chemical Weapons Convention), the Center for Disease Controls, and the Pollution Control Department.

The SGCG/SGCR regulate trade involving both physical transfers of goods (via export, transshipment, and transit) and brokering activities, as well as intangible transfer of technology, including electronic transmission of controlled technology. Regarding the commodities covered, the act and the regulations extend to a broad range of goods/technologies relevant to the "development, production, and use of nuclear, chemical and biological weapons, and also conventional arms and military equipment." They also include "certain 'dual-use' goods that have both civilian and sensitive military applications, and can be used as precursors or components for WMD." [3] The Strategic Goods Control List, which is specified in the SGCR, covers munitions and biological, chemical, and dual-use items and is consistent with—though not identical to—the four existing international export control regimes (the Australia Group, the Nuclear Suppliers Group, the Missile Technology Control Regime, and the Wassenaar Arrangement). Other controlled items include military items, encryption, and intangible WMD technology. Arms brokers must register with Customs and are prohibited from brokering in WMD-related goods or technology and are also banned from trading with countries subject to embargoes imposed by the United Nations Security Council.

The control list is continually reviewed and amended, following new developments in international regimes. Singapore has also adopted the "catch-all" practice, whereby items not listed in the Strategic Goods Control List, but which are thought likely to be used in specific WMD programs, are controlled.

Even though transit goods can stay on board their means of conveyance (ships, aircraft, etc.) without being unloaded in Singapore ports, and therefore do not require Singaporean export licenses, transit trade is

nonetheless subject to “catch-all” provisions to prevent the onward shipment of items that are believed to be destined for WMD programs.

Singapore is looking into gradually embracing the full control lists currently maintained by the four multilateral export control regimes, but this requires time and a better technical understanding of the requirements of these regimes. Singapore is also in the process of enhancing the implementation of its new strategic goods control system by training additional personnel for technical/license reviews and enforcement (Customs has approximately 400+ personnel, and the Immigration and Checkpoints Authority has about 1,000).

Singapore has adopted a streamlined and efficient permit review and approval process, taking into consideration both its commitment to preventing WMD proliferation through stringent export controls and the need to facilitate international trade. *TradeNet*, an electronic trade documentation system, is in place to expedite the application, review, and approval procedure. In addition, the End-User Certificate is used as one of the supporting documents alongside technical specifications, export licenses, and invoices, etc. Prospective traders are required to file a Joint Declaration 3 (*JntDec3*) *TradeNet* permit at least three working days prior to shipment. [3] In general, there is no fixed timeline for permit review and approval, although internal deadlines do exist. Nonetheless, the authorities require a longer time to review sensitive or suspicious applications. In common practice, if a decision cannot be made regarding a particular application for more than a month, the request is denied.

There is also a fast-track system called the Approved Company Scheme (ACS), under which companies with effective international export control compliance programs and proven records are granted the ACS status. Approved companies under ACS can be subject to more facilitative declaration procedures and qualify to apply for bulk permits with respect to their export, re-export, transshipment, or transmission of strategic goods and their related technology or document (subject to conditions). The granting of each bulk permit to companies under ACS will be considered on a case-by-case basis.

To deter illicit activities, Singapore’s control system carries penalties for different offenses: a S\$10,000 (US\$6,000) fine for technical offenses (unintentional errors), a S\$100,000 (US\$60,000) fine or two years in jail or both for first offense of serious offenses, and a S\$200,000 (US\$120,000) fine or three years in jail or both for second and subsequent offenses. Singapore authorities can also impose fines of up to several times the value of the goods at issue. This is a more credible deterrent. [3, 4]

The Singapore government has made every effort to seek close cooperation with the private sector, recognizing that the country is highly dependent on trade, and therefore an efficient control system is of crucial importance. [5] Indeed, prior to the adoption of the SGCA/SGCR, the government consulted with the business communities with regard to the control structure, its scope, and documentation procedures. This remains an ongoing step-by-step process in which relevant government agencies continue to engage the private sector in various outreach programs, including educational and training activities and the encouragement of larger companies to adopt an internal compliance program (ICP). Overall, Singapore’s industries support the government’s export control efforts, but they also prefer simplified procedures.

Singapore is actively cooperating with other countries in the common pursuit of WMD nonproliferation. The Singapore-Japan cooperation program on export controls includes exchange of information on license process, end use, and enforcement actions. [6] Singapore has participated in Japan-organized export control seminars since the mid-1990s and has briefed other participating countries on Singapore’s current system and future plans. Since 2002, Singapore has also attended export control seminars organized by Germany, which cover developments in all four existing multilateral export control regimes. In addition, Singapore participates in U.S.-organized seminars on monitoring transshipments. Finally, Singapore continues to be involved in the international efforts to prevent the proliferation of WMD through its participation in the Container Security Initiative and Proliferation Security Initiative. [7]

Sources: [1] Prior to the introduction of SGCA/SGCR, Import-Export Acts served as the legal basis for trade controls. For detailed description of Singapore’s strategic goods control system, consult Singapore Customs’ official website at <www.stgc.gov.sg>. [2] “National Authority – Singapore Customs”,

<http://www.stgc.gov.sg/stgc/index.jsp?catName=26&artName=72&url=/html/1_National_Authority_-_Singapore_Customs.html>. [3] "A Brief Guide to Singapore's Strategic Goods Control System under the Strategic Goods (Control) Act," pamphlet provided by Singapore Customs. [4] See "Enforcement" in the official STGC site.<http://www.stgc.gov.sg/stgc/index.jsp?catName=46&artName=77&url=/html/3_Enforcement.html>. [5] A recent publication lists Singapore as the No. 1 trade dependent country in the Asia-Pacific region. See "Strategic Asia by the Numbers," in Richard J. Ellings and Aaron L. Friedberg, eds., *Strategic Asia 2003-04: Fragility & Crisis* (Seattle: The National Bureau of Asian Research, 2003), p.490. [6] "Bilateral Export Control Cooperation between Japan and Singapore," *Asian Export Control Observer*, Issue 2 (June 2004), pp.5-7. [7] Shi-Chin Lin, "The U.S. Container Security Initiative in Asia," *Asian Export Control Observer*, Issue 2 (June 2004), pp.18-21; "Singapore Takes Part in PSI Exercise," *Asian Export Control Observer*, Issue 1 (April 2004), pp.2-3.

Workshops & Conferences

Export Controls High on U.S.-China Conference Agenda

By Lora Saalman

The Fifth U.S.-China Conference on Arms Control, Disarmament and Nonproliferation was held in Beijing between July 20 and 22, 2004. The conference, which included participants from academic institutions, think tanks, and relevant governmental agencies from both countries, was sponsored by the Monterey Institute's Center for Nonproliferation Studies and the China Arms Control and Disarmament Association (CACDA). Acting Assistant Secretary of State for Nonproliferation Susan Burk and General-Director of the Department of Arms Control and Disarmament of the Chinese Ministry of Foreign Affairs Liu Jieyi headed the U.S. and Chinese delegations, respectively. Vice Foreign Minister Zhang Yesui gave the opening speech. At the conference, both Chinese and U.S. participants emphasized the importance of export controls as a critical instrument in combating WMD proliferation. The meeting highlighted both the growing challenges to the international nonproliferation regime, such as the illicit network of nuclear smuggling and the changing nature of technologies, and the questions these developments raise about the ability of existing export control regimes to deal with increasingly complex issues of trade, security, and nonproliferation.

Proliferation Challenges and New Initiatives in Export Controls

Conference participants discussed the recent developments in the nonproliferation field and highlighted several initiatives in response to the proliferation challenges, in particular where enhanced export control measures and cooperation could make critical differences. One such development is the growing number of suppliers of WMD-related items and technologies in the market, some of which are not members of some or all of the current multilateral control regimes. Also mentioned was the changing nature of transnational defense industrial cooperation and competition, which has made effective controls difficult. Unlike in the past, critical technologies no longer emerge from solely defense research but more often from commercial sectors. Participants also discussed the issue of intangible transfers, through communications and other media, whose controls are more elusive than those for conventional physical objects.

In response to these challenges, participants at the conference reviewed the contributions of a number of on-going export control efforts and proposed a number of new initiatives. One effort mentioned was the strengthening of multilateral export control regimes by introducing more stringent criteria on the transfer of certain sensitive nuclear technologies. A number of specific measures had already been proposed or adopted. These include calls for

- a moratorium on transfers of enrichment and reprocessing technologies at the G8 summit
- the NSG's consideration of a proposal to make the Additional Protocol a new standard for nuclear supply (the Additional Protocol is a measure under which states accept intensified inspections of their nuclear activities by the IAEA) as well as for adoption of the catch-all principles for dual-use exports
- requirement for all NSG member states to effectively implement enforcement measures in national laws and regulations.

Participants at the conference also noted the fundamental shift occurring in philosophical thinking on export controls. In the past, export controls were confined to states that were members of multilateral regimes. UN Security Council Resolution 1540 on WMD Nonproliferation, adopted on April 28, 2004, called on all member states to introduce and enforce domestic control measures to prevent the proliferation of WMD and delivery systems—including laws and regulations to control the export, transit, and re-export of related items—and to enforce border controls to detect, deter, and stop illicit trafficking in WMD materials.

Conference participants also recognized that greater efforts were required to ensure that states establish, improve, and enforce national export control systems by promulgating necessary national regulations. However, effective national systems require that national governments possess the political will to implement them, in particular in the face of competing national interests and priorities (e.g., trade promotion). There must also be in place the necessary bureaucracy and infrastructure, consisting of all the relevant government agencies that cover license review and approval, enforcement and verification, and intelligence gathering and sharing.

China Makes Progress in Export Controls

During the conference, Chinese participants stressed the comprehensive improvement in China's export control regulations in recent years, which included the adoption by Beijing of international standards and practices, licensing systems, end-user and end-use certification, list-based control methods, and catch-all principles. China applied for membership and was admitted into the NSG in May 2004. Beijing has also begun discussions with the MTCR, the Australia Group, and the Wassenaar Arrangement. China's export control authorities are in the process of establishing an interagency export control emergency coordination mechanism and a technical expert panel on export controls, as well as instating the World Customs Organization's Harmonized Commodity Description and Coding System (HS) domestically for controlled items. Beijing is also organizing workshops to publicize its export control regulations and to raise industry awareness. Two recent workshops on export controls on chemicals and other sensitive items were held in Beijing during May and July 2004. Chinese entities such as Ministry of Commerce have sponsored bilateral export control workshops and consultations, which have included the China-U.S. export control expert talks and nuclear export control seminar held in Beijing in May 2004.

Chinese participants also highlighted Beijing's efforts to draft stronger legislation on nonproliferation export controls and to develop closer interagency coordination in policy reviews and implementation. In addition, the Chinese government, with assistance from NGOs such as the CACDA, have reached out to industries and commercial sectors to publicize new regulations and organize education and training sessions for local governments, related agencies, enterprises and research institutions. Better information sharing and stricter enforcement of regulations by Chinese authorities have uncovered and stopped potential illicit exports of sensitive items.

Challenges Ahead

While China's progress in developing an effective domestic export control system was lauded at the conference, participants also recognized that deficiencies in education and training of government officials and personnel in pertinent commercial organizations remain major weaknesses. As China begins to implement its newly adopted export control regulations, the need for training Chinese officials who will be enforcing these regulations and for outreach programs to educate the commercial sectors about both China's domestic law and international practices, increases steadily. Conference participants recognized the potential in this area for closer U.S.-China cooperation. In addition to regular official consultation and exchanges, Track-II activities in education, training, and joint research programs could support Chinese government and nongovernment efforts to move beyond the promise of political commitments to the implementation of technical controls. The experience and confidence gained will further enhance the development of China's export control system. NGOs can also play a critical role by facilitating capacity building, outreach, and training.

Problems with capacity continue to hinder China's export control system. Organizations responsible for enforcing regulation still lack sufficient authority to inspect and detain suspicious cargoes and deter illicit

activities through the threat of meaningful penalties. Information sharing both within the Chinese system and between China and other states is also critical. Toward that end, participants noted that much groundwork has already been laid. A number of programs on strengthening bilateral nonproliferation cooperation are currently underway. These include:

- under secretary/vice ministerial-level dialogue on security issues between the United States and China, including a focus on nonproliferation
- a July 2003 Chinese language guidance on the U.S. Department of Commerce website on U.S. re-export controls for dual-use items
- the September 2003 arrangements between China and the United States on a system for obtaining reciprocal government-to-government assurances that nuclear technology transferred to the third party and items derived from this technology would not be retransferred to a third party without the consent of the supplier state
- a September 2003 joint export control seminar in Shanghai cosponsored by the Commerce Department and the Chinese Ministry of Commerce
- a Statement of Intent between the U.S. Department Energy and the China Atomic Energy Authority on January 12, 2004, pledging mutual cooperation in the fields of nuclear export control, international safeguards and physical protection, radioactive source security, and nuclear safety (*For more on nonproliferation cooperation between China and the United States, see relevant article on page 4 of the April 2004 issue of the Asian Export Control Observer*);
- the May 2004 China -U.S. export control talks, where details of licensing, enforcement, outreach to industry, interagency decision-making, identification of suspicious transfers, processes for investigation and prosecution, and challenges in the implementation of export controls were all discussed
- attendance of Chinese Ministry of Commerce representatives at the industry outreach program in the United States in June 2004.

Editor's Note: For details on this and other topics discussed at the conference, please read the full forthcoming conference report on the Center for Nonproliferation Studies website at www.cns.miis.edu.

Special Report

Interview with Song Young Wan, South Korea's Deputy Director-General for Disarmament

By Daniel A. Pinkston

On August 12, 2004, in Seoul, Dr. Daniel Pinkston from the Center for Nonproliferation Studies met with Mr. Song Young Wan, Deputy Director-General for Disarmament in South Korea's Ministry of Foreign Affairs and Trade. Mr. Song is a graduate of Seoul National University and the Institut International d'Administration Publique (IIAP) in Paris. He joined the Foreign Ministry in 1980, and has served at the South Korean Mission to the UN in New York, the South Korean Mission to the EU in Brussels, and the Korean Embassies in Sofia and Cairo. He has been serving in his current position since August 2003. While discussing export controls and nonproliferation issues with Dr. Pinkston, Mr. Song was willing to be interviewed for the *Asian Export Control Observer*.

Q: Could you please tell us the relevant international treaties the ROK has signed, and the relevant international organizations the ROK has joined?

A: My country is fully committed to nonproliferation and is now a member of all multilateral nonproliferation regimes. The Republic of Korea joined the IAEA in 1957 and the Conference for Disarmament (CD) in 1996, and ratified the Nonproliferation Treaty (NPT) in 1975, the Biological and

Toxin Weapons Convention (BTWC) in 1987, the Chemical Weapons Convention (CWC) in 1997, and the Comprehensive Test Ban Treaty (CTBT) in 1999. South Korea is also a member of the Nuclear Suppliers Group and the Zangger Committee, the Wassenaar Arrangement, the Australia Group, and the Missile Technology Control Regime.

Q: What are the relevant domestic laws and regulations for export controls? Are these laws and regulations available on the Internet? Where?

A: The relevant export control legislation in South Korea is covered in the *Foreign Trade Act*, the *Act on Special Measures for the Defense Industry*, the *Atomic Energy Act*, the *Technology Development Promotion Act*, and the *Inter-Korean Exchange and Cooperation Act*. The most important legislation is the *Foreign Trade Act*, which requires public notices on the trade of strategic items. I'd like to add that South Korean law includes catch-all provisions that enable customs officials to block the export of dangerous dual-use items even if they are not on export control lists.

There is no single free website that includes all of this legislation in English, but this is something that might be provided soon after the opening of the Strategic Item Control Center in late August 2004. Many people from other countries are also interested in Korean export controls, so this would be helpful.

Q: What is the domestic institutional setting for export controls in the ROK? Which agencies are responsible for export controls?

A: Export licensing authority is delegated to different ministries, namely the Ministry of Commerce, Industry and Energy (MOCIE); the Ministry of Science and Technology (MOST); the Ministry of National Defense (MND); and the Ministry of Unification (MOU). The authority depends upon export item or industry. The Ministry of Foreign Affairs and Trade (MOFAT) has no licensing authority for exports. However, if there are any export control issues that conflict with South Korea's international treaty obligations, then MOFAT will consult with the other ministries.

As for the export licensing process, there is a pre-consultation stage where exporters informally consult with ministry officials over questionable items. If it looks like an export license will not be approved, the ministries will discourage exporters from submitting formal applications. This catches many problems and saves everyone time.

Q: Can you tell us about interagency cooperation in the ROK regarding export controls?

A: Interagency cooperation is very important for effective export controls. If any ministry has a problem or question regarding an export license application, its officials will consult with officials in other ministries to resolve these difficult cases. We also hold interagency working-level consultative meetings almost every month on export controls. These meetings, which I chair, include the directors from the MOFAT, MOCIE, MOST, MND, and MOU, as well as intelligence officials. About every two months a meeting is held by the WMD Countermeasure Committee, which includes deputy ministers and officials from the National Security Council. The cabinet also holds ad hoc meetings on WMD proliferation and export controls as necessary. This is especially important for our policy towards North Korea.

Q: Effective export controls require cooperation with the private sector. Can you tell us about the relationship between government and industry in this area?

A: Yes, this is very important. Firms want to increase exports and maximize profits, and increasing exports is an important part of our national interest, just as it is in almost all countries. However, we are narrowly focused on stopping a small percentage of dangerous exports. We have to increase our efforts to instill this concept in the private sector, and our government ministries are holding more seminars and workshops on this topic and we are holding more public outreach programs to disseminate information to industry and to the public. However, we have to always try to do better in this area.

In the realm of defense industries, we have the Korea Defense Industry Association (KDIA), which was founded in 1976 as a nongovernmental, non-profit organization. KDIA has about 60-70 member firms, and the organization has the authority to block export applications before formal applications are submitted to the MND. So in the case of munitions or defense-related exports, there is essentially a stringent two-level screening process.

Q: Are there any South Korean NGOs working in the field of export controls?

Other than KDIA, the second NGO will open in late August this year. The Strategic Item Control Center will open in the Korea International Trade Association (KITA) in Seoul, and the center will play an important role in providing information to private sector firms. The center will do many of the things that the KDIA is doing for defense industries now. The center will have a website, so hopefully the content will be helpful to firms with their cooperation in this area.

Q: How will South Korea deal with export controls after the opening of the rail lines to North Korea, and with the opening of the Kaesong special economic zone?

A: These are very important national projects. There are also some important points to be made here. There will be ups and downs in inter-Korean relations, but South Korea's commitment to nonproliferation will remain firm. We must be prepared to control export items to North Korea; it is important to block the diversion of dangerous items for military purposes. All exports to North Korea must be approved and are subject to the Inter-Korea Exchange and Cooperation Act. The Ministry of Unification is the licensing authority for all exports to North Korea.

The firms operating in the Kaesong special economic zone will be South Korean firms investing in labor-intensive production. And they will be under the legal control of the South Korean government. The Kaesong special economic zone can be considered an "enclave" that requires permission to enter.

South Korea is very committed to nonproliferation. No one would be more concerned about the transfer of dangerous items to North Korea. We are very aware of this issue. People in other countries are concerned about this, but we will have strong monitoring and verification procedures.

Q: Can you tell us about South Korea's international cooperation in the area of export controls?

A: Export controls are not possible without international cooperation. My country became the first Asian country to host the plenary meeting of the NSG, and it will assume the presidency of the MTCR for one year after the plenary meeting to be held in Seoul during October 4-8 this year. Next year, we will also assume the presidency of the Wassenaar Arrangement. We have a relatively short period of experience in international export control regimes, but we are working very hard to expand our activities. We also joined the G8 Global Partnership in June 2004, and we are looking forward to contributing more to the cause of nonproliferation.

Q: How is South Korea cooperating with the Container Security Initiative?

A: The U.S. Customs Service has officials in Pusan. Early last year, South Korea and the U.S. signed a Declaration of Principles for the exchange of customs officers at the other's ports. Based on this agreement, in Pusan, U.S. and Korean officials review and inspect documents and cargos together, and they even open and rigorously inspect about a dozen containers every month.

Q: What is the South Korean government's official view of the Proliferation Security Initiative? Are there different views within the South Korea government concerning the PSI? Has South Korea been officially asked to join?

A: PSI is an important initiative. On several occasions, South Korea expressed its support for the goals and objectives of the PSI. But, due to the peculiar political and security situation of the Korean peninsula,

we adopt a cautious approach toward official participation in the initiative. However, if there is a request, we will consider, on a case-by-case basis, providing assistance to the core members of the PSI.

We are constantly discussing the WMD proliferation problem, as well as PSI, within the South Korean government. Of course, there are different views within the government, just like there would be in any government. But once a decision is made, everyone will respect it. That's why interagency consultation is very important.

Q: What are your views on the prospects for regional cooperation in the area of export controls?

A: Northeast Asia is a very dynamic region and accounts for a large portion of world trade. There are many important ports and transshipment points here. We are committed to greater export controls and Japan is playing a big role. Now China is becoming very active in export controls, and we welcome this. And ASEAN as well, especially Singapore and Thailand, are taking export controls more seriously than before.

In my view, one of the best ways to achieve nonproliferation is to universalize export control regimes, but unfortunately this has not yet happened. That's why outreach to nonparticipating countries of the multilateral export control regimes is so important. My country is actively engaging other countries in the region in export controls, and I think the prospects for regional cooperation are good.

Q: If the North Korean nuclear issue is resolved diplomatically, what do you think the prospects are for North Korea eventually cooperating in the area of export controls?

A: The North Korean nuclear problem is the key for so many issues. North Korea is certainly behind the other countries in the region in regards to export controls. We now have the six-party process, which was created for the resolution of the nuclear problem. We hope that the six-party talks can resolve North Korea's nuclear problem, and that confidence and the process of dialogue will have significant bearing upon institutionalizing a security mechanism in this region. Based on this experience, we can build a multilateral forum where participants can discuss security issues, export controls, regional cooperation, and other issues of common concern.

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